METLIFE INC
Form 10-K
February 28, 2012
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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, 2011

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 001-15787

MetLife, Inc.

(Exact name of registrant as specified in its charter)

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

(212) 578-2211

(Registrant s telephone number, including area code)

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
Common Equity Units	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 ¨

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant at June 30, 2011 was approximately $46 billion. At February 21, 2012, 1,060,330,384 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 24, 2012, 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, 2011.

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As used in this Form 10-K, MetLife, the Company, we, our and us refer to MetLife, Inc., a Delaware corporation incorporated in 199 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 future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of MetLife, Inc., its subsidiaries and affiliates. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife, Inc. s filings with the U.S. Securities and Exchange Commission (the SEC). These factors include: (1) difficult conditions in the global capital markets; (2) concerns over U.S. fiscal policy and the trajectory of the national debt of the U.S., as well as rating agency downgrades of U.S. Treasury securities; (3) uncertainty about the effectiveness of governmental and regulatory actions to stabilize the financial system, the imposition of fees relating thereto, or the promulgation of additional regulations; (4) increased volatility and disruption of the capital and credit markets, which may affect our ability to seek financing or access our credit facilities; (5) impact of comprehensive financial services regulation reform on us; (6) economic, political, legal, currency and other risks relating to our international operations, including with respect to fluctuations of exchange rates; (7) exposure to financial and capital market risk, including as a result of the disruption in Europe and possible withdrawal of one or more countries from the Euro zone; (8) 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; (9) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; (10) investment losses and defaults, and changes to investment valuations; (11) impairments of goodwill and realized losses or market value impairments to illiquid assets; (12) defaults on our mortgage loans; (13) the defaults or deteriorating credit of other financial institutions that could adversely affect us; (14) our ability to address unforeseen liabilities, asset impairments, or rating actions arising from acquisitions or dispositions, including our acquisition of American Life Insurance Company and Delaware American Life Insurance Company (collectively, ALICO) and to successfully integrate and manage the growth of acquired businesses with minimal disruption; (15) uncertainty with respect to the outcome of the closing agreement entered into with the United States Internal Revenue Service in connection with the acquisition of ALICO; (16) the dilutive impact on our stockholders resulting from the settlement of common equity units issued in connection with the acquisition of ALICO or otherwise; (17) MetLife, Inc. s primary reliance, as a holding company, on dividends from its subsidiaries to meet debt payment obligations and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends; (18) downgrades in our claims paying ability, financial strength or credit ratings; (19) ineffectiveness of risk management policies and procedures; (20) availability and effectiveness of reinsurance or indemnification arrangements, as well as default or failure of counterparties to perform; (21) 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; (22) catastrophe losses; (23) heightened competition, including

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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; (24) unanticipated changes in industry trends; (25) changes in assumptions related to investment valuations, deferred policy acquisition costs, deferred sales inducements, value of business acquired or goodwill; (26) changes in accounting standards, practices and/or policies; (27) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (28) 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; (29) deterioration in the experience of the closed block established in connection with the reorganization of Metropolitan Life Insurance Company; (30) adverse results or other consequences from litigation, arbitration or regulatory investigations; (31) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (32) discrepancies between actual experience and assumptions used in establishing liabilities related to other contingencies or obligations; (33) 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, or increase the cost or administrative burdens of providing benefits to employees; (34) the effects of business disruption or economic contraction due to disasters such as terrorist attacks, cyberattacks, other hostilities, or natural catastrophes, including any related impact on our disaster recovery systems, cyber- or other information security systems and management continuity planning; (35) the effectiveness of our programs and practices in avoiding giving our associates incentives to take excessive risks; and (36) other risks and uncertainties described from time to time in MetLife, Inc. s filings with the SEC.

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

Note Regarding Reliance on Statements in Our Contracts

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

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Part I

Item 1. *Business*

As used in this Form 10-K, MetLife, the Company, we, our and us refer to MetLife, Inc., a Delaware corporation incorporated in 199 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 50 countries. Through our subsidiaries and affiliates, we hold leading market positions in the United States, 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.

MetLife is organized into six segments: Insurance Products, Retirement Products, Corporate Benefit Funding and Auto & Home (collectively, U.S. Business), and Japan and Other International Regions (collectively, International). In addition, the Company reports certain of its results of operations in Corporate & Other, which includes MetLife Bank, National Association (MetLife Bank) and other business activities. On November 21, 2011, MetLife, Inc. announced that it will be reorganizing its business into three broad geographic regions: The Americas; Europe, the Middle East and Africa (EMEA); and Asia, and creating a global employee benefits business to better reflect its global reach. While the Company has initiated certain changes in response to this announcement, including the appointment of certain executive leadership into some of the roles designed for the reorganized structure, management continued to evaluate the performance of the operating segments under the existing segment structure as of December 31, 2011. In addition, 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.

In December 2011, MetLife Bank and MetLife, Inc. entered into a definitive agreement to sell most of the depository business of MetLife Bank. The transaction is expected to close in the second quarter of 2012, subject to certain regulatory approvals and other customary closing conditions. Additionally, in January 2012, MetLife, Inc. announced it is exiting the business of originating forward residential mortgages (together with MetLife Bank s pending actions to exit the depository business, including the aforementioned December 2011 agreement, the MetLife Bank Events). Once MetLife Bank has completely exited its depository business, MetLife, Inc. plans to terminate MetLife Bank s Federal Deposit Insurance Corporation (FDIC) insurance, putting MetLife, Inc. in a position to be able to deregister as a bank holding company. See U.S. Regulation Financial Holding Company Regulation. The Company continues to originate reverse mortgages and will continue to service its current mortgage customers. See Note 2 of the Notes to the Consolidated Financial Statements.

In November 2011, the Company entered into an agreement to sell its insurance operations in the Caribbean region, Panama and Costa Rica (the Caribbean Business). The sale is expected to close in the second quarter of 2012 subject to regulatory approval and other customary closing conditions. See Note 2 of the Notes to the Consolidated Financial Statements.

On November 1, 2010 (the Acquisition Date), MetLife, Inc. completed the acquisition of American Life Insurance Company (American Life) from AM Holdings LLC (formerly known as ALICO Holdings LLC) (AM 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). ALICO s fiscal year-end is November 30. Accordingly, the Company s consolidated financial statements reflect the assets and liabilities of ALICO as of November 30, 2011 and 2010, and the operating results of ALICO for the year ended November 30, 2011 and the one month ended November 30, 2010. The assets, liabilities and operating results relating to the Acquisition are included in the Japan and Other International Regions segments. Prior year results have been adjusted to conform to the current year presentation of segments. See Note 2 of the Notes to the Consolidated Financial Statements.

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In the U.S., we provide a variety of insurance and financial services products including life, dental, disability, auto and homeowners 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 approximately 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.

Outside the U.S., we operate in Japan and over 50 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 Korea. This business provides life insurance, accident and health insurance, credit insurance, annuities, endowment and retirement & savings products to both individuals and groups. We believe our international operations will grow more quickly than our U.S. Business in the future.

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.

For financial information related to revenues, total assets, and goodwill balances by geographic region, see Note 7 and Note 22 of the Notes to the Consolidated Financial Statements.

We are one of the largest institutional investors in the U.S. with a $522 billion general account portfolio invested primarily in investment grade corporate bonds, structured finance securities, commercial and agricultural mortgage loans, U.S. Treasury and agency 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:

Global Presence

Focus on targeted, disciplined global growth of our businesses

Leverage our broad and diverse set of distribution channels and products

Become a more customer-centric organization

Brand

Extend the reach of our widely recognized brand to access customers in key markets

Financial Strength

Build on our strong risk management and investment expertise

Focus on margin improvement and return on equity expansion

Maintain balance between growth, profitability and risk

Focus on pursuing growth that will add value to the Company and achieve return on equity in excess of our long-term cost of capital

Take a portfolio view of the business and invest capital in core markets

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Talent

Further our commitment to a diverse, high performance workplace

U.S. Business

Overview

Insurance Products

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

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

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

The major products 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 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. Although we discontinued the sale of these products in 2010, we continue to support our existing policyholders.

Retirement Products

Our Retirement Products segment offers 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 and where asset allocation restrictions may apply.

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 10 years. Fixed income annuities provide a guaranteed monthly income for a specified period of years and/or for the life of the annuitant.

Corporate Benefit Funding

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

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

Pensions Closeouts. We offer general account and separate account annuity products, generally in connection with the termination of defined benefit pension plans, both 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 67% of Auto & Home s total net earned premiums in 2011. Homeowners and other insurance represented 33% of Auto & Home s total net earned premiums in 2011. 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.

In 2011, Auto & Home s business was concentrated in New York, Massachusetts and Illinois, as measured by the percentage of total direct earned premiums, of 12%, 8% and 7%, respectively, followed by Florida with 6%, and Connecticut and Texas, each with 5%.

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 approximately 5,000 MetLife agents under contract in 50 agencies at December 31, 2011. 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 approximately 35 general agencies providing support to 2,100 general agents and a network of independent brokers throughout the U.S. at December 31, 2011. 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 approximately 540 MetLife agents and independent brokers at December 31, 2011. 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 individual distribution sales group. In recent years, we have increased the number of independent agents appointed to sell these products.

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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, 2011, the group life and non-medical health sales channels had approximately 350 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 11 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.

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, 2011, approximately 2,400 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 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, 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, 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, and Quantitative and Qualitative Disclosures About Market Risk.

Japan

Our Japan operation is comprised of the business acquired in the Acquisition. Our Japan operation is among the largest foreign life insurers in Japan and ranks sixth in the Japanese life insurance industry measured by total premiums according to the Statistics of Life Insurance in Japan 2010. It provides life insurance products which include whole life, term life, variable life and universal life products. Our Japan operation also provides accident and health insurance, fixed and variable annuities and endowment products. These products are offered 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).

Other International Regions

Latin America. We operate in 22 countries in Latin America, with the largest operations in Mexico, Chile and Argentina. Our Mexican operation is the largest life insurance company in Mexico in both the individual and group businesses 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. Our 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. See Note 2 of the Notes to the Consolidated Financial Statements for additional information on the pending disposition of the Caribbean Business.

Asia Pacific. We operate in four countries in Asia Pacific with wholly-owned operations in Korea, Hong Kong and Australia. Our 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 a joint venture in China, the results of which are reflected in net investment income and are not consolidated in our financial results. As discussed in Note 2 of the Notes to the Consolidated Financial Statements, the Company sold its 50% interest in its former joint venture in Japan in the second quarter of 2011.

Europe and the Middle East. We operate in 35 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 three 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 our largest DM market.

Japan

Japan s multi-channel distribution strategy consists of captive agents, independent agents, brokers, 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.

Our Japan operation has approximately 5,500 captive agents, 10,500 independent agents, 100 bancassurance relationships, including Japan Post, and 200 DM sponsors.

Other International Regions

Latin America. Latin America s key distribution channels include captive agents, DM, bancassurance, large multinational brokers and small-and medium-sized brokers, direct and group sales forces (mostly for group policies without broker intermediation), and worksite marketing. The region has an exclusive and captive agency distribution network with more than 2,500 agents also selling a variety of individual life, accident and health, and pension products. In the DM channel, we work with more than 50 sponsors and have a network of more than 1,600 telesales representatives selling mainly accident and health and individual life products. We currently work with over 3,000 active brokers with registered sales of group and individual life, accident and health, group medical, dental and pension products. Worksite marketing in Mexico has over 2,200 agents.

Asia Pacific. 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 8,500 agents and managers (which includes approximately 1,700 agents and managers related to our joint venture in China) 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 3,400 agents, and relationships with more than 90 active 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 100 banks, and 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 Western Europe 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 advisor sector and other third-party distributors with a focus on variable and fixed term annuities. Our U.K operation also has a growing group risk business serving small and medium sized enterprise employers and an agency sales force of approximately 600 agents which distributes accident and health and term life products.

In the Middle East, our products are distributed via a variety of channels including approximately 17,700 agents, bancassurance, brokers and DM. Agency distribution is our primary distribution channel; we have the largest captive network in the Middle East. Bancassurance is a growing channel with approximately 90 relationships, and approximately 260 programs providing access to millions of bank customers.

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Corporate & Other

Corporate & Other contains the excess capital not allocated to the segments, external integration costs, internal resource costs for associates committed to acquisitions, and various start-up and run-off entities. Additionally, Corporate & Other includes interest expense related to the majority of our outstanding debt, expenses associated with certain legal proceedings, the financial results of MetLife Bank and income tax audit issues. See Note 2 of the Notes to the Consolidated Financial Statements. Corporate & Other also includes the elimination of intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings.

MetLife Bank is a member of the Federal Reserve System and the Federal Home Loan Bank of New York and is subject to regulation, examination and supervision primarily by the Office of the Comptroller of the Currency (OCC), and the Consumer Financial Protection Bureau (CFPB), and secondarily by the FDIC, the Board of Governors of the Federal Reserve System (the Federal Reserve Board) and the Federal Reserve Bank of New York (the FRB of NY and, collectively with the Federal Reserve Board, the Federal Reserve).

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. Amounts for actuarial liabilities are computed and reported in the consolidated financial statements in conformity with GAAP. For more details on Policyholder Liabilities see Management s Discussion and Analysis of Financial Condition and Results of Operations Summary of Critical Accounting Estimates 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, MetLife, Inc. 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 and actuarial liabilities for future policy benefits generally differ based on accounting guidance.

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 Adequacy Analysis.

Insurance regulators in many of the non-U.S. countries in which MetLife operates require certain MetLife entities to prepare a sufficiency analysis of the reserves posted in the locally required regulatory financial statements, and to submit that analysis to the regulatory authorities. See International Regulation.

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. International offers the products described above, with the exception of property and casualty insurance. They also offer credit insurance and accident and health 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, which are consistent for both the U.S. Business and International.

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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.

The underwriting conducted by our remote underwriting offices and intermediaries, as well as our corporate underwriting office, are subject to periodic quality assurance reviews 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 reflects our corporate underwriting standards, which are consistent for both U.S. Business and International. 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.

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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. Management does not expect the current economic environment, with its volatility and uncertainty, 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 agreements 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.

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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, International 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.

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

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 MetLife, Inc.

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 agreements to provide greater

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diversification of risk and minimize exposure to larger risks. International currently purchases 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

In the United States, insurance is principally regulated by the states, with the federal government playing a limited role. Insurance regulation generally aims at supervising and regulating insurers individually rather than on a group-wide basis, with the goal of protecting policyholders and ensuring that each insurance company remains solvent.

Each of MetLife s insurance subsidiaries operating in the United States is licensed and regulated in each U.S. 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. See Risk Factors Our Insurance, Brokerage and Banking Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.

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.

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 MetLife, Inc. 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. MetLife, Inc. and its U.S. insurance subsidiaries are subject to regulation under the insurance holding company laws of various U.S. 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 MetLife, Inc. Liquidity and Capital Sources Dividends from Subsidiaries.

Guaranty Associations and Similar Arrangements. Most of the U.S. 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 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. See Note 16 of the Notes to the Consolidated Financial Statements for additional information on the insolvency assessments.

Statutory Insurance Examination. As part of their regulatory oversight process, state insurance departments conduct periodic detailed examinations of the books, records, accounts, and business practices of insurers domiciled in their states. State insurance departments also have the authority to conduct examinations of non-domiciliary insurers that are licensed in their states. During the three-year period ended December 31, 2011, 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 U.S. Securities and Exchange Commission (SEC), have had investigations or inquiries relating to sales of individual life insurance policies or annuities or other products by Metropolitan Life Insurance Company (MLIC), MetLife Securities, Inc., New England Life Insurance Company, New England Securities Corporation, General American Life Insurance Company, 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 Adequacy 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.

NAIC. The National Association of Insurance Commissioners (NAIC) is an organization, the mandate of which is to benefit state insurance regulatory authorities and consumers by promulgating model insurance laws and regulations for adoption by the states. 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. Changes to the Manual or modifications by the various state insurance departments may impact the statutory capital and surplus of MetLife, Inc. s U.S. insurance subsidiaries.

Surplus and Capital; Risk-Based Capital. Insurers are required to maintain their capital and surplus at or above minimum levels. Regulators have discretionary authority, in connection with the continued licensing of our U.S. insurance subsidiaries, to limit or prohibit an insurer s 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. Most of our U.S. insurance subsidiaries are subject to risk-based capital (RBC) requirements and report their 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.

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 served as a third-party modeler of the 7,000 CMBS holdings of U.S. insurance companies, including our U.S. insurance subsidiaries. The impact of the implementation for 2010 of the modeling solution for CMBS on our U.S. insurance subsidiaries was minimal. Any revisions to the modeling bases for 2011 are not anticipated to have a material impact on the RBC of our U.S. insurance subsidiaries.

In 2011, the NAIC adopted a proposal that permits RBC recognition for the risk mitigation value of the use of derivatives for hedging asset (fixed maturity and equity securities) risk. The adopted measure is effective December 31, 2011 and is anticipated to have a modest, positive impact on the RBC of our U.S. insurance subsidiaries.

Regulation of Investments. Each of our U.S. insurance subsidiaries is 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 MetLife, Inc. s U.S. insurance subsidiaries complied, in all material respects, with such regulations at December 31, 2011.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) includes provisions that may impact the investments and investment activities of MetLife, Inc. and its subsidiaries, including the federal regulation of such activities. Until the various final regulations are promulgated pursuant to Dodd-Frank, and perhaps for some time thereafter, the full impact of Dodd-Frank on such activities will remain unclear. Such provisions and regulations include, but are not limited to, the regulation of the over-the-counter derivatives markets and prohibitions on covered banking entities engaging in proprietary trading and sponsoring or investing in hedge funds or private equity funds (commonly known as the Volcker Rule). See Dodd-Frank and Other Legislative and Regulatory Developments Regulation of Over-the-Counter Derivatives and Dodd-Frank and Other Legislative and Regulatory Developments Volcker Rule.

Federal Initiatives. Although the insurance business in the United States is primarily regulated by the states, federal initiatives often have an impact on our business in a variety of ways. From time to time, federal measures are proposed which may significantly affect the insurance business. 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. See Dodd-Frank and Other Legislative and Regulatory Developments.

Financial Holding Company Regulation

Once MetLife Bank has completely exited its depository business, MetLife, Inc. plans to terminate MetLife Bank s FDIC insurance, putting MetLife, Inc. in a position to be able to deregister as a bank holding company. Upon completion of the foregoing, MetLife, Inc. will no longer be regulated as a bank holding company or subject to enhanced supervision and prudential standards as a bank holding company with assets of $50 billion or more. However, if, in the future, MetLife, Inc. is designated by the Financial Stability Oversight Council (FSOC) as a non-bank systemically important financial institution (as discussed below), it could once again be subject to regulation by the Federal Reserve and enhanced supervision and prudential standards, such as Regulation YY (as discussed below).

The FSOC issued a notice of proposed rulemaking in October 2011, outlining the process it will follow and the criteria it will use to assess whether a non-bank financial company should be subject to enhanced supervision by the Federal Reserve as a non-bank systemically important financial institution. If MetLife, Inc. meets the quantitative thresholds set forth in the proposal, the FSOC will continue with a further analysis using qualitative and quantitative factors.

In April 2011, the Federal Reserve Board and the FDIC proposed a rule regarding the implementation of the Dodd-Frank requirement that (i) each non-bank financial company designated by the FSOC for enhanced supervision by the Federal Reserve Board (a non-bank systemically important financial institution or non-bank SIFI) and each bank holding company with assets of $50 billion or more report periodically to the Federal Reserve Board, the FDIC and the FSOC the plan of such company for rapid and orderly resolution in the event of material financial distress or failure, and (ii) that each such company report on the nature and extent of credit exposures of such company to significant bank holding companies and significant non-bank financial companies and the nature and extent of credit exposures of significant bank holding companies and significant non-bank financial companies to such covered company. In November 2011, the Federal Reserve Board and the FDIC adopted a final rule implementing the resolution plan requirement, effective November 30, 2011, but deferred finalizing the credit exposure reporting requirement until a later date. If MetLife, Inc. remains a bank holding company on July 1, 2012, or if, in the future, it is designated by the FSOC as a non-bank SIFI, it would be required to submit a resolution plan. See Dodd-Frank and Other Legislative and Regulatory Developments Orderly Liquidation Authority.

In December 2011, the Federal Reserve Board issued a release proposing the adoption of enhanced prudential standards required by Dodd-Frank (Regulation YY). Regulation YY would apply to bank holding companies with assets of $50 billion or more and non-bank systemically important financial institutions. Regulation YY would impose (i) enhanced RBC requirements, (ii) leverage limits, (iii) liquidity requirements, (iv) single counterparty exposure limits, (v) governance requirements for risk management, (vi) stress test requirements, and (vii) special debt-to-equity limits for certain companies, and would establish a procedure for early remediation based on the failure to comply with these requirements. The Federal Reserve Board invited comment on, among other things, whether and how to apply these standards to non-bank systemically important financial institutions. For further information regarding enhanced prudential standards and Regulation YY, see Dodd-Frank and Other Legislative and Regulatory Developments Enhanced Prudential Standards.

Regulatory Agencies. Currently, as the owner of a federally-chartered bank, MetLife, Inc. remains a bank holding company and financial holding company. As such, MetLife, Inc continues to be subject to regulation under the Bank Holding Company Act of 1956, as amended (the BHC Act), and to inspection, examination, and supervision by the Federal Reserve. In addition, MetLife Bank is subject to regulation and examination primarily by the OCC and the CFPB and secondarily by the Federal Reserve 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 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.

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 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 (the Basel Committee) 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 Basel III and Dodd-Frank as long as MetLife, Inc. remains a bank holding company or if, in the future, it is designated by the FSOC as a non-bank systemically important financial institution. Certain of our international operations could also be affected by Solvency II, a new capital adequacy regime for the European insurance industry. See International Regulation. The ability of MetLife Bank and MetLife, Inc. to pay dividends, repurchase common stock or other securities or engage in other transactions that could affect its capital or need for capital would be affected by any additional capital requirements that might be imposed as a result of the enactment of Dodd-Frank, Regulation YY and the endorsement and adoption by the U.S. of Basel III. See Dodd-Frank and Other Legislative and Regulatory Developments Enhanced Prudential Standards and Risk Factors Our Insurance, Brokerage and Banking Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth. At December 31, 2011, MetLife, Inc. and MetLife Bank were in compliance with applicable requirements currently in effect.

The Federal Reserve s capital plan rule requires all bank holding companies with assets of more than $50 billion, including MetLife, Inc., to submit annual capital plans which include projections of the company s capital levels under baseline and stress scenarios over a nine-quarter period. The Federal Reserve will approve or object to a company s proposed capital actions, such as dividends and stock repurchases, based on the results of those capital plans and the Federal Reserve s assessment of the robustness of the company s capital planning processes. In addition, in recent years, the Federal Reserve has conducted its own assessment of large bank holding companies internal capital planning processes, capital adequacy and proposed capital distributions. In 2011, the Federal Reserve conducted the Comprehensive Capital Analysis and Review of the 19 largest bank holding companies (CCAR 2011), including MetLife, Inc. See Risk Factors Our Insurance, Brokerage and Banking Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth. In January 2012, MetLife submitted to the Federal Reserve a comprehensive capital plan, as mandated by the capital plans rule, and additional information required by the 2012 Comprehensive Capital Analysis and Review (CCAR 2012). The capital plan projects MetLife s capital levels to the end of 2013 under baseline and stress scenarios, including a stress scenario developed and provided by the Federal Reserve as part of CCAR 2012. MetLife s capital plan was created in accordance with MetLife s capital policy which addresses capital management objectives, measurement and assessment of capital adequacy, and capital governance and other approval processes for distributions and other uses of capital. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Capital Management and Quantitative and Qualitative Disclosures About Market Risk Risk Management. The Federal Reserve has stated that it will consider the results of the

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capital plan exercise and CCAR 2012 in evaluating proposed capital actions by participating bank holding companies, such as common stock dividend increases and stock repurchases, and that it will provide its assessment of participating institutions capital plans in mid-March 2012.

Consumer Protection Laws. Numerous other federal and state laws also affect MetLife, Inc. 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 CFPB to supervise and regulate institutions that provide certain financial products and services to consumers. Although the consumer financial services subject to the CFPB s jurisdiction generally exclude insurance business of the kind in which we engage, the CFPB does have authority to regulate consumer services provided by MetLife Bank and non-insurance consumer services provided elsewhere throughout MetLife. See Dodd-Frank and Other Legislative and Regulatory Developments Consumer Protection Laws.

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 is required for any acquisition of a non-bank firm by a bank holding company having more than $10 billion of assets, such as MetLife, Inc. Further, 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.

Banking Regulation

As a federally chartered national banking association, MetLife Bank is subject to a wide variety of banking laws, regulations and guidelines. Federal banking and consumer financial protection 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 the CFPB and secondarily by 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 and repurchases of securities, including common stock; 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; payment of interest; unfair or deceptive acts or practices; privacy; and relationships with MetLife, Inc. in its capacity as a bank holding company and potentially with other investors in connection with a change of control of MetLife Bank. 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. In addition, Dodd-Frank resulted in increased assessments for MetLife Bank, as a bank with assets of $10 billion or more. 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 SEC. These subsidiaries issue variable

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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 these registered 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 MetLife, Inc. 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. See Dodd-Frank and Other Legislative and Regulatory Developments Regulation of Brokers and Dealers. 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 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.

Dodd-Frank and Other Legislative and Regulatory Developments

Dodd-Frank effected the most far-reaching overhaul of financial regulation in the U.S. in decades. The full impact of Dodd-Frank on us will depend on the numerous rulemaking initiatives required or permitted by Dodd-Frank and the various studies mandated by Dodd-Frank, which are scheduled to be completed over the next few years. See Risk Factors Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth.

Federal Regulation. Dodd-Frank established the Federal Insurance Office within the Department of the Treasury, which has the authority to participate in the negotiations of international insurance agreements with foreign regulators for the U.S., as well as to collect information about the insurance industry and recommend prudential standards. While not having a general supervisory or regulatory authority over the business of insurance, the director of this office will perform various functions with respect to insurance, including serving as a non-voting member of the FSOC and making recommendations to the FSOC regarding insurers to be designated for more stringent regulation. The director is also required to submit a report to Congress regarding how to modernize and improve the system of insurance regulation in the United States, including by increasing national uniformity through either a federal charter or effective action by the states.

Enhanced Prudential Standards. As a large, interconnected bank holding company with assets of $50 billion or more or, if designated as such by the FSOC, a non-bank systemically important financial institution, MetLife, Inc. will be subject to enhanced prudential standards imposed on such companies. The FSOC has proposed rules governing the process of how it would designate non-bank financial companies that would be subject to enhanced supervision by the Federal Reserve, but these rules have not become final and no non-bank financial companies have been so designated.

As proposed, Regulation YY would subject non-bank systemically important financial institutions to the same enhanced standards as large bank holding companies. Regulation YY would impose (i) enhanced RBC requirements, (ii) leverage limits, (iii) liquidity requirements, (iv) single counterparty exposure limits, (v) governance requirements for risk management, (vi) stress test requirements, and (vii) special debt-to-equity limits for certain companies, and would establish a procedure for early remediation based on the failure to comply with these requirements. The Federal Reserve Board invited comment on, among other things, whether and how to apply these standards to non-bank systemically important financial institutions.

In addition, if it were determined that MetLife, Inc. 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.

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 originally as part of the consideration for the Acquisition (and since re-sold to the public) as Tier I capital, since the new rules apply immediately to instruments issued after May 19, 2010. See Note 14 of the Notes to the Consolidated Financial Statements for information on these common equity units.

Under Dodd-Frank, all bank holding companies that have elected to be treated as financial holding companies, such as MetLife, Inc., are 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. If we are unable to meet these standards, we could be subject to activity restrictions, ultimately be required to divest certain operations and be restricted in our ability to pay dividends, repurchase common stock or other securities or engage in transactions that could affect our capital or need for capital. See Risk Factors Our Insurance, Brokerage and Banking Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.

Regulation of Over-the-Counter Derivatives. Dodd-Frank also includes a new framework of regulation of the over-the-counter (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, combined with restrictions on 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. 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 with respect to MetLife, Inc. s cleared derivative transactions. In addition, we have always been subject to the risk that hedging and other management procedures might prove ineffective in reducing the risks to which insurance policies expose us or that unanticipated policyholder behavior or mortality, combined with adverse market events, produces economic losses beyond the scope of the risk management techniques employed. Any such losses could be increased by higher costs of writing derivatives (including customized derivatives) and the reduced availability of customized derivatives that might result from the enactment of Dodd-Frank.

Volcker Rule. 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 investment 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. Other exemptions, including, but not limited to, activities for risk-mitigating

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hedging and activities on behalf of customers, may be available for the general account or separate account activities of insurance companies. 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 rulemaking during which the effects of the statutory language may be clarified. Among other things, one task of the rulemaking is to appropriately accommodate the business of insurance within an insurance company subject to regulation in accordance with relevant insurance company investments laws. Until the rulemaking is complete, including the scope of the statutory exemptions to be applied to insurance companies for each of the prohibitions on proprietary trading and fund sponsoring or investing, it is unclear whether MetLife, Inc. may have to alter any of its future activities to comply, including continuing to invest in private investment funds for its general accounts or to issue certain insurance products backed by its separate accounts. See Risk Factors Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth.

Consumer Protection Laws. Dodd-Frank established the CFPB 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 CFPB 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 preemption of state consumer financial protection laws, which standard may require national banks to comply with many state consumer financial protection laws that previously were considered preempted by Federal law. The scope of this new standard is currently the matter of some dispute between the Comptroller of the Currency and some state attorneys general, and there have been judicial decisions holding that Dodd-Frank did not change the pre-existing preemption standard as established in earlier judicial decisions. As a result of the new standard, whatever its scope is finally determined to be, the regulatory and compliance burden on MetLife Bank may increase, which 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 also impact the business and operations of MetLife Bank.

Orderly Liquidation Authority. 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 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. As required by Dodd-Frank, the FDIC has established rules relating to the priority of creditors claims and the potentially dissimilar treatment of similarly situated creditors. 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 billion or more, non-bank SIFIs, and other financial companies with assets of $50 billion or more to cover the costs of liquidating any financial company subject to the new liquidation authority. In addition, regulations have been issued by the FDIC and the Federal Reserve Board regarding the advance preparation of resolution plans by all non-bank SIFIs and bank holding companies with $50 billion or more of assets. The largest institutions will have to submit resolution plans by July 1, 2012. Under the rule, if MetLife, Inc. remains a bank holding company on this date, or if, in the future, it is designated by the FSOC as a non-bank systemically important financial institution, it would be required to submit a resolution plan. Resolution plans would have to be resubmitted annually and promptly following any event, occurrence, change in conditions or circumstances, or other change that results in, or could reasonably be foreseen to have, a material effect on the resolution plan. A failure to submit a credible resolution plan could result in the imposition a variety of measures, including additional capital, leverage, or liquidity requirements, and forced divestiture of assets or operations.

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Regulation of Brokers and Dealers. Dodd-Frank also authorizes the SEC to establish a standard of conduct applicable to brokers and dealers when providing personalized investment advice to retail and other customers. This standard of conduct would be to act in the best interest of the customer without regard to the financial or other interest of the broker or dealer providing the advice.

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

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

Our international operations are regulated in the jurisdictions in which they are located or operate. This regulation includes minimum capital, solvency and operational requirements. 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. 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. We also have 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. In some jurisdictions, some of our insurance products are considered securities under local law and may be subject to local securities regulations and oversight by local securities regulators.

Our 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 and Risk Factors Our Insurance, Brokerage and Banking Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.

Certain of our international insurance operations 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. We cannot predict the timing and scope of any assessments that may be made in the future, which may materially affect the results of operations of our international insurance operations in particular quarterly or annual periods.

Annually, many of our international insurance operations are required to conduct an analysis of the sufficiency of all statutory reserves. In most of those cases, a locally qualified actuary must submit an analysis of the likelihood that the reserves make good and sufficient provision for the associated contractual obligations and related expenses of the insurer. Local regulatory and actuarial standards for this vary widely; the required implied certainty of the signing actuary s opinion varies equally widely.

We are also subject to the evolving Solvency II insurance regulatory directive for each of our insurance operations throughout the European Economic Area. The European Insurance and Occupational Pensions Authority (EIOPA) established Solvency II as a new capital adequacy regime for the European insurance industry. Currently, the EIOPA anticipates final proposals for standards and guidelines to be published in September 2012. Implementation is under discussion within EIOPA, but we are proceeding with our plan for readiness by January 1, 2013. Our Solvency II program is governed by a steering committee comprised of senior management. Solvency II encompasses solvency capital requirements, allows for both standard model and internal model calculations, requires a robust governance and risk management framework fully embedded in day-to-day decision making and greater quarterly and annual reporting disclosures. As requirements are finalized by the regulators, capital requirements might be impacted in a number of jurisdictions. 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. See Risk Factors Our Insurance, Brokerage and Banking Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.

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 we operate, could have a material adverse effect on our results of operations.

Japan

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 for each fiscal year (ending March 31) which include financial statements. These annual reports are not prepared on a U.S. GAAP basis. 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, 2011, the date of our most recent regulatory filing in Japan, the solvency margin ratio of our Japan operations was 1,529.5%, which is significantly in excess of the legally mandated solvency margin of 200% in Japan. Most Japanese life insurers maintain a solvency margin ratio well in excess of the legally mandated minimum. The FSA will apply a revised method of calculating the solvency margin ratio of life insurance companies in Japan for the next fiscal year-end, which is March 31, 2012, and required the disclosure of the ratio calculated on this new basis as reference information for the last fiscal year-end, which was March 31, 2011. As of September 30, 2011, the solvency margin of our Japan operations calculated on this new basis was 923.9%. We do not expect our relative position within the industry to materially change as a result of the application of this revised method.

A portion of the annual earnings of our Japan operations may be repatriated each year, and may further be distributed to MetLife, Inc. 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.

Our operations in Japan are subject to assessments to cover obligations to policyholders in the event of insolvency of other insurance companies. Under the Japanese Insurance Business Law, all licensed life insurers in Japan are assessed on an annual 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. We cannot predict the amount of future assessments, which may materially affect our results of operations in Japan in particular quarterly or annual periods.

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 in the U.S. and internationally, with 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. Our U.S. Business competes in the U.S. with over 1,000 other U.S. and foreign-owned companies. In Japan, we compete with over 40 domestic and foreign-owned life insurance companies, many of which offer products in categories on which we focus: accident and health insurance, life insurance, and annuities. However, we typically have two to three main competitors per product category. Elsewhere, we compete with the foreign insurance operations of large U.S. insurers and with global insurance groups and local companies in particular areas in which they are active. 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. See Risk Factors Competitive Factors May Adversely Affect Our Market Share and Profitability.

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. Insurance companies compete 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 selected global markets, we continue to undertake several initiatives to grow our career agency forces, while continuing to enhance the efficiency and production of our existing sales forces. We cannot provide assurance that these initiatives will succeed in attracting and retaining productive 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 productive 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 Highly Regulated, and Changes in Regulation May Reduce Our Profitability and Limit Our Growth, Risk Factors Governmental and Regulatory Actions 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 Our Competitive Position 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, 2011, we had approximately 67,000 employees. We believe that our relations with our employees are satisfactory.

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Executive Officers of the Registrant

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

Steven J. Goulart, age 53, has been Executive Vice President and Chief Investment Officer of MetLife, Inc. since May 2011. Previously, he was Treasurer of MetLife, Inc. from July 2009 to April 2011, head of the Portfolio Management Unit as Senior Managing Director of MLIC from January 2011 to April 2011, and head of the Mergers & Acquisitions Unit as Senior Vice President of MLIC from November 2006 to July 2009 and as Director of MetLife Group, Inc. from June to November 2006. Before joining MetLife in 2006, Mr. Goulart was senior managing director in Bear Stearns financial institutions group, managing director in Morgan Stanley s global insurance group and managing director in the financial institutions group at Merrill Lynch.

Frans Hijkoop, age 51, has been Executive Vice President and Chief Human Resources Officer of MetLife, Inc. since August 2011. Previously, he was chief personnel officer and senior vice president of human resources for the American Foods division of PepsiCo Inc. from January 2008 to August 2011 and chief personnel officer and senior vice president of human resources for PepsiCo International from February 2007 to January 2008. Prior to that he was an executive committee member and group human resources director of Lloyds TSB from January 2004 to February 2007.

Beth Hirschhorn, age 47, has been Executive Vice President, Global Brand, Marketing and Communications of MetLife, Inc. since November 1, 2011. Previously, she was Chief Marketing Officer and Senior Vice President of MetLife, Inc. from November 2006 to October 2011, and managed marketing for the U.S. Individual and Institutional businesses as Vice President of MLIC from January 2003 to November 2006. Before joining MetLife in 2002, she led the consumer financial services marketing unit at JP Morgan Chase.

Steven A. Kandarian, age 59, has been Chairman of the Board of MetLife, Inc. since January 2012 and President and Chief Executive Officer of MetLife, Inc. since May 2011. Previously, he was Executive Vice President and Chief Investment Officer of MetLife, Inc. from April 2005 to April 2011. Before joining MetLife, he was the executive director of the Pension Benefit Guaranty Corporation from 2001 to 2004. Mr. Kandarian was founder and managing partner of Orion Capital Partners, where he managed a private equity fund specializing in venture capital and corporate acquisitions.

Michel Khalaf, age 48, has been President, EMEA, of MetLife, Inc. since November 21, 2011. He joined MetLife as a result of the Acquisition. Mr. Khalaf served as Executive Vice President of MLIC from January 2011 until November 2011, and was Regional President, Middle East, Africa and South Asia of American Life from January 2009 until November 2011. Prior to the Acquisition, Mr. Khalaf had been deputy president and chief operating officer of Philamlife, the operating company of AIG in the Philippines, from August 2006 to October 2008. Mr. Khalaf has also held a number of leadership roles with ALICO in various markets around the world, including Poland, Egypt, Italy, France, and the Caribbean.

Nicholas D. Latrenta, age 60, has been Executive Vice President of MetLife, Inc. since August 2010 and General Counsel of MetLife, Inc. since May 2010. Previously, he was Senior Chief Counsel of MLIC supporting the Insurance Group from March 2007 to April 2010, the Institutional Business, ERISA and Product Tax Legal Group from April 2006 to February 2007, and MetLife Business from July 2004 to March 2006. He also served as Senior Vice President of MLIC Institutional Business from October 2000 to June 2004. Mr. Latrenta joined the Company in 1969 and has served in various senior management positions since that time.

Martin Lippert, age 52, joined MetLife in September 2011 as Executive Vice President and Head of Global Technology of MetLife, Inc. and has been Executive Vice President and Head of Global Technology and Operations of MetLife, Inc. since November 2011. Before joining MetLife, he was chief operations and technology officer for Citigroup from July 2008 to March 2009, and was vice chairman and group head of global technology and operations for Royal Bank of Canada from August 1997 to July 2008.

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Maria R. Morris, age 49, has been Executive Vice President and Head of Global Employee Benefits of MetLife, Inc. since November 2011. Previously, she was Executive Vice President, Global Operations, Integration, of MetLife, Inc. from September 2011 to November 2011, and Executive Vice President, Technology and Operations, of MetLife, Inc. from January 2008 to September 2011. Previously, she was Executive Vice President, Employee Benefits Sales of MLIC from December 2005 to January 2008, Senior Vice President of Group Insurance and Voluntary Benefits Sales and Service Operations of MLIC from July 2003 to December 2005, and Vice President from March 1997 to July 2003.

Eric T. Steigerwalt, age 50, has been Executive Vice President and Interim Chief Financial Officer for MetLife, Inc. since November 2011. He has been Executive Vice President of MLIC since January 2010, prior to which he served as Senior Vice President of MLIC from June 2000 to December 2009 and Vice President of MLIC from September 1998 to June 2000. Mr. Steigerwalt also served as Senior Vice President of MetLife, Inc. from June 2000 through July 2009, and served as Treasurer of MetLife, Inc. from May 2007 to July 2009. As an officer of MLIC, he served as chief financial officer for U.S. Business from August 2009 to November 2011, chief financial officer for Individual Business from 2002 to 2003 and head of Investor Relations from 2000 to 2002.

William J. Wheeler, age 50, has been President, The Americas, of MetLife, Inc. since November 21, 2011. Previously, he was Executive Vice President and Chief Financial Officer of MetLife, Inc. from December 2003 to November 2011, prior to which he was a Senior Vice President of MLIC from 1997 to December 2003. Prior to his appointment as Chief Financial Officer, Mr. Wheeler oversaw business development, product management and marketing activities for Individual Business and served as chief financial officer of Individual Business. Before joining MLIC in 1997 as treasurer, he was senior vice president at Donaldson, Lufkin & Jenrette, a position he held for more than five years.

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 Acquisition, we acquired American Life 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.

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

Volatile conditions have continued to characterize financial markets at times, and not all global financial markets are functioning normally. Significant market volatility, and government actions taken in response, may exacerbate some of the risks we face. Beginning in 2010 and continuing throughout 2011, concerns increased about capital markets and the solvency of certain European Union member states, including Portugal, Ireland, Italy, Greece and Spain (Europe s perimeter region), and of financial institutions that have significant direct or indirect exposure to debt issued by these countries. This, in turn, created market volatility which will continue to affect the performance of various asset classes in 2012, and perhaps longer, until there is an ultimate resolution of these sovereign debt-related concerns. As a result of concerns about the ability of Europe s perimeter region to service their sovereign debt, these countries have experienced credit ratings downgrades, including the downgrade of Greece s sovereign debt in July 2011 by Moody s Investors Service, Inc. (Moody s) and Standard & Poor s Ratings Services (S&P to Ca and CC ratings, respectively rating designations of likely in, or very near, default. On February 27, 2012, S&P downgraded Greece s credit rating to SD, a rating of selective default. Despite support programs for Europe s perimeter region, concerns about the ability to service sovereign debt subsequently expanded to other European Union member states. As a result, in late 2011 and early 2012, several other European Union member states have experienced credit ratings downgrades or have had their credit ratings outlook changed to negative. See Management s Discussion and Analysis of Financial Condition and Results of Operations Investments Current Environment. The Japanese economy, to which we face substantial exposure given our operations there, was significantly negatively impacted by the March 2011 earthquake and tsunami. Although we expect modest growth in the Japanese economy during 2012, disruptions to the Japanese economy are having, and will continue to have, negative impacts on the overall global economy, not all of which can be foreseen. Although the August 2011 downgrade by S&P of U.S. Treasury securities initially had an adverse effect on financial markets, the extent of the longer-term impact cannot be predicted. In November 2011, Fitch Ratings (Fitch) warned that it may in the future downgrade the U.S. credit rating unless action is taken to reduce the national debt of the U.S. It is possible that the August 2011 S&P downgrade and any future downgrades, as well as continued concerns about U.S. fiscal policy and the trajectory of the national debt of the U.S., could have severe repercussions to the U.S. and global credit and financial markets, further exacerbate concerns over sovereign debt of other countries and could disrupt economic activity in the U.S. and elsewhere. See Concerns Over U.S. Fiscal Policy and the Trajectory of the National Debt of the U.S., as well as Rating Agency Downgrades of U.S. Treasury Securities, Could Have an Adverse Effect on Our Business, Financial Condition and Results of Operations and Management s Discussion and Analysis of Financial Condition and Results of Operations Investments Current Environment.

Our revenues and net investment income are likely to remain under pressure in uncertain financial market conditions and as a result of low interest rates 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 insurance products and certain other products issued through separate accounts. The account values of these products decrease as a result of declining equity markets. Decreases in account values reduce fees generated by these products, cause the amortization of deferred policy acquisition costs (DAC) to accelerate and could increase the level of insurance liabilities we must carry to support such products issued with any associated guarantees.

Factors such as consumer spending, business investment, government spending, the volatility and strength of the capital markets, deflation and inflation all affect the business and economic environment and, ultimately, the amount and profitability of our business. 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 financial crisis has precipitated, and may continue to raise the possibility of, legislative, judicial, regulatory and other governmental actions. We cannot predict whether or when such actions may occur, nor can we predict what ultimate impact, if any, either such actions or any of the legislative, judicial, regulatory and other governmental actions of the last several years could have on our business, results of operations and financial condition. See Governmental and Regulatory Actions 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 Our Competitive Position, Our Insurance, Brokerage and Banking Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth, Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth, and Competitive Factors May Adversely Affect Our Market Share and Profitability.

Concerns Over U.S. Fiscal Policy and the Trajectory of the National Debt of the U.S., as well as Rating Agency Downgrades of U.S. Treasury Securities, Could Have an Adverse Effect on Our Business, Financial Condition and Results of Operations

Concerns over U.S. fiscal policy and the trajectory of the national debt could have severe repercussions to the U.S. and global credit and financial markets, further exacerbate concerns over sovereign debt of other countries and disrupt economic activity in the U.S. and elsewhere. As a result, our access to, or cost of, liquidity may deteriorate.

In August 2011, S&P downgraded the AAA rating on U.S. Treasury securities to AA+ with a negative outlook, while Moody s affirmed the Aaa rating on U.S. Treasury securities, but with a negative outlook. In October 2011, Moody s affirmed its August 2011 ratings, but revised its negative outlook to stable. In November 2011, Fitch affirmed its AAA rating on U.S. Treasury securities but changed its U.S. credit rating outlook to negative from stable, citing the failure of a special Congressional committee to agree on certain deficit reduction measures and warning that it may in the future downgrade the U.S. credit rating unless action is taken to reduce the national debt of the U.S.

As a result of downgrades of U.S. Treasury securities, the market value of some of our investments may decrease, and our capital adequacy could be adversely affected, which could require us to raise additional capital during a period of distress in financial markets, potentially at a higher cost. Further downgrades, together with the sustained current trajectory of the national debt of the U.S., would significantly exacerbate the risks we face and any resulting adverse effects on our business, financial condition and results of operations, including those

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described under 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, Adverse Capital and Credit Market Conditions May Significantly Affect Our Ability to Meet Liquidity Needs, Access to Capital and Cost of Capital, Our Participation in a Securities Lending Program Subjects Us to Potential Liquidity and Other Risks and The Determination of the Amount of Allowances and Impairments Taken on Our Investments is Subjective and Could Materially Impact Our Results of Operations or Financial Position. We cannot predict whether or when these adverse consequences may occur, what other unforeseen consequences may result, or the extent, severity and duration of the impact of such consequences on our business, results of operations and financial condition.

Governmental and Regulatory Actions 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 Our Competitive Position

In recent years, Congress, the Federal Reserve, the FDIC, the U.S. Treasury and other agencies of the U.S. federal government have taken a number of increasingly aggressive actions (including 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 us are the monetary policy implemented by the Federal Reserve and the implementation of Dodd-Frank, which will significantly change financial regulation in the U.S. in a number of areas that could affect us. Given the large number of provisions of Dodd-Frank that must be implemented through regulatory action and the delay with which some aspects of this implementation are taking place, we cannot predict what impact this could have on our business, results of operations and financial condition. The impact of Dodd-Frank implementation will also be affected by MetLife Bank s pending actions to exit the depository business, MetLife Bank s decision to exit the forward mortgage origination business, MetLife, Inc. s intention to deregister as a bank holding company, and Dodd-Frank rulemaking initiatives relating to non-bank systemically important financial institutions. See Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth and Business U.S. Regulation Dodd-Frank and Other Legislative and Regulatory Developments.

The Federal Reserve Board has taken a number of actions in recent years to spur economic activity by keeping interest rates low and may take further actions to influence interest rates in the future, which may have an impact on the pricing levels of risk-bearing investments, and may adversely impact the level of product sales. There can be no assurance that these actions will have the intended effect or what impact, if any, these actions could have on our business, results of operations and financial condition.

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. Increased attention is also being paid to the practices of lenders in connection with the mortgage modification process.

We cannot predict whether the funds made available by the U.S. federal government and its agencies, or other actions taken by the government, will stabilize or further revive the financial markets or harm them or, if the U.S. federal government decides to distribute additional amounts, either by Federal Reserve Board action or by Congressional appropriation, whether those additional actions will have positive or negative effects.

The choices made by the U.S. Treasury, the Federal Reserve and the FDIC in their distribution of funds under 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 Our Insurance, Brokerage and Banking Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth, Governmental and Regulatory Actions 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 Our Competitive Position, 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, or any required regulatory stress-testing indicates that such conditions could have such an impact beyond expectations and our current resources do not satisfy our needs or regulatory requirements, 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 Management s Discussion and Analysis of Financial Conditions and Results of Operations Industry Trends Regulatory Changes. See also Business U.S. Regulation Financial Holding Company Regulation for information relating to the possible impact on us of Regulation YY, Basel II and Basel III, Business U.S. Regulation Dodd-Frank and Other Legislative and Regulatory Developments for a discussion of the possible impact on us of Dodd-Frank, and Business International Regulation for information relating to Solvency II. As a result, we may be forced to delay raising capital, issue different types of securities than we would have 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.

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Our Insurance, Brokerage and Banking Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth

Insurance Regulation U.S. 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 U.S insurance subsidiaries are regulated by the insurance regulators of the states in which they are domiciled and the states in which they are licensed.

State laws in the U.S. grant insurance regulatory and other state 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, and identifying and paying to the states benefits and other property that is not claimed by the owners;
- 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 re-examine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof, that are made for the benefit of the consumer sometimes lead to additional expense for the insurer and, thus, could have a material adverse effect on our financial condition and results of operations.

U.S. Federal Regulation Affecting Insurance. 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 within the Department of the Treasury, which has the authority to participate in the negotiations of international insurance agreements with foreign regulators for the U.S., as well as to collect information about the insurance industry and recommend prudential standards.

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While not having a general supervisory or regulatory authority over the business of insurance, the director of this office will perform various functions with respect to insurance, including serving as a non-voting member of the FSOC and making recommendations to the FSOC regarding insurers to be designated for more stringent regulation. The director is also required to submit a report to Congress regarding how to modernize and improve the system of insurance regulation in the United States, including by increasing national uniformity through either a federal charter or effective action by the states.

Federal legislation and administrative policies in several areas can significantly and adversely affect insurance companies. These areas include financial services regulation, securities regulation, derivatives regulation, mortgage 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 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 Business U.S. Regulation Dodd-Frank and Other Legislative and Regulatory Developments Volcker Rule.

Banking and Bank Holding Company Regulation. As a federally chartered national banking association, MetLife Bank is subject to a wide variety of banking laws, regulations and guidelines. Federal banking and consumer financial protection 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 the CFPB, and secondarily by 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 and repurchases of securities, including common stock;
- 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;

mortgage servicing practices;

privacy; and

relationships with MetLife, Inc. in its capacity as a bank holding company and potentially with other investors in connection with a change in control of MetLife Bank.

Federal 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.

From 2008 until January 2012, MetLife Bank significantly increased its mortgage servicing activities by acquiring servicing portfolios. Currently, MetLife Bank services approximately 1% of the aggregate principal amount of the mortgage loans serviced in the U.S. In January 2012, MetLife, Inc. announced that MetLife Bank was exiting its forward mortgage origination business. The Company continues to originate reverse mortgages and will continue to service its current mortgage customers.

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

In addition, Dodd-Frank established the CFPB 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 CFPB has authority to regulate consumer services provided by MetLife Bank and non-insurance consumer services provided elsewhere throughout MetLife. See Business U.S. Regulation Dodd-Frank and Other Legislative and Regulatory Developments Consumer Protection Laws. We cannot predict how regulation by the CFPB might affect our business.

In December 2010, the Basel Committee published 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 on us under Basel III and Dodd-Frank as long as MetLife, Inc. remains a bank holding company or if, in the future, it is designated by the FSOC as a non-bank systemically important financial institution. In December 2011, the Federal Reserve Board issued a release proposing the adoption of Regulation YY. Regulation YY would apply to bank holding companies with assets of $50 billion or more and non-bank SIFIs. The ability of MetLife Bank and MetLife, Inc. to pay dividends, repurchase common stock or other securities or engage in other transactions that could affect its capital or need for capital would be affected by any additional capital requirements that might be imposed as a result of the enactment of Dodd-Frank, Regulation YY and the endorsement and adoption by the U.S. of Basel III and other regulatory initiatives. We are also subject to the evolving Solvency II insurance regulatory directive for each of our insurance operations throughout the European Economic Area. As requirements are finalized by the regulators, capital requirements might be impacted in a number of jurisdictions. In addition, our legal entity structure throughout Europe may impact our capital requirements, risk management infrastructure and reporting by country. See Business U.S. Regulation, Business International Regulation and Management s Discussion and Analysis of Financial Condition and Results of Operations Industry Trends. The Basel Committee has also published rules requiring a capital surcharge for globally systemically important banks, which are to be phased in beginning in 2016 and will become fully effective in 2019 if they are endorsed and adopted by the U.S. banking regulators.

The Federal Reserve s capital plan rule requires all bank holding companies with assets of more than $50 billion, including MetLife, Inc., to submit annual capital plans which include projections of the company s capital levels under baseline and stress scenarios over a nine-quarter period. The Federal Reserve will approve or object to a company s proposed capital actions, such as dividends and stock repurchases, based on the results of those capital plans and the Federal Reserve s assessment of the robustness of the company s capital planning processes. In addition, in recent years the Federal Reserve has conducted its own assessment of large bank holding companies internal capital planning processes, capital adequacy and proposed capital distributions. In 2011, the Federal Reserve conducted the CCAR 2011. In October 2011, we announced that the Federal Reserve

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had concluded that our planned capital actions submitted as part of CCAR 2011 should be tested under a revised adverse macroeconomic scenario developed for those firms participating in the CCAR 2012. As a result, the Federal Reserve did not approve MetLife, Inc. s planned dividend increase and other proposed capital actions. In January 2012, we submitted to the Federal Reserve a comprehensive capital plan, as mandated by the capital plans rule, and additional information required by CCAR 2012. The capital plan projects MetLife s capital levels to the end of 2013 under baseline and stress scenarios, including a stress scenario developed and provided by the Federal Reserve as part of CCAR 2012. The Federal Reserve has stated that it will consider the results of the capital plan exercise and CCAR 2012 in evaluating proposed capital actions by participating bank holding companies, such as common stock dividend increases and stock repurchases, and that it will provide its assessment of participating institutions capital plans in mid-March 2012. There can be no assurance that the Federal Reserve will approve our capital plans.

Under Dodd-Frank, all bank holding companies that have elected to be treated as financial holding companies, such as MetLife, Inc., are required to be well capitalized and well managed as defined by the Federal Reserve, 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. If we are unable to meet these standards, we could be subject to activity restrictions, ultimately be required to divest certain operations and be restricted in our ability to pay dividends, repurchase common stock or other securities, or engage in transactions that could affect our capital or need for capital. See Business U.S. Regulation Dodd-Frank and Other Legislative and Regulatory Developments.

Once MetLife Bank has completely exited its depository business, MetLife, Inc. plans to terminate MetLife Bank s FDIC insurance, putting MetLife, Inc. in a position to be able to deregister as a bank holding company. Upon completion of the foregoing, we will no longer be regulated as a bank holding company or subject to enhanced supervision and prudential standards as a bank holding company with assets of $50 billion or more. However, if, in the future, MetLife, Inc. is designated by the FSOC as a non-bank systemically important financial institution, it would once again be subject to regulation by the Federal Reserve and enhanced supervision and prudential standards, such as Regulation YY. In October 2011, the FSOC issued a notice of proposed rulemaking outlining the process it will follow and the criteria it will use to assess whether a non-bank financial company should be subject to enhanced supervision by the Federal Reserve as a non-bank systemically important financial institution. If MetLife, Inc. meets the quantitative thresholds set forth in the proposal, the FSOC will continue with a further analysis using qualitative and quantitative factors. See Business U.S. Regulation Financial Holding Company Regulation and Management s Discussion and Analysis of Financial Condition and Results of Operations Industry Trends.

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 assessments for banks with assets of $10 billion or more, which includes MetLife Bank. In addition, large bank holding companies and non-bank systemically important financial institutions can be assessed under Dodd-Frank for any uncovered costs arising in connection with the resolution of a systemically important financial company and, under a proposal of the U.S. Treasury published on January 3, 2012, will be assessed to cover the expenses of the Office of Financial Research, an agency established by Dodd-Frank to improve the quality of financial data available to policymakers and facilitate more robust and sophisticated analysis of the financial system.

Regulation of Brokers and Dealers. Dodd-Frank also authorizes the SEC to establish a standard of conduct applicable to brokers and dealers when providing personalized investment advice to retail and other customers. This standard of conduct would be to act in the best interest of the customer without regard to the financial or other interest of the broker or dealer providing the advice. See Business U.S. Regulation Securities, Broker-Dealer and Investment Adviser Regulation 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.

International Regulation. Our international insurance operations are principally regulated by insurance regulatory authorities in the jurisdictions in which they are located or 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 significant portion of our revenues is generated through operations in foreign jurisdictions, including many countries in early stages of economic and political development. Our international operations may be materially adversely affected by the actions and decisions of foreign authorities and regulators, such as through nationalization or expropriation of assets, the imposition of limits on foreign ownership of local companies, changes in laws (including tax laws and regulations), their application or interpretation, political instability, dividend limitations, price controls, changes in applicable currency, currency exchange controls or other restrictions that prevent us from transferring funds from these operations out of the countries in which they operate or converting local currencies we hold to U.S. dollars or other currencies. 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 and actions may negatively affect our business in these jurisdictions.

We expect the scope and extent of regulation outside of the U.S., as well as 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 our results of 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.

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.

Summary. 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.

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 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, changes in applicable currency, currency exchange controls or other restrictions that prevent us from transferring funds from these operations out of the countries in which they operate or converting local currencies we hold into U.S. dollars or other currencies, as well as other adverse actions by foreign governmental authorities and regulators, such as the retroactive application of new requirements to sales made prior to their introduction. Such actions may negatively affect our business in these jurisdictions and could indirectly affect our business in other jurisdictions as well. Some of our foreign insurance operations are, and are likely to continue to be, in emerging markets where these risks are heightened. See Business International Regulation, Our Insurance, Brokerage and Banking Businesses Are Heavily Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth and 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 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.

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 the Social Security System and moved pension fund assets into the government-run system, effectively eliminating the private pension companies in Argentina. As a result, we have experienced and will continue to experience reductions in the operation s revenues and cash flows. In February 2011, the Argentine Superintendent of Insurance (SSN) enacted a resolution effectively prohibiting cross-border reinsurance operations. In October 2011, the SSN enacted a resolution which affects our ability to invest and diversify abroad as of December 31, 2011, all investments and funds must be located in Argentina. Further governmental or legal actions related to our operations in Argentina could negatively impact our operations in Argentina and result in future losses. See Note 16 of the Notes to the Consolidated Financial Statements.

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.

We have market presence in over 50 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, 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. See Management s Discussion and Analysis of Financial Condition and Results of Operations Investments Current Environment.

We face increased exposure to the Japanese markets as a result of our considerable presence there. See Management s Discussion and Analysis of Financial Condition and Results of Operations Investments Current Environment, and Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Japan. The Japanese economy was significantly negatively impacted by the March 2011 earthquake and tsunami, and the resulting serious disruption to power supplies and release of radiation from a damaged nuclear power plant in northeastern Japan. The impact of these events is uncertain and difficult to predict. Deterioration in Japan s economic environment could have an adverse effect on our results of operations and financial condition. Any weakening of the yen against the U.S. dollar would adversely affect the estimated fair value of our yen-denominated investments, our investments in Japan subsidiaries and our net income from operations in Japan. See Fluctuations in Foreign Currency Exchange Rates Could Negatively Affect Our Profitability. Changes in market interest rates may also have an adverse effect on our investments and operations in Japan. See Changes in Market Interest Rates May Significantly Affect Our Profitability.

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, capital requirements and profitability and limit our growth. See Business U.S. Regulation Dodd-Frank and Other Legislative and Regulatory Developments.

The addition of a new regulatory regime over us, the likelihood of additional regulations, and the other changes discussed in Business U.S. Regulation Dodd-Frank and Other Legislative and Regulatory Developments could require changes to our operations. Whether such changes would affect our competitiveness in comparison to other institutions is uncertain, since the Federal Reserve has stated that at least some of our competitors, in particular 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/or satisfy additional capital requirements but its competitors were not, and to the extent any new prudential supervisory standards are imposed on MetLife, Inc. but not on its competitors. The impact could be different if MetLife, Inc. is no longer subject to regulation as a bank holding company, although it could still be subject to enhanced supervision as a non-bank systemically important financial institution. See Business U.S. Regulation Financial Holding Company Regulation. 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 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 Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.

Moreover, Dodd-Frank potentially affects such a wide range of the activities and markets in which we 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 challenge 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. In addition, regulators are auditing compliance by life insurers with state unclaimed property laws. See Litigation and Regulatory Investigations Are Increasingly Common in Our Businesses and May Result in Significant Financial Losses and/or Harm to Our Reputation.

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.

MetLife Bank s mortgage servicing has been the subject of recent inquiries and requests by state and federal regulatory and law enforcement authorities. MetLife Bank is cooperating with the authorities review of this business. On April 13, 2011, the OCC entered into consent decrees with several banks, including MetLife Bank. The consent decrees require an independent review of foreclosure practices and set forth new residential mortgage servicing standards, including a requirement for a designated point of contact for a borrower during the loss mitigation process. In addition, the Federal Reserve Board entered into consent decrees with the affiliated bank holding companies of these banks, including MetLife, Inc., to enhance the supervision of the mortgage servicing activities of their banking subsidiaries. In a February 9, 2012 press release, the Federal Reserve Board announced that it had issued monetary sanctions against five banking organizations for deficiencies in the organizations servicing of residential mortgage loans and processing of foreclosures. The Federal Reserve Board also stated that it plans to announce monetary penalties against six other institutions under its supervision against whom it had issued enforcement actions in 2011 for deficiencies in servicing of residential mortgage loans and processing foreclosures. The Federal Reserve Board did not identify these six institutions, but MetLife, Inc. is among the institutions that entered into consent decrees with the Federal Reserve Board in 2011. MetLife Bank has also had a meeting with the Department of Justice regarding mortgage servicing and foreclosure practices. It is possible that various state or federal regulatory and law enforcement authorities may seek monetary penalties from MetLife Bank relating to foreclosure practices. MetLife Bank is responding to a subpoena issued by the New York State Department of Financial Services regarding hazard insurance and flood insurance that MetLife Bank obtains to protect the lienholder s interest when the borrower s insurance has lapsed.

These consent decrees, as well as the inquiries or investigations referred to above, could adversely affect our reputation or result in material fines, penalties, equitable remedies or other enforcement actions, and result in significant legal costs in responding to governmental investigations or other litigation. We cannot predict the outcome of any such actions or reviews. In addition, the changes to the mortgage servicing business required by the consent decrees and the resolution of any other inquiries or investigations may affect the profitability of such business. See Management s Discussion and Analysis of Financial Condition and Results of Operations Industry Trends.

The MetLife Bank Events may not relieve MetLife from complying with the consent decrees, or protect it from the inquiries and investigations relating to residential mortgage servicing and foreclosure activities, or any fines, penalties, equitable remedies or enforcement actions that may result, the costs of responding to any such governmental investigations, or other litigation.

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 12 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. For certain of our liability portfolios, it is not possible to invest assets to the full liability duration, thereby creating some amount of ALM mismatch. For this and other reasons, we also use derivative instruments to mitigate interest rate risk. 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 (OTTI). 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. 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. We use 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 certain European Union member States, including Portugal, Ireland, Italy, Greece and Spain, commonly referred to as Europe s perimeter region, as well as Cyprus, and in financial institutions that have significant direct or indirect exposure to debt issued by those 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 lead to troubles in others. In particular, a number of large European banks hold significant amounts of sovereign and/or financial institution debt of other European nations and could experience difficulties as a result of defaults or declines in the value of such debt. These difficulties or concern that they may occur could disrupt the functioning of the financial markets. 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.

A possible result of the disruption in Europe is the withdrawal of one or more countries from the Euro zone. The extent to which our results of operations, financial condition, liquidity and net investment income would be affected by any such withdrawal will depend on a number of factors, including the identity of the withdrawing country and the likelihood that other counties will follow suit. Risks related to any such withdrawal could include overall economic disruption; capital flight, with attendant risks to the integrity of the European Union banking system; conversion to a national currency, which may be subject to devaluation as discussed further below; inflation risks; increased costs and diminished effectiveness in hedging against declines in the value of the Euro; declines in the value of our investments; credit losses; and an increase in foreign currency exchange rate risks, among others.

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. Foreign currency exchange risk will increase if a country withdraws from the Euro zone. The national currency to which such a country may revert will likely be devalued and contracts using the Euro will need to be renegotiated. It is possible that any such devaluation could be significant. We cannot predict the extent of such a devaluation, or the effect of it on our contracts, on our investments in bonds governed by the law of any such country, or on our investments in financial institutions that have significant direct or indirect exposure to debt issued by any such country. Any operations we may have in any such withdrawing country could also be materially adversely affected by legal or governmental actions related to conversion from the Euro to a national currency.

A portion of our investments is 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. Significant volatility could adversely impact returns and net investment income on these alternative investment classes. In addition, the extent to which MetLife, Inc. can continue to invest in such funds is uncertain under Dodd-Frank.

Continuing challenges include continued weakness in the U.S. real estate market, investor anxiety over the U.S. and European economies, defaults or declines in the value of sovereign or financial institution debt, 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, sustained high levels of unemployment and the continuing recovery in the inter-bank market. Significant volatility in the markets 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. In January 2012, the Federal Reserve Board announced its plans to keep interest rates low until at least through late 2014, 18 months longer than previously planned.

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 our 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 and VOBA, which reduces net income and may also cause us to accelerate negative VOBA, which increases 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. Finally, 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 28.3% of the carrying value of our total cash and investments at December 31, 2011. 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

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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. Some provisions of Dodd-Frank may lower the prices for certain fund investments by forcing them to be sold over a relatively short period of time.

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 obtain collateral, usually cash, in an amount generally equal to 102% of the estimated fair value of the securities loaned, which is obtained at the inception of a loan and maintained at a level greater than or equal to 100% for the duration of the loan. 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 and Note 3 of the Notes to the Consolidated Financial Statements.

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 and will likely increase under Dodd-Frank, 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, Business U.S. Regulation Dodd-Frank and Other Legislative and Regulatory Developments and Note 12 of the Notes to the Consolidated Financial Statements.

Gross Unrealized Losses on Fixed Maturity and Equity Securities and Defaults, Downgrades or Other Events May Result in Future Impairments to the Carrying Value of Such Securities, Resulting in a Reduction in Our Net Income

Fixed maturity securities represent a significant portion of our investment portfolio. 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 gains and gross unrealized losses on fixed maturity and equity securities available for sale at December 31, 2011 were $26.1 billion and $5.8 billion, respectively. The portion of the $5.8 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 $1.4 billion at December 31, 2011. 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.

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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 structured 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. 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 OTTI 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. 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 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 impairment includes an analysis of 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 cost or 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) with respect to structured securities, changes in forecasted cash flows after considering the quality of the underlying collateral; timing of expected prepayment; current and forecasted loss severity; consideration of the payment terms of the underlying assets backing a particular security; and the payment priority within the tranche structure of the security; 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, 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, 2011, mortgage loans that were either delinquent or in the process of foreclosure totaled less than 0.4% 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 Defaults or Deteriorating Credit 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, or lack of action by European Union member governments and central banks, as well as deterioration in the banks credit standing, could negatively impact these instruments, securities, transactions and investments or limit the Company s ability to trade with them. There can be no assurance that any such losses or impairments to the carrying value of these investments or other changes 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, dated as of March 7, 2010 (as amended, the Stock Purchase Agreement), entered into in connection with the Acquisition, by and among MetLife, Inc., AIG and AM Holdings, or reflected or reserved for in ALICO s historical financial statements. Although we have rights to indemnification from AM 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. We are indemnified under the Stock Purchase Agreement for various tax matters, including U.S. federal income taxes attributable to periods during which the ALICO business was included in AIG s consolidated federal income tax return. We cannot be certain that any such indemnification will ultimately be fully collectible.

Furthermore, the use of our own funds as consideration in any acquisition would consume capital resources, which could affect our capital plan and render those funds unavailable for other corporate purposes. We also may not be able to raise sufficient funds to consummate an acquisition if, for example, we are unable to sell our securities or close related bridge credit facilities. Moreover, as a result of uncertainty and risks associated with potential acquisitions and dispositions of businesses, rating agencies may take certain actions with respect to the ratings assigned to MetLife, Inc. and/or its subsidiaries.

Our ability to achieve certain benefits we anticipate from any acquisitions of businesses will depend in large part upon our ability to successfully integrate such businesses in an efficient and effective manner. We may not be able to integrate such businesses smoothly or successfully, and the process may take longer than expected. The integration of operations and differences in operational culture may require the dedication of significant management resources, which may distract management s attention from day-to-day business. If we are unable to successfully integrate the operations of such acquired businesses, we may be unable to realize the benefits we expect to achieve as a result of such acquisitions and our business and results of operations may be less than expected.

The success with which we are able to integrate acquired operations will depend on our ability to manage a variety of issues, including the following:

- Loss of key personnel or higher than expected employee attrition rates could adversely affect the performance of the acquired business and our ability to integrate it successfully.

- Customers of the acquired business may reduce, delay or defer decisions concerning their use of its products and services as a result of the acquisition or uncertainty related to the consummation of the acquisition, including, for example, potential unfamiliarity with the MetLife brand in regions where we did not have a market presence prior to the acquisition.

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If the acquired business relies upon independent distributors to distribute its products, these distributors may not continue to generate the same volume of business for us after the acquisition. Independent distributors may reexamine the scope of their relationship with the acquired business or us as a result of the acquisition and decide to curtail or eliminate distribution of our products.

Integrating acquired operations with our existing operations may require us to coordinate geographically separated organizations, address possible differences in corporate culture and management philosophies, merge financial processes and risk and compliance procedures, combine separate information technology platforms and integrate operations that were previously closely tied to the former parent of the acquired business or other service providers.

In cases where we or an acquired business operates in certain markets through joint ventures, the acquisition may affect the continued success and prospects of the joint venture. Our ability to exercise management control or influence over these joint venture operations and our investment in them will depend on the continued cooperation between the joint venture participants and on the terms of the joint venture agreements, which allocate control among the joint venture participants. We may face financial or other exposure in the event that any of these joint venture partners fail to meet their obligations under the joint venture, encounter financial difficulty or elect to alter, modify or terminate the relationship.

We may incur significant costs in connection with any acquisition and the related integration. The costs and liabilities actually incurred in connection with an acquisition and subsequent integration process may exceed those anticipated.

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 we entered through the Acquisition have experienced significant growth in recent years. Management of growth in these markets to date has required significant management and operational resources and is likely to continue to do so. Future growth of our combined business will require, among other things, the continued development of adequate underwriting and claim handling capabilities and skills, sufficient capital base, increased marketing and sales activities, and the hiring and training of new personnel.

There can be no assurance that we will be successful in managing future growth of any acquired business. In particular, there may be difficulties in hiring and training sufficient numbers of customer service personnel and agents to keep pace with any future growth in the number of customers in our developing or developed markets. In addition, we may experience difficulties in upgrading, developing and expanding information technology systems quickly enough to accommodate any future growth. If we are unable to manage future growth, our prospects may be materially and adversely affected.

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.

The Settlement of Common Equity Units Issued in Connection with the Acquisition Will Have a Dilutive Impact on MetLife, Inc. s Stockholders

As part of the consideration paid to AM Holdings pursuant to the terms of the Stock Purchase Agreement, MetLife, Inc. issued $3.0 billion aggregate stated amount of 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 (expected to occur on October 10, 2012, September 11, 2013 and October 8, 2014, 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. AM Holdings subsequently sold all of the common equity units in a public offering. The aggregate amount of MetLife, Inc. s common stock issuable upon settlement of the Stock Purchase Contracts is expected to be approximately 67.8 million to 84.7 million shares. As a result, more shares of common stock will be outstanding and each existing stockholder will own a smaller percentage of our common stock then outstanding.

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 derivatives 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

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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.

We face substantial exposure to risks associated with fluctuations in the yen/ U.S. dollar exchange rate because we now have substantial operations in Japan and a significant portion of our premiums and investment income in Japan are received in yen. Most claims and expenses associated with our operations in Japan are also paid in yen and we primarily purchase 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. Our Japan operation does assume some currency exposure by backing a portion of surplus and yen denominated liabilities with U.S. dollar assets. Although this represents risk to our Japan operation, this activity reduces yen exposure at the enterprise level.

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. 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.

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 U.S. 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 MetLife, Inc. Liquidity and Capital Sources Dividends from Subsidiaries. The ability of MetLife Bank to pay dividends is also subject to regulation by the OCC. See also Our Insurance, Brokerage and Banking Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.

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.

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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.

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. See Note 4 of the Notes to the Consolidated Financial Statements for information regarding the impact of a one-notch downgrade with respect to derivative transactions with credit rating downgrade triggers. Also, at December 31, 2011, $188 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 by many financial institutions as a result of the global recession, 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 c 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.

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 August 2011, we entered into a $3 billion unsecured five-year credit agreement by amending and restating our October 2010 unsecured 364-day credit agreement, and reduced the outstanding commitment under our

October 2010 unsecured three-year credit facility to $1 billion. 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 Note 11 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 borrow funds 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.

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 and periodically update our risk management policies and procedures to reflect ongoing review of our risks 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. In addition, more extensive and perhaps different risk management policies and procedures might have to be implemented under Regulation YY. See Business U.S. Regulation Financial Holding Company Regulation and 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 insurance operations are exposed to the risk of catastrophic events. 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, tsunamis 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 issuers of obligations we hold in our investment portfolio, resulting in impairments to these obligations, and the financial condition of our reinsurers and thereby increase the probability of default on reinsurance recoveries. Large-scale catastrophes may also reduce the overall level of economic activity in affected countries which could hurt our business and the value of our investments. 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.

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; however the likelihood, timing, and severity of a future pandemic cannot 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.

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 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, 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 2011 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 in the U.S. and internationally, 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, 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, with respect to other insurance companies, 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, 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 Business U.S. Regulation, Business International Regulation, Our Insurance, Brokerage and Bankin Businesses Are Highly Regulated, and Changes in Regulation May Reduce Our Profitability and Limit Our Growth, Governmental and Regulatory Actions 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 Our Competitive Position 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.

Industry Trends, Including the Consolidation of Distributors of Insurance Products, 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 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.

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. The Federal Reserve Board has taken a number of actions in recent years to spur economic activity by keeping interest rates low and may take further actions to influence interest rates in the future, which may have an impact on the pricing levels of risk-bearing investments, and may adversely impact the level of product sales. See Governmental and Regulatory Actions 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 Our Competitive Position. 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, Regulation YY, Basel III, Solvency II and other regulatory initiatives 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.

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 significant input to its valuation. See Note 1 of the Notes to the Consolidated Financial Statements for information regarding the three input levels.

At December 31, 2011, 9.4%, 85.3% and 5.3% of these securities represented Level 1, Level 2 and Level 3, respectively. The Level 1 securities primarily consist of certain U.S. Treasury and agency securities, foreign government securities, RMBS principally to-be-announced securities, exchange traded common stock, exchange traded registered mutual fund interests and short-term money market securities, including U.S. Treasury bills. 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 and agency securities, as well as the majority of U.S. and foreign corporate securities, RMBS, foreign government securities, 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

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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; ABS and foreign government securities. 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 is the excess of cost over the estimated fair value of net assets acquired which represents the future economic benefits arising from such net assets acquired that could not be individually identified. As of December 31, 2011, our goodwill was $11.9 billion. 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 the implied fair value of the reporting unit is less than the carrying value of that reporting unit. We perform our annual goodwill impairment testing during the third quarter of each year based upon data as of the close of the second quarter. Goodwill associated with a business acquisition is not tested for impairment during the year the business is acquired unless there is a significant identified impairment event. 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.

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. See Management s Discussion and Analysis of Financial Condition and Results of Operations Summary of Critical Accounting Estimates Goodwill and Note 7 of the Notes to the Consolidated Financial Statements.

Long-lived assets, including assets such as real estate, also require impairment testing to determine whether changes in circumstances indicate that we 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 insurance business. Costs that vary with and relate to the production of new and renewal insurance business are deferred 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 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 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 Changes in Accounting Standards Issued by the Financial Accounting Standards Board or Other Standard-Setting Bodies May Adversely Affect Our Financial Statements, 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 and Note 1 of the Notes to the Consolidated Financial Statements 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 our reports filed with the SEC. We will adopt new guidance regarding accounting for DAC in the first quarter of 2012. Under the new guidance, only incremental direct costs associated with the successful acquisition of new or renewal contracts may be capitalized, and direct-response advertising costs may be capitalized under certain conditions. We plan to apply this guidance retrospectively to all prior periods presented in our consolidated financial statements for all insurance contracts; this will result in a reduction of DAC and total equity. See Note 1 of the Notes to the Consolidated Financial Statements. 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 Risk Management Costs and Expose Us to Increased Counterparty Risk

Certain of our variable annuity products include guaranteed minimum benefits. These include guaranteed minimum death benefits, guaranteed minimum withdrawal benefits, 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 MetLife, Inc. 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.

Contractual Features 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, depending on the circumstances, may be required to be made in different currencies and may not be the legal tender in the country whose law governs the particular product. Changes in exchange rate movements and the imposition of capital controls may also directly impact the liability valuation that may not be entirely hedged. If the currency upon which expected future payments are made strengthens, the liability valuation may increase, which may result 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 revenues from the policies in the closed block will benefit only the holders of the policies in the closed block. In addition, to the extent that these amounts are greater than the amounts estimated at the time the closed block was funded, dividends payable in respect of the policies included in the closed block may be greater than they would be in the absence of a closed block. Any excess earnings will be available for distribution over time only to closed block policyholders.

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. Modern pleading practice in the U.S. permits considerable variation in the assertion of money damages or other relief. This variability in pleadings, together with our actual experience in litigating or resolving through settlement numerous claims over an extended period of time, demonstrates to management that the monetary relief which may be specified in a lawsuit or claim bears little relevance to its merits or disposition value. 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.

The Company establishes liabilities for litigation and regulatory loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Liabilities have been established for a number of 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, 2011.

Over the past several years, we have faced numerous claims, including class action lawsuits, alleging improper marketing or sales of individual life insurance policies, annuities, mutual funds or other products.

In addition, MLIC is and has been a defendant in a large number of lawsuits seeking compensatory and punitive damages for personal injuries allegedly caused by exposure to asbestos. 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 the numerous variables that can affect liability estimates, including the number of future claims, the cost to resolve claims, the disease mix and severity of disease in pending and future claims, the impact of the number of new claims filed in a particular jurisdiction and variations in the law in the jurisdictions in which claims are filed, the possible impact of tort reform efforts, the willingness of courts to allow plaintiffs to pursue claims against MLIC when exposure to asbestos took place after the dangers of asbestos exposure were well known, and the impact of any possible future adverse verdicts and their amounts. The number of asbestos cases that may be brought, the aggregate amount of any liability that MLIC may incur, and the total amount paid in settlements in any given year are uncertain and may vary significantly from year to year.

The ability to make estimates regarding ultimate asbestos exposure declines significantly as the estimates relate to years further in the future. In our judgment, there is a future point after which losses cease to be probable and reasonably estimable. It is reasonably possible that our total exposure to asbestos claims may be materially greater than the asbestos liability currently accrued 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.

More than 30 U.S. jurisdictions are auditing MetLife, Inc. and certain of its affiliates for compliance with unclaimed property laws. Additionally, MLIC and certain of its affiliates have received subpoenas and other regulatory inquiries from certain regulators and other officials relating to claims-payment practices and compliance with unclaimed property laws. An examination of these practices by the Illinois Department of Insurance has been converted into a multistate targeted market conduct exam. On July 5, 2011, the New York Insurance Department issued a letter requiring life insurers doing business in New York to use data available on the U.S. Social Security Administration s Death Master File or a similar database to identify instances where death benefits under life insurance policies, annuities, and retained asset accounts are payable, to locate and pay beneficiaries under such contracts, and to report the results of the use of the data. It is possible that other jurisdictions may pursue similar investigations or inquiries, may join the multistate market conduct exam, or issue directives similar to the New York Insurance Department s letter. In the third quarter of 2011, we incurred a $117 million after tax charge to increase reserves in connection with our use of the U.S. Social Security Administration s Death Master File and similar databases to identify potential life insurance claims that have not yet been presented to us. It is possible that the audits, market conduct exam, and related activity may result in additional payments to beneficiaries, additional escheatment of funds deemed abandoned under state laws, administrative penalties, interest, and changes to our procedures for the identification and escheatment of abandoned property. We believe that payments for life insurance claims not yet presented and interest thereon will not be materially different from the reserve charge noted above. To the extent we can estimate the reasonably possible amount of potential additional payments, it has been included in the aggregate estimate of reasonably possible loss provided in Note 16 of the Notes to the Consolidated Financial Statements. It is possible that there will be additional payments or other expenses incurred with respect to changes in procedures and we are not currently able to estimate these additional possible amounts, but such costs may be substantial.

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. The number of countries in which we currently operate has greatly expanded as a result of the Acquisition and, consequently, we may be subject to additional investigations and lawsuits in such jurisdictions. Increased regulatory scrutiny and any resulting investigations or proceedings in any of the countries where we operate 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.

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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.

Litigation in U.S. federal courts has challenged whether the Health Care Act, or parts of it, are valid and consistent with the U.S. constitution. Some of the recent court decisions on these issues have held that the Health Care Act is unconstitutional, in whole or in part, and it is expected that the U.S. Supreme Court will decide these issues in 2012. If the Health Care Act is ruled unconstitutional, the resulting disruption to the system of regulation of health care benefits, other benefits, and other forms of compensation in the U.S., and uncertainty regarding the future course of that system of regulation, may have impacts, some of them potentially negative, on the way that we provide health care benefits, other benefits and other forms of compensation to employees, and on our ability to do so in an efficient manner, which could adversely affect our ability to attract, retain, and motivate talented associates and could also result in increased or unpredictable costs. Such a ruling, and the uncertainty it creates, could also result in negative effects on us as a provider of non-medical health insurance benefit products, affecting our ability to offer certain products in the same manner as we do today or resulting in increased or unpredictable costs to provide certain products.

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 October 2011, the DOL issued final regulations which provide limited relief from these investment advice restrictions. If 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 investment advice regulatory initiatives under ERISA also may negatively impact the current business model of our broker-dealers. In particular, the DOL issued a proposed regulation in October 2010 that would, if adopted as proposed, significantly broaden the circumstances under which a person or entity providing investment advice with respect to ERISA plans or IRAs would be deemed a fiduciary under ERISA or the 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 September 2011, the DOL announced it will re-propose these fiduciary definition regulations, and a new proposal is expected in 2012.

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. The participant disclosure regulations were issued in final form in October 2010 and become effective in 2012, and the regulations which require service providers to disclose fee and other information to plan sponsors take effect in 2012. These ERISA disclosure requirements will likely increase the regulatory and compliance burden upon us, 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.

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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 21, 2012, the Trust held 211,500,239 shares, or 19.9%, 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.

The MetLife Policyholder Trust Agreement provides that we may terminate the Trust once the percentage of outstanding shares held in the Trust falls to 25%. We must terminate the Trust 90 days after we provide the trustee with notice that the percentage of outstanding shares held in the Trust is 10% or less. In connection with any termination of the Trust, all of the shares of common stock then held in the Trust will need to be distributed to the respective Trust beneficiaries, unless we offer to purchase all or a portion of such Trust shares. In connection with such a distribution, we may incur costs related to an increase in the number of shareholders, which may include increased mailing and proxy solicitation expenses.

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 U.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 of 1940, as amended, 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: 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, to the extent not covered by the terrorism insurance maintained by our commercial and agricultural mortgagees, 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, as well as a Failure in Cyber- or Other Information Security Systems, Could Result in a Loss or Disclosure of Confidential Information, Damage Our Reputation and 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, a cyberattack or war, unanticipated problems with our disaster recovery systems could have a material adverse impact on our ability to conduct business and on our results of operations and financial position, particularly if those problems affect our computer-based data processing, transmission, storage and retrieval systems and destroy valuable data. In addition, in the event that a significant number of our managers were unavailable 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.

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, cyberattacks and similar disruptions from unauthorized tampering, including threats that may come from external factors, such as governments, organized crime, hackers and third parties to whom we outsource certain functions, or may originate internally from within the Company.

If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, as well as our customers or other third parties , operations, which could result in damage to our reputation, financial losses, litigation, increased costs, regulatory penalties and/or customer dissatisfaction or loss. Although we take steps to prevent and detect such attacks, it is possible that we may not become aware of a cyber incident for some time after it occurs, which could increase our exposure to these consequences.

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.

Item 2. ***Properties***

In 2006, we signed a lease for 410,000 rentable square feet on 12 floors in an office building in Manhattan, New York, which is occupied by U.S. Business, Corporate & Other, and International. 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 33,000 rentable square feet of the 410,000 rentable square feet available for sublease. We moved certain operations from our Long Island City, New York 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, which is occupied by Corporate & Other, 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, which is occupied by U.S. Business, Corporate & Other, and International.

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 709 other locations throughout the U.S., and these leased facilities consist of 8.9 million rentable square feet. Approximately 39% of these leases are occupied as sales offices for the U.S. Business operations. The balance of space is utilized for corporate functions supporting business activities. We also own 75 properties outside the U.S. for associates in International, including 10 significant properties, as well as smaller facilities and condominium units. We lease approximately 1,200 sites in various locations outside the U.S. 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 1, 2012, its renewal date.

Item 3. ***Legal Proceedings***

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

Item 4. ***Mine Safety Disclosures***

Not applicable.

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:

	2011			
	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
Common Stock Price				
High	$ 48.63	$ 46.79	$ 44.38	$ 36.82
Low	$ 42.28	$ 39.24	$ 26.82	$ 26.60

	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

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At February 21, 2012, there were 91,277 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:

Declaration Date	Record Date	Payment Date	Dividend Per Share	Dividend Aggregate
			(In millions, except per share data)	
October 25, 2011	November 9, 2011	December 14, 2011	$ 0.74	$ 787
October 26, 2010	November 9, 2010	December 14, 2010	$ 0.74	$ 784 (1)

(1) Includes dividends paid on convertible preferred stock.

Future common stock dividend decisions will be determined by MetLife, Inc. 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. The payment of dividends and other distributions by MetLife, Inc. to its security holders is subject to regulation by the Federal Reserve. See Business U.S. Regulation Financial Holding Company Regulation, and Note 18 of the Notes to the Consolidated Financial Statements.

See Item 12 for information about our equity compensation plans.

Issuer Purchases of Equity Securities

Purchases of common stock made by or on behalf of MetLife, Inc. or its affiliates during the quarter ended December 31, 2011 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, 2011	1,922	$ 32.59		$ 1,260,735,127
November 1- November 30, 2011	7,300	$ 29.61		$ 1,260,735,127
December 1- December 31, 2011	21,393	$ 30.57		$ 1,260,735,127

(1) During the periods October 1 through October 31, 2011, November 1 through November 30, 2011 and December 1 through December 31, 2011, separate account and other affiliates of MetLife, Inc. purchased 1,922 shares, 7,300 shares and 21,393 shares, respectively, of common stock on the open market in nondiscretionary transactions to rebalance index funds. Except as disclosed above, there were no shares of common stock which were repurchased by MetLife, Inc.

(2)

At December 31, 2011, MetLife, Inc. had $1.3 billion remaining under its common stock repurchase program authorizations. In April 2008, MetLife, Inc. s Board of Directors authorized an additional $1.0 billion common stock repurchase program, which will begin after the completion of the January 2008 $1.0 billion common stock repurchase program, of which $261 million remained outstanding at December 31, 2011. Under these authorizations, MetLife, Inc. may purchase its common stock from the MetLife Policyholder Trust, in the open market (including pursuant to the terms of a pre-set trading plan meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934) and in privately negotiated transactions. Any future common stock repurchases will be dependent upon several factors, including the Company s capital position, its liquidity, its financial strength and credit ratings, general market conditions and the market price of MetLife, Inc. s common stock compared to management s assessment of the stock s underlying value and applicable regulatory approvals, as well as other legal and accounting factors. See Business U.S. Regulation Financial Holding Company Regulation.

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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, 2011, 2010 and 2009, and the balance sheet data at December 31, 2011 and 2010 have been derived from the Company s audited financial statements included elsewhere herein. The statement of operations data for the years ended December 31, 2008 and 2007, and the balance sheet data at December 31, 2009, 2008 and 2007 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,				
	2011	2010	2009	2008	2007
			(In millions)		
Statements of Operations Data (1)					
Revenues					
Premiums	$ 36,361	$ 27,071	$ 26,157	$ 25,604	$ 22,671
Universal life and investment-type product policy fees	7,806	6,028	5,197	5,373	5,233
Net investment income	19,606	17,511	14,741	16,181	17,965
Other revenues	2,532	2,328	2,329	1,585	1,465
Net investment gains (losses)	(867)	(408)	(2,901)	(2,085)	(318)
Net derivative gains (losses)	4,824	(265)	(4,866)	3,910	(260)
Total revenues	70,262	52,265	40,657	50,568	46,756
Expenses					
Policyholder benefits and claims	35,457	29,185	28,003	27,094	23,452
Interest credited to policyholder account balances	5,603	4,919	4,845	4,787	5,458
Policyholder dividends	1,446	1,485	1,649	1,749	1,722
Other expenses	17,730	12,764	10,521	11,908	10,373
Total expenses	60,236	48,353	45,018	45,538	41,005
Income (loss) from continuing operations before provision for income tax	10,026	3,912	(4,361)	5,030	5,751
Provision for income tax expense (benefit)	3,075	1,165	(2,025)	1,568	1,664
Income (loss) from continuing operations, net of income tax	6,951	2,747	(2,336)	3,462	4,087
Income (loss) from discontinued operations, net of income tax	20	39	58	(184)	378
Net income (loss)	6,971	2,786	(2,278)	3,278	4,465
Less: Net income (loss) attributable to noncontrolling interests	(10)	(4)	(32)	69	148
Net income (loss) attributable to MetLife, Inc.	6,981	2,790	(2,246)	3,209	4,317
Less: Preferred stock dividends	122	122	122	125	137
Preferred stock redemption premium	146				
Net income (loss) available to MetLife, Inc. s common shareholders	$ 6,713	$ 2,668	$ (2,368)	$ 3,084	$ 4,180

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	2011	2010	December 31, 2009 (In millions)	2008	2007
Balance Sheet Data (1)					
Assets:					
General account assets (2)	$ 596,602	$ 547,768	$ 390,460	$ 380,981	$ 399,099
Separate account assets	203,023	183,138	148,854	120,697	160,050
Total assets	$ 799,625	$ 730,906	$ 539,314	$ 501,678	$ 559,149
Liabilities:					
Policyholder liabilities and other policy-related balances (3)	$ 421,244	$ 399,125	$ 281,487	$ 280,345	$ 259,682
Payables for collateral under securities loaned and other transactions	33,716	27,272	24,196	31,059	44,136
Bank deposits	10,507	10,316	10,211	6,884	4,534
Short-term debt	686	306	912	2,659	667
Long-term debt (2)	23,692	27,586	13,220	9,667	9,100
Collateral financing arrangements	4,647	5,297	5,297	5,192	4,882
Junior subordinated debt securities	3,192	3,191	3,191	3,758	4,075
Other (2)	38,642	25,562	18,448	17,432	35,038
Separate account liabilities	203,023	183,138	148,854	120,697	160,050
Total liabilities	739,349	681,793	505,816	477,693	522,164
Redeemable noncontrolling interests in partially owned consolidated securities	105	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	11	10	8	8	8
Additional paid-in capital	26,782	26,423	16,859	15,811	17,098
Retained earnings	27,289	21,363	19,501	22,403	19,884
Treasury stock, at cost	(172)	(172)	(190)	(236)	(2,890)
Accumulated other comprehensive income (loss)	5,886	1,000	(3,058)	(14,253)	1,078
Total MetLife, Inc. s stockholders equity	59,797	48,625	33,121	23,734	35,179
Noncontrolling interests	374	371	377	251	1,806
Total equity	60,171	48,996	33,498	23,985	36,985
Total liabilities and equity	$ 799,625	$ 730,906	$ 539,314	$ 501,678	$ 559,149

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	Years Ended December 31,				
	2011	2010	2009	2008	2007
	(In millions, except per share data)				
Other Data (1), (4)					
Net income (loss) available to MetLife, Inc. s common shareholders	$ 6,713	$ 2,668	$ (2,368)	$ 3,084	$ 4,180
Return on MetLife, Inc. s common equity	12.8 %	6.9 %	(9.0) %	11.2 %	12.9 %
Return on MetLife, Inc. s common equity, excluding accumulated other comprehensive income (loss)	13.8 %	7.0 %	(6.8) %	9.1 %	13.3 %
EPS Data (1), (5)					
Income (loss) from continuing operations available to MetLife, Inc. s common shareholders per common share:					
Basic	$ 6.32	$ 2.98	$ (2.96)	$ 4.57	$ 5.30
Diluted	$ 6.27	$ 2.96	$ (2.96)	$ 4.52	$ 5.17
Income (loss) from discontinued operations per common share:					
Basic	$ 0.02	$ 0.04	$ 0.07	$ (0.38)	$ 0.32
Diluted	$ 0.02	$ 0.04	$ 0.07	$ (0.38)	$ 0.31
Net income (loss) available to MetLife, Inc. s common shareholders per common share:					
Basic	$ 6.34	$ 3.02	$ (2.89)	$ 4.19	$ 5.62
Diluted	$ 6.29	$ 3.00	$ (2.89)	$ 4.14	$ 5.48
Cash dividends declared per common share	$ 0.74	$ 0.74	$ 0.74	$ 0.74	$ 0.74

(1) On November 1, 2010, MetLife, Inc. acquired ALICO. The results of the Acquisition are reflected in the 2011 and 2010 selected financial data from the Acquisition Date. See Note 2 of the Notes to the Consolidated Financial Statements.

(2) At December 31, 2011, general account assets, long-term debt and other liabilities include amounts relating to variable interest entities of $7.3 billion, $3.1 billion and $60 million, respectively. At December 31, 2010, general account assets, long-term debt and other liabilities include amounts relating to variable interest entities of $11.1 billion, $6.9 billion 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.

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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 corporation incorporated in 199 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 terms of similar meaning in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results. Any or all forward-looking statements may turn out to be wrong. 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. Consistent with GAAP accounting guidance for segment reporting, operating earnings is our measure of segment performance. Operating earnings is also a measure by which senior management s and many other employees performance is evaluated for the purposes of determining their compensation under applicable compensation plans.

Operating earnings is defined as operating revenues less operating expenses, both net of income tax. Operating earnings available to common shareholders is defined as operating earnings less preferred stock dividends.

Operating revenues and operating expenses exclude results of discontinued operations and other businesses that have been or will be sold or exited by MetLife, Inc. (Divested Businesses). Operating revenues also excludes net investment gains (losses) and net derivative gains (losses).

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

- Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity guaranteed minimum income benefits (GMIB) fees (GMIB Fees);

- Net investment income: (i) includes amounts for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of investments but do not qualify for hedge accounting treatment, (ii) includes income from discontinued real estate operations, (iii) excludes post-tax operating earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iv) excludes certain amounts related to contractholder-directed unit-linked investments, and (v) excludes certain amounts related to securitization entities that are variable interest entities (VIEs) consolidated under GAAP; and

- Other revenues are adjusted for settlements of foreign currency earnings hedges.

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

- Policyholder benefits and claims and policyholder dividends excludes: (i) changes in the policyholder dividend obligation related to net investment gains (losses) and net derivative gains (losses), (ii) inflation-indexed benefit adjustments associated with contracts backed by inflation-indexed investments and amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets, (iii) benefits and hedging costs related to GMIBs (GMIB Costs), and (iv) market value adjustments associated with surrenders or terminations of contracts (Market Value Adjustments);

- Interest credited to policyholder account balances includes adjustments for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of policyholder account balances (PABs) but do not qualify for hedge accounting treatment and excludes amounts related to net investment income earned on contractholder-directed unit-linked investments;

- Amortization of deferred policy acquisition costs (DAC) and value of business acquired (VOBA) excludes amounts related to: (i) net investment gains (losses) and net derivative gains (losses), (ii) GMIB Fees and GMIB Costs, and (iii) Market Value Adjustments;

- Amortization of negative VOBA excludes amounts related to Market Value Adjustments;

- Interest expense on debt excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and

- Other expenses excludes costs related to: (i) noncontrolling interests, (ii) implementation of new insurance regulatory requirements, and (iii) business combinations.

We believe the presentation of operating earnings and operating earnings available to common shareholders as we measure it for management purposes enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of our business. Operating revenues, operating expenses, operating earnings, and operating earnings available to common shareholders, should not be viewed as substitutes for the following financial measures calculated in accordance with GAAP: GAAP revenues, GAAP expenses, GAAP income (loss) from continuing operations, net of income tax, and GAAP net income (loss) available to MetLife, Inc. s common shareholders, respectively. Reconciliations of these measures to the most directly comparable GAAP measures are included in Results of Operations.

In 2011, management modified its definition of operating earnings to exclude the impacts of Divested Businesses, which includes certain operations of MetLife Bank, National Association (MetLife Bank) and our insurance operations in the Caribbean region, Panama and Costa Rica (the Caribbean Business), as these results are not relevant to understanding the Company s ongoing operating results. Consequently, prior years results for Corporate & Other and total consolidated operating earnings have been decreased by $111 million, net of $66 million of income tax, and $211 million, net of $139 million of income tax, for the years ended December 31, 2010 and 2009, respectively.

In addition, in 2011, management modified its definition of operating earnings and operating earnings available to common shareholders to exclude impacts related to certain variable annuity guarantees and Market Value Adjustments to better conform to the way it manages and assesses its business. Accordingly, such results are no longer reported in operating earnings and operating earnings available to common shareholders. Consequently, prior years results for Retirement Products and total consolidated operating earnings have been increased by $64 million, net of $34 million of income tax, and $90 million, net of $49 million of income tax, for the years ended December 31, 2010 and 2009, respectively.

In this discussion, we sometimes refer to sales activity for various products. These sales statistics do not correspond to revenues under GAAP, but are used as relevant measures of business activity. Additionally, the impact of changes in our foreign currency exchange rates is calculated using the average foreign currency exchange rates for the current year and is applied to each of the comparable years.

Executive Summary

MetLife is a leading global provider of insurance, annuities and employee benefit programs throughout the United States, Japan, Latin America, Asia Pacific, Europe and the Middle East. Through its subsidiaries and affiliates, MetLife offers life insurance, annuities, auto and homeowners insurance, mortgage and deposit products and other financial services to individuals, as well as group insurance and retirement & savings products and services to corporations and other institutions. MetLife is organized into six segments: Insurance Products, Retirement Products, Corporate Benefit Funding and Auto & Home (collectively, U.S. Business), and Japan and Other International Regions (collectively, International). In addition, the Company reports certain of its results of operations in Corporate & Other, which includes MetLife Bank and other business activities.

On November 21, 2011, MetLife, Inc. announced that it will be reorganizing its business into three broad geographic regions: The Americas; Europe, the Middle East and Africa (EMEA); and Asia, and creating a global employee benefits business to better reflect its global reach. While the Company has initiated certain changes in response to this announcement, including the appointment of certain executive leadership into some of the roles designed for the reorganized structure, management continued to evaluate the performance of the operating segments under the existing segment structure as of December 31, 2011. In addition, 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.

In December 2011, MetLife Bank and MetLife, Inc. entered into a definitive agreement to sell most of the depository business of MetLife Bank. The transaction is expected to close in the second quarter of 2012, subject to certain regulatory approvals and other customary closing conditions. Additionally, in January 2012, MetLife, Inc. announced it is exiting the business of originating forward residential mortgages (together with MetLife Bank s pending actions to exit the depository business, including the aforementioned December 2011 agreement, the MetLife Bank Events). Once MetLife Bank has completely exited its depository business, MetLife, Inc. plans to terminate MetLife Bank s Federal Deposit Insurance Corporation (FDIC) insurance, putting MetLife, Inc. in a position to be able to deregister as a bank holding company. See Business U.S. Regulation Financial Holding Company Regulation. The Company continues to originate reverse mortgages and will continue to service its current mortgage customers. As a result of the MetLife Bank Events, for the year ended December 31, 2011, the Company recorded charges totaling $212 million, net of income tax, which included intent-to-sell other-than-temporary impairment (OTTI) investment charges, charges related to the de-designation of certain cash flow hedges, a goodwill impairment charge and other employee-related charges. In addition, the Company expects to incur additional charges of $90 million to $110 million, net of income tax, during 2012, related to exiting the forward residential mortgage origination business, with no expected impact on the Company s operating earnings. See Note 2 of the Notes to the Consolidated Financial Statements.

On November 1, 2010 (the Acquisition Date), MetLife, Inc. completed the acquisition of American Life Insurance Company (American Life) from AM Holdings LLC (formerly known as ALICO Holdings LLC) (AM 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). ALICO s fiscal year-end is November 30. Accordingly, the Company s consolidated financial statements reflect the assets and liabilities of ALICO as of November 30, 2011 and 2010, and the operating results of ALICO for the year ended November 30, 2011 and the one month ended November 30, 2010. The assets, liabilities and operating results relating to the Acquisition are included in the Japan and Other International Regions segments. Prior year results have been adjusted to conform to the current year presentation of segments. See Note 2 of the Notes to the Consolidated Financial Statements.

We continue to experience an increase in market share and sales in several of our businesses; however, the general economic conditions, including the high levels of unemployment, negatively impacted the demand for certain of our products. Portfolio growth in response to the higher sales levels drove improved investment results despite lower yields experienced in connection with the continued decline in interest rates in 2011. The declining interest rate environment, however, also generated significant derivative gains in 2011. Current year results were negatively impacted by severe weather, including the earthquake and tsunami in Japan in the first quarter, record numbers of tornadoes in the second quarter and Hurricane Irene in the third quarter.

	Years Ended December 31,		
	2011	2010	2009
		(In millions)	
Income (loss) from continuing operations, net of income tax	$ 6,951	$ 2,747	$ (2,336)
Less: Net investment gains (losses)	(867)	(408)	(2,901)
Less: Net derivative gains (losses)	4,824	(265)	(4,866)
Less: Other adjustments to continuing operations (1)	(1,641)	(914)	480
Less: Provision for income tax (expense) benefit	(845)	379	2,597
Operating earnings	5,480	3,955	2,354
Less: Preferred stock dividends	122	122	122
Operating earnings available to common shareholders	$ 5,358	$ 3,833	$ 2,232

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

Year Ended December 31, 2011 compared with the Year Ended December 31, 2010

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

During the year ended December 31, 2011, income (loss) from continuing operations, net of income tax, increased $4.2 billion to $7.0 billion from $2.8 billion in 2010. The change was predominantly due to a $5.1 billion favorable change in net derivative gains (losses), before income tax, and a $1.5 billion favorable change in operating earnings available to common shareholders, which includes the impact of the Acquisition.

The favorable change in net derivative gains (losses) of $3.3 billion was primarily driven by favorable changes in freestanding derivatives, partially offset by unfavorable changes in embedded derivatives. The favorable change in freestanding derivatives was primarily attributable to the impact of falling long-term and mid-term interest rates and equity market movements and volatility.

The Acquisition drove the majority of the $1.5 billion increase in operating earnings available to common shareholders. In addition, improved investment performance was the result of portfolio growth in response to increased sales across many of our businesses, which more than offset the negative impact of the declining interest rate environment on yields. Current year results were negatively impacted by severe weather, as well as, in the third quarter, a charge to increase reserves in connection with the Company s use of the U.S. Social Security Administration s Death Master File and similar databases to identify potential life insurance claims that have not been presented to the Company (Death Master File) and expenses incurred related to a liquidation plan filed by the New York State Department of Financial Services (the Department of Financial Services) for Executive Life Insurance Company of New York (ELNY).

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

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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 $1.4 billion, before income tax, and $2.2 billion of income tax, resulting in a total favorable variance of $3.5 billion. In addition, operating earnings available to common shareholders increased $1.6 billion to $3.8 billion in 2010 from $2.2 billion in 2009.

The favorable change in net derivative gains (losses) of $3.0 billion was primarily driven by net gains on freestanding derivatives in 2010 compared to net losses in 2009, partially offset by an unfavorable change in embedded derivatives from gains in 2009 to losses in 2010. 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 2009 than 2010, equity volatility, which decreased more in 2009 as compared to 2010, 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 $518 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 $1.6 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 2010 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 Other International Regions segment. 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.

Consolidated Company Outlook

In 2012, we expect a solid improvement in the operating earnings of the Company over 2011, driven primarily by the following:

- Premiums, fees and other revenues growth in 2012 is expected to be driven by:
  - Rational pricing strategy in the group insurance marketplace.
  - Higher fees earned on separate accounts primarily due to favorable net flows of variable annuities, which are expected to remain strong in 2012, thereby increasing the value of those separate accounts; and
  - Increases in our International businesses, notably accident and health, from continuing organic growth throughout our various geographic regions.
- Focus on disciplined underwriting. We see no significant changes to the underlying trends that drive underwriting results and continue to anticipate solid results in 2012; however, unanticipated catastrophes, similar to those that occurred during 2011, could result in a high volume of weather-related claims.
- Focus on expense management. We continue to focus on expense control throughout the Company, and managing the costs associated with the integration of ALICO.

Continued disciplined approach to investing and asset/liability management, including significant hedging to protect against low interest rates.

As a result of new financial accounting guidance for DAC which we intend to adopt in the first quarter of 2012, we estimate that, on the date of adoption, DAC will be reduced by approximately $3.1 billion to $3.6 billion and total equity will be reduced by approximately $2.1 billion to $2.4 billion, net of income tax. Additionally, we estimate that there will be a negative impact on our 2012 operating earnings primarily in Japan, with no impact on our on-going cash flows. The Company plans to apply this accounting change retrospectively to all prior periods presented in its consolidated financial statements for all insurance contracts.

We expect only modest investment losses in 2012, but more difficult to predict is the impact of potential changes in fair value of freestanding and embedded derivatives as even relatively small movements in market variables, including interest rates, equity levels and volatility, can have a large impact on the fair value of derivatives and net derivative gains (losses). Additionally, changes in fair value of embedded derivatives within certain insurance liabilities may have a material impact on net derivative gains (losses) related to the inclusion of an adjustment for nonperformance risk.

Industry Trends

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

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

Beginning in 2010 and continuing throughout 2011, concerns increased about capital markets and the solvency of certain European Union member states, including Portugal, Ireland, Italy, Greece and Spain (Europe s perimeter region), and of financial institutions that have significant direct or indirect exposure to their sovereign debt. See Investments Current Environment for information regarding credit ratings downgrades and support programs for Europe s perimeter region. These ratings downgrades and implementation of European Union and private sector support programs have increased concerns that other European Union member states could experience similar financial troubles, that some countries could default on their obligation or have to restructure their outstanding debt, that financial institutions with significant holdings of sovereign or private debt issued by borrowers in peripheral European countries could experience financial stress, or that one or more countries may exit the Euro zone, any of which could have significant adverse effects on the European and global economies and on financial markets, generally. See Risk Factors 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.

Although the downgrade by Standard & Poor s Ratings Services (S&P) of U.S. Treasury securities initially had an adverse effect on financial markets, the extent of the longer-term impact cannot be predicted. Fitch Ratings (Fitch) warned that it may in the future downgrade the U.S. credit rating unless action is taken to reduce the national debt of the U.S. See Risk Factors Concerns Over U.S. Fiscal Policy and the Trajectory of the National Debt of the U.S., as well as Rating Agency Downgrades of U.S. Treasury Securities, Could Have an

Adverse Effect on Our Business, Financial Condition and Results of Operations. See also Investments Current Environment for further information about European region support programs announced in July 2011 and October 2011, ratings actions and our exposure to obligations of European governments and private obligors.

All of these factors have had and could continue to have an adverse effect on the financial results of companies in the financial services industry, including MetLife. Such global economic conditions, as well as the global financial markets, continue to impact our net investment income, 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.

As a financial holding company with significant operations in the U.S., we are affected by the monetary policy of the Board of Governors of the Federal Reserve System (the Federal Reserve Board) and the Federal Reserve Bank of New York (the FRB of NY and, collectively with the Federal Reserve Board, the Federal Reserve). The Federal Reserve Board has taken a number of actions in recent years to spur economic activity by keeping interest rates low and may take further actions to influence interest rates in the future, which may have an impact on the pricing levels of risk-bearing investments, and may adversely impact the level of product sales. In January 2012, the Federal Reserve Board announced its plans to keep interest rates low until at least through late 2014, 18 months longer than previously planned in order to revive the slow recovery from stressed economic conditions. See Risk Factors Governmental and Regulatory Actions 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 Our Competitive Position and Investments Current Environment.

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 primarily at the state level, with some products and services also subject to Federal regulation. As life insurers introduce new and often more complex products, regulators refine capital requirements and introduce new reserving standards for the life insurance industry. Regulations recently adopted or currently under review can potentially impact the statutory reserve and capital requirements of the industry. In addition, regulators have undertaken market and sales practices reviews of several markets or products, including equity-indexed annuities, variable annuities and group products. 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. Significant regulatory reforms have been recently adopted and additional reforms proposed, and these or other reforms could be implemented. See Business U.S. Regulation, Business International Regulation, Risk Factors Our Insurance, Brokerage and Banking Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies 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.

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The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), which was signed by President Obama in July 2010, effected the most far-reaching overhaul of financial regulation in the U.S. in decades. The full impact of Dodd-Frank on us will depend on the numerous rulemaking initiatives required or permitted by Dodd-Frank which are scheduled to be completed over the next few years. See Business U.S. Regulation Dodd-Frank and Other Legislative and Regulatory Developments and Risk Factors Various Aspects of Dodd-Frank Could Impact Our Business Operations, Capital Requirements and Profitability and Limit Our Growth.

As a federally chartered national banking association, MetLife Bank is subject to a wide variety of banking laws, regulations and guidelines, as is MetLife, Inc., as a bank holding company. See Business U.S. Regulation Banking Regulation and Business U.S. Regulation Financial Holding Company Regulation. In December 2011, MetLife Bank and MetLife, Inc. entered into a definitive agreement to sell most of the depository business of MetLife Bank. In January 2012, MetLife, Inc. announced it is exiting the business of originating forward residential mortgages. Once MetLife Bank has completely exited its depository business, MetLife, Inc. plans to terminate MetLife Bank s FDIC insurance, putting MetLife, Inc. in a position to be able to deregister as a bank holding company. Upon completion of the foregoing, MetLife, Inc. will no longer be regulated as a bank holding company or subject to enhanced supervision and prudential standards as a bank holding company with assets of $50 billion or more. However, if, in the future, MetLife, Inc. is designated by the Financial Stability Oversight Council (FSOC) as a non-bank systemically important financial institution (as discussed below), it could once again be subject to regulation by the Federal Reserve and enhanced supervision and prudential standards, such as Regulation YY (as discussed below). In October 2011, the FSOC issued a notice of proposed rulemaking, outlining the process it will follow and the criteria it will use to assess whether a non-bank financial company should be subject to enhanced supervision by the Federal Reserve as a non-bank systemically important financial institution. If MetLife, Inc. meets the quantitative thresholds set forth in the proposal, the FSOC will continue with a further analysis using qualitative and quantitative factors.

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. banking regulators, 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 Basel III, Dodd-Frank and Regulation YY, as long as MetLife, Inc. remains a bank holding company or if, in the future, it is designated by the FSOC as a non-bank systemically important financial institution. The Basel Committee has also published rules requiring a capital surcharge for globally systemically important banks, which are to be phased in beginning January 2016 if they are endorsed and adopted by the U.S. banking regulators. As currently proposed, this surcharge would not apply to global non-bank systemically important financial institutions. However, international regulatory bodies are currently engaged in evaluating standards to identify such companies and to develop a regulatory regime that would apply to them, which may include enhanced capital requirements or other measures. The ability of MetLife Bank and MetLife, Inc. to pay dividends, repurchase common stock or other securities or engage in other transactions that could affect its capital or need for capital could be reduced by any additional capital requirements that might be imposed as a result of the enactment of Dodd-Frank, Regulation YY and/or the endorsement and adoption by the U.S. of Basel III and other regulatory initiatives. See Risk Factors Our Insurance, Brokerage and Banking Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.

In April 2011, the Federal Reserve Board and the FDIC proposed a rule regarding the implementation of the Dodd-Frank requirement that (i) each non-bank financial company designated by the FSOC for enhanced supervision by the Federal Reserve Board (a non-bank systemically important financial institution or non-bank SIFI) and each bank holding company with assets of $50 billion or more report periodically to the Federal Reserve Board, the FDIC and the FSOC the plan of such company for rapid and orderly resolution in the event of material financial distress or failure, and (ii) that each such company report on the nature and extent of credit exposures of such company to significant bank holding companies and significant non-bank financial companies and the nature and extent of credit exposures of significant bank holding companies and significant non-bank financial companies to such covered company. In November 2011, the Federal Reserve Board and the FDIC adopted a final rule implementing the resolution plan requirement, effective November 30, 2011, but deferred finalizing the credit exposure reporting requirement until a later date. If MetLife, Inc. remains a bank holding company on July 1, 2012, or if, in the future, it is designated by the FSOC as a non-bank SIFI, it would be required to submit a resolution plan. See Business U.S. Regulation Dodd-Frank and Other Legislative and Regulatory Developments Orderly Liquidation Authority.

In December 2011, the Federal Reserve Board issued a release proposing the adoption of enhanced prudential standards required by Dodd-Frank (Regulation YY). Regulation YY would apply to bank holding companies with assets of $50 billion or more and non-bank SIFIs. Regulation YY would impose (i) enhanced risk-based capital (RBC) requirements, (ii) leverage limits, (iii) liquidity requirements, (iv) single counterparty exposure limits, (v) governance requirements for risk management, (vi) stress test requirements, and (vii) special debt-to-equity limits for certain companies, and would establish a procedure for early remediation based on the failure to comply with these requirements. As proposed, Regulation YY would apply the same enhanced regulatory standards to non-bank systemically important financial institutions as would apply to systemically important banks; the Federal Reserve Board has solicited comments on the appropriateness of this treatment. For further information regarding enhanced prudential standards and Regulation YY, see Business U.S. Regulation Dodd-Frank and Other Legislative and Regulatory Developments Enhanced Prudential Standards. Dodd-Frank also includes provisions that may impact the investment and investment activities of MetLife, Inc. and its subsidiaries, including the federal regulation of such activities. Such provisions include the regulation of the over-the-counter (OTC) derivatives markets and the prohibitions on covered banking entities engaging in proprietary trading or sponsoring or investing in hedge funds or private equity funds. See Business U.S. Regulation Dodd-Frank and Other Legislative and Regulatory Developments Regulation of Over-the-Counter Derivatives and Business U.S. Regulation Dodd-Frank and Other Legislative and Regulatory Developments Volcker Rule.

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. On January 10, 2012, MetLife, Inc. announced that it is exiting the business of originating forward residential mortgages, but will continue to service its current mortgage customers. 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 or compensate for losses upon demand by the investor due to defects in servicing of the loans or 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. 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). MetLife Bank has originated and sold mortgages primarily to FNMA and FHLMC and sold Federal Housing Administration and loans guaranteed by the United States Department of Veterans Affairs in mortgage-backed securities guaranteed by Government National Mortgage Association (GNMA) (collectively, the Agency Investors) and, to a limited extent, a small number of private investors. Currently 99.5% of MetLife Bank s $82.0 billion servicing portfolio consists of Agency Investors product. 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 $58.6 billion of loans originated by MetLife Bank (all of which have been originated since August 2008). Reserves for representation and warranty repurchases and indemnifications were $69 million and $56 million at December 31, 2011 and 2010, respectively. MetLife Bank is exposed to losses due to servicing deficiencies on loans originated and sold, as well as servicing acquired, to the extent such servicing deficiencies occurred after the date of acquisition. 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.

Currently, MetLife Bank services approximately 1% of the aggregate principal amount of the mortgage loans serviced in the U.S. State and federal regulatory and law enforcement authorities have initiated various inquiries, investigations or examinations of alleged irregularities in the foreclosure practices of the residential mortgage servicing industry. Mortgage servicing practices have also been the subject of Congressional attention. Authorities have publicly stated that the scope of the investigations extends beyond foreclosure documentation practices to include mortgage loan modification and loss mitigation practices.

MetLife Bank s mortgage servicing has been the subject of recent inquiries and requests by state and federal regulatory and law enforcement authorities. MetLife Bank is cooperating with the authorities review of this business. On April 13, 2011, the Office of the Comptroller of the Currency (OCC) entered into consent decrees with several banks, including MetLife Bank. The consent decrees require an independent review of foreclosure practices and set forth new residential mortgage servicing standards, including a requirement for a designated point of contact for a borrower during the loss mitigation process. In addition, the Federal Reserve Board entered into consent decrees with the affiliated bank holding companies of these banks, including MetLife, Inc., to enhance the supervision of the mortgage servicing activities of their banking subsidiaries. In a February 9, 2012 press release, the Federal Reserve Board announced that it had issued monetary sanctions against five banking organizations for deficiencies in the organizations servicing of residential mortgage loans and processing of foreclosures. The Federal Reserve Board also stated that it plans to announce monetary penalties against six other institutions under its supervision against whom it had issued enforcement actions in 2011 for deficiencies in servicing of residential mortgage loans and processing foreclosures. The Federal Reserve Board did not identify these six institutions, but MetLife, Inc. is among the institutions that entered into consent decrees with the Federal Reserve Board in 2011. MetLife Bank has also had a meeting with the Department of Justice regarding mortgage servicing and foreclosure practices. It is possible that various state or federal regulatory and law enforcement authorities may seek monetary penalties from MetLife Bank relating to foreclosure practices. MetLife Bank is responding to a subpoena issued by the Department of Financial Services regarding hazard insurance and flood insurance that MetLife Bank obtains to protect the lienholder s interest when the borrower s insurance has lapsed.

These consent decrees, as well as the inquiries or investigations referred to above, could adversely affect MetLife s reputation or result in material fines, penalties, equitable remedies or other enforcement actions, and result in significant legal costs in responding to governmental investigations or other litigation. In addition, the changes to the mortgage servicing business required by the consent decrees and the resolution of any other inquiries or investigations may affect the profitability of such business.

The MetLife Bank Events may not relieve MetLife from complying with the consent decrees, or protect it from the inquiries and investigations relating to residential mortgage servicing and foreclosure activities, or any fines, penalties, equitable remedies or enforcement actions that may result, the costs of responding to any such governmental investigations, or other litigation.

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. For a discussion of the Company s significant accounting policies see Note 1 of the Notes to the Consolidated Financial Statements. The most critical estimates include those used in determining:

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

(ii) investment impairments;

(iii) estimated fair values of freestanding derivatives and the recognition and estimated fair value of embedded derivatives requiring bifurcation;

(iv) amortization of DAC and the establishment and amortization of VOBA;

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

(vi) liabilities for future policyholder benefits and the accounting for reinsurance;

(vii) measurement of income taxes and the valuation of deferred tax assets;

(viii) measurement of employee benefit plan liabilities; and

(ix) liabilities for litigation and regulatory matters.

In addition, the application of acquisition accounting requires the use of estimation techniques in determining the estimated fair values of assets acquired and liabilities assumed the most significant of which relate to aforementioned critical accounting estimates. In applying 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 business and operations. Actual results could differ from these estimates.

Estimated Fair Value of Investments

In determining the estimated fair value of fixed maturity securities, equity securities, trading and other securities, short-term investments, cash equivalents, mortgage loans and MSRs, various methodologies, assumptions and inputs are utilized.

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies, giving priority to observable inputs. The 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 and securitized reverse residential mortgage loans is determined based on observable pricing for securities backed by similar types of loans, adjusted to convert the securities prices to loan prices, or from independent broker quotations, which is intended to approximate the amounts that would be received from third parties. Certain other mortgage loans that were previously designated as held-for-investment, but now are designated as held-for-sale, are recorded at the lower of amortized cost or estimated fair value, or for collateral dependent loans, estimated fair value of the collateral less expected disposition costs determined on an individual loan basis. For these loans, estimated fair value is determined using independent broker quotations, or values provided by independent valuation specialists, or when the loan is in foreclosure or otherwise collateral dependent, the estimated fair value of the underlying collateral is estimated using internal models.

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.

See Note 5 of the Notes to the Consolidated Financial Statements for additional information regarding the estimated fair value of investments.

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 impairment includes an analysis of gross unrealized losses by three categories of severity and/or age of gross unrealized loss. 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 amortized cost;

(vii) with respect to equity securities, whether the Company s 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) with respect to structured securities, changes in forecasted cash flows after considering the quality of underlying collateral; expected prepayment speeds; current and forecasted loss severity; consideration of the payment terms of the underlying assets backing a particular security; and the payment priority within the tranche structure of the security; and

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

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.

See Note 3 of the Notes to the Consolidated Financial Statements for additional information relating to investment impairments.

Derivative Financial Instruments

The determination of estimated fair value of freestanding derivatives, when quoted market values are not available, is based on market standard valuation methodologies and inputs that management believes are consistent with what other market participants would use when pricing the instruments. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk, nonperformance risk, volatility, liquidity and changes in estimates and assumptions used in the pricing models. 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 Company issues certain variable annuity products with guaranteed minimum benefits, 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, which is captured as a spread over the risk free rate in determining the discount rate to discount the cash flows of the liability, is determined by taking into consideration publicly available information relating to spreads in the secondary market for MetLife, Inc. s debt, including related credit default swaps. These observable spreads are then adjusted, as necessary, to reflect the priority of these liabilities and the claims paying ability of the issuing insurance subsidiaries compared to MetLife, Inc. Risk margins are established to capture the non-capital market risks of the instrument which represent the additional compensation a market participant would require to assume the risks related to the uncertainties in certain actuarial assumptions. The establishment of risk margins requires the use of significant management judgment, including assumptions of the amount and cost of capital needed to cover the guarantees.

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 during the recent financial crisis. 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.

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. 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 recent financial crisis as the Company does not consider those to be reasonably likely events in the near future.

	Carrying Value At December 31, 2011	
	PABs	DAC and VOBA
	(In millions)	
100% increase in the Company s credit spread	$ 2,449	$ 700
As reported	$ 4,176	$ 958
50% decrease in the Company s credit spread	$ 5,479	$ 1,110

The accounting for derivatives is complex and interpretations of accounting standards continue to evolve in practice. If it is 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.

Variable annuities with 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. 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.

Additionally, the Company ceded the risk associated with certain of the variable annuities with guaranteed minimum benefits 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 with the exception of the input for nonperformance risk that reflects the credit of the reinsurer. Because certain of the direct guarantees do not meet the definition of an embedded derivative and, thus are not accounted for at fair value, significant fluctuations in net income may occur since the change in fair value of the embedded derivative on the ceded risk is being recorded in net income without a corresponding and offsetting change in fair value of the direct guarantee.

See Note 4 of the Notes to the Consolidated Financial Statements for additional information on the Company s derivatives and hedging programs.

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 and renewal insurance business are deferred as DAC. Such costs consist principally of commissions, certain agency expenses, policy issuance expenses and certain advertising costs. VOBA 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. For certain acquired blocks of business, the estimated fair value of the in-force contract obligations exceeded the book value of assumed in-force insurance policy liabilities, resulting in negative VOBA, which is presented separately from VOBA as an additional insurance liability included in other policy-related balances. 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. The Company will adopt new guidance regarding the accounting for DAC beginning in the first quarter of 2012 and will apply it retrospectively to all prior periods presented in its consolidated financial statements for all insurance contracts. See Note 1 of the Notes to the Consolidated Financial Statements.

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 $161 million with an offset to the Company s unearned revenue liability of approximately $26 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. Assumptions used in the calculation of estimated gross margins and profits which may have significantly changed are updated annually. 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 are due to revisions to expected future investment returns, expenses, in-force or persistency assumptions and policyholder dividends on participating traditional life contracts, variable and universal life contracts and annuity contracts. The Company expects these assumptions to be the ones most reasonably likely to cause significant changes in the future. Changes in these assumptions can be offsetting and the Company is unable to predict their movement or offsetting impact over time.

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At December 31, 2011, 2010 and 2009, DAC and VOBA for the Company was $28.0 billion, $27.1 billion and $19.1 billion, respectively. Amortization of DAC and VOBA associated with the variable and universal life and the annuity contracts was significantly impacted by movements in equity markets. The following chart illustrates the effect on DAC and VOBA 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, 2011, 2010 and 2009. Increases (decreases) in DAC and VOBA balances, as presented below, resulted in a corresponding decrease (increase) in amortization.

	Years Ended December 31,		
	2011	2010	2009
		(In millions)	
Investment return	$ (64)	$ (84)	$ 22
Separate account balances	(145)	23	(85)
Net investment gain (loss)	(576)	(124)	712
Guaranteed Minimum Income Benefits	(15)	84	187
Expense	(7)	96	61
In-force/Persistency	(2)	9	(118)
Policyholder dividends and other	60	(203)	154
Total	$ (749)	$ (199)	$ 933

The following represents significant items contributing to the changes to DAC and VOBA amortization in 2011:

The decrease in equity markets during the year lowered separate account balances which led to a reduction in actual and expected future gross profits on variable universal life contracts and variable deferred annuity contracts resulting in an increase of $145 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 decrease of DAC and VOBA amortization of $531 million, excluding the impact from the Company s nonperformance risk and risk margins, which are described below. This decrease in actual gross profits was more than offset by freestanding derivative gains associated with the hedging of such guarantee obligations, which resulted in an increase in DAC and VOBA amortization of $847 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 $260 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 $72 million.

The remainder of the impact of net investment gains (losses), which increased DAC amortization by $72 million, was primarily attributable to current period investment activities.

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

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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:

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 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 realized. The increase in unrealized investment gains decreased the DAC and VOBA balance by $879 million and $1.4 billion in 2011 and 2010, respectively. The decrease in unrealized investment losses decreased the DAC and VOBA balance by $2.8 billion in 2009. 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 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.

For purposes of goodwill impairment testing, if the carrying value of a reporting unit exceeds its estimated fair value, the implied fair value of the reporting unit goodwill is compared to the carrying value of that goodwill to measure the amount of impairment loss, if any. 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 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.

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.

During the third quarter of 2011, the Company announced its decision to explore the sale of MetLife Bank s depository business. As a result, in September 2011, the Company performed a goodwill impairment test on MetLife Bank, which is a separate reporting unit within Corporate & Other. As a result of the testing, the Company recorded a $65 million goodwill impairment charge that is reflected as a net investment loss for the year ended December 31, 2011. See Note 7 of the Notes to the Consolidated Financial Statements.

In addition, the Company performed its annual goodwill impairment tests of its other reporting units and concluded that the fair values of all reporting units were in excess of their carrying values and, therefore, goodwill was not impaired. 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.

In the fourth quarter of 2011, the Company performed interim goodwill impairment testing on the Retirement Products reporting unit. This testing was due to adverse market conditions, which caused both the equity markets and interest rates to decline. The fair value of the Retirement Products reporting unit, which was calculated based on application of an actuarial valuation approach, exceeded the carrying value by approximately 10%. The valuation methodology is subject to judgments and assumptions that are sensitive to change. If we had assumed that the discount rate was 100 basis points higher than the discount rate, the fair value of the Retirement Products reporting unit would have exceeded the carrying value by approximately 2%. As of December 31, 2011, the amount of goodwill allocated to the Retirement Products reporting unit was approximately $1.7 billion. The estimate of fair value is inherently uncertain and the judgments and assumptions upon which the estimate is based, will, in all likelihood, differ in some respects from actual future results. A change in market conditions, including equity market returns, interest rate levels and market volatility could result in a goodwill impairment.

In the fourth quarter of 2011, the Company announced that it will be reorganizing its business into three broad geographic regions, The Americas, EMEA and Asia, and creating a global employee benefits business, to better reflect its global reach. As a result, the Company s reporting structure may change the composition of certain of its reporting units.

See Note 7 of the Notes to the Consolidated Financial Statements for additional information on the Company s goodwill.

Liability for Future Policy Benefits

Generally, future policy benefits 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 assumed, additional liabilities may be established, 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 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 are based on estimates of the expected value of benefits in excess of the projected account balance, 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 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 these policies and guarantees, as well as in the establishment of the related liabilities result in variances in profit and could result in losses.

See Note 8 of the Notes to the Consolidated Financial Statements for additional information on the Company s liability for future policy benefits.

Reinsurance

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.

See Note 9 of the Notes to the Consolidated Financial Statements for additional information on the Company s reinsurance programs.

Income Taxes

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. These tax laws are complex and are subject to differing interpretations by the taxpayer and the relevant governmental taxing authorities. In establishing a provision for income tax expense, we must make judgments and interpretations about the application of these inherently complex tax laws. We must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions, both domestic and foreign.

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 include the performance of the business and its 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.

Disputes over interpretations of the tax laws may be subject to review and adjudication by the court systems of the various tax jurisdictions or may be settled with the taxing authority upon audit. 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. The Company may be required to change its provision for income taxes 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.

See Note 15 of the Notes to the Consolidated Financial Statements for additional information on the Company s income taxes.

Employee Benefit Plans

Certain subsidiaries of MetLife, Inc. 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. We determine our expected rate of return on plan assets based upon an approach that considers inflation, real return, term premium, credit spreads, equity risk premium and capital appreciation, as well as expenses, expected asset manager performance and the effect of rebalancing for the equity, debt and real estate asset mix applied on a weighted average basis to our pension asset portfolio. Given the amount of plan assets as of December 31, 2010, if we had assumed an expected rate of return for both our pension and other postretirement benefit plans that was 100 basis points higher or 100 basis points lower than the rates we assumed, the change in our net periodic costs would have been a decrease of $75 million and an increase of $75 million, respectively. This considers only changes in our assumed long-term rate of return given the level and mix of invested assets at the beginning of the year, without consideration of possible changes in any of the other assumptions described above that could ultimately accompany any changes in our assumed long-term rate of return.

We determine our discount rates used to value the pension and postretirement obligations, based upon rates commensurate with current yields on high quality corporate bonds. Given the amount of pension and postretirement obligations as of December 31, 2010, the beginning of the measurement year, if we had assumed a discount rate for both our pension and postretirement benefit plans that was 100 basis points higher or 100 basis points lower than the rates we assumed, the change in our net periodic costs would have been a decrease of $122 million and an increase of $142 million, respectively. This considers only changes in our assumed discount rates without consideration of possible changes in any of the other assumptions described above that could ultimately accompany any changes in our assumed discount rate. 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.

See Note 17 of the Notes to the Consolidated Financial Statements for additional assumptions used in measuring liabilities relating to the Company s employee benefit plans.

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.

See Note 16 of the Notes to the Consolidated Financial Statements for additional information regarding the Company s assessment of litigation contingencies.

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 the Company s business.

Effective January 1, 2011, the Company updated its economic capital model to align segment allocated equity with emerging standards and consistent risk principles. Such changes to the Company s economic capital model are applied prospectively. Segment net investment income is also credited or charged based on the level of allocated equity; however, changes in allocated equity do not impact the Company s consolidated net investment income, operating earnings or income (loss) from continuing operations, net of income tax.

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Acquisitions and Dispositions

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

During 2011, a local operating subsidiary of American Life closed on the purchase of a 99.86% stake in a Turkish life insurance and pension company and at the same time entered into an exclusive 15-year distribution arrangement with the seller to distribute the company s products in Turkey. Also in 2011, American Life agreed to sell certain closed blocks of business in the U.K. Finally, in 2011, Punjab National Bank (PNB) agreed to acquire a 30% stake in MetLife India Insurance Company Limited (MetLife India) and to enter into a separate exclusive 10-year distribution arrangement to sell MetLife India s products through PNB s branch network. PNB s acquisition of the 30% stake in MetLife India is subject to, among other things, regulatory approval and final agreements among PNB and the existing shareholders of MetLife India. If such agreements are not obtained, or the transaction does not receive regulatory approval, PNB may request to amend or cancel the distribution agreement.

In addition, in 2012, local operating subsidiaries of MetLife, Inc. agreed to acquire, from members of the Aviva Plc group (Aviva), Aviva s life insurance business in the Czech Republic and Hungary and Aviva s life insurance and pensions business in Romania. The closing of each of these transactions is subject to regulatory and other approvals.

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Results of Operations

Year Ended December 31, 2011 Compared with the Year Ended December 31, 2010

Consolidated Results

We have experienced growth and an increase in market share in several of our businesses. Sales of our domestic annuity products were up 51% driven by strong growth in variable annuities across all distribution channels. Even with the impact of the March 2011 earthquake and tsunami, our sales results in Japan are stronger than anticipated and continue to show steady growth and improvement across essentially all distribution channels. Market penetration continues in our pension closeout business in the U.K.; however, our domestic pension closeout business has been adversely impacted by a combination of poor equity market returns and lower interest rates. In the U.S., sustained high levels of unemployment and a challenging pricing environment continue to depress growth across our group insurance businesses. While we experienced growth in our traditional life and universal life businesses, sales of group life and non-medical health products declined. Policy sales of auto and homeowners products decreased as the housing and automobile markets remained sluggish. We experienced steady growth and improvement in sales of the majority of our products abroad.

	Years Ended December 31, 2011	2010	Change	% Change
	(In millions)			
Revenues				
Premiums	$ 36,361	$ 27,071	$ 9,290	34.3%
Universal life and investment-type product policy fees	7,806	6,028	1,778	29.5%
Net investment income	19,606	17,511	2,095	12.0%
Other revenues	2,532	2,328	204	8.8%
Net investment gains (losses)	(867)	(408)	(459)	
Net derivative gains (losses)	4,824	(265)	5,089	
Total revenues	70,262	52,265	17,997	34.4%
Expenses				
Policyholder benefits and claims and policyholder dividends	36,903	30,670	6,233	20.3%
Interest credited to policyholder account balances	5,603	4,919	684	13.9%
Capitalization of DAC	(6,858)	(3,299)	(3,559)	
Amortization of DAC and VOBA	5,391	2,843	2,548	89.6%
Amortization of negative VOBA	(697)	(64)	(633)	
Interest expense on debt	1,629	1,550	79	5.1%
Other expenses	18,265	11,734	6,531	55.7%
Total expenses	60,236	48,353	11,883	24.6%
Income (loss) from continuing operations before provision for income tax	10,026	3,912	6,114	
Provision for income tax expense (benefit)	3,075	1,165	1,910	
Income (loss) from continuing operations, net of income tax	6,951	2,747	4,204	
Income (loss) from discontinued operations, net of income tax	20	39	(19)	(48.7)%
Net income (loss)	6,971	2,786	4,185	
Less: Net income (loss) attributable to noncontrolling interests	(10)	(4)	(6)	
Net income (loss) attributable to MetLife, Inc.	6,981	2,790	4,191	
Less: Preferred stock dividends	122	122		%
Preferred stock redemption premium	146		146	

Net income (loss) available to MetLife, Inc. s common shareholders	$ 6,713	$ 2,668	$ 4,045

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

During the year ended December 31, 2011, income (loss) from continuing operations, net of income tax, increased $4.2 billion to $7.0 billion primarily driven by a favorable change in net derivative gains (losses), partially offset by increased net investment losses, net of related adjustments, principally associated with DAC and VOBA amortization. Also included in income (loss) from continuing operations, net of income tax, are the results of the Divested Businesses. In addition, operating earnings increased, reflecting the impact of the Acquisition.

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 as separate account assets. The returns on these contractholder-directed 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 incurred and can change significantly from period to period due to changes in external influences, including changes in market factors such as interest rates, foreign 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. Changes in these factors from period to period can significantly impact the levels of both impairments and realized gains and losses on investments sold.

We use freestanding interest rate, equity, credit and currency derivatives to provide economic hedges of certain invested assets and insurance liabilities, including embedded derivatives within certain of our variable annuity minimum benefit guarantees. For those hedges not designated as accounting hedges, changes in market factors 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 factors and are also recognized in net derivative gains (losses).

The favorable change in net derivative gains (losses) of $3.3 billion, from losses of $172 million in 2010 to gains of $3.1 billion in 2011, was driven by a favorable change in freestanding derivatives of $3.9 billion, which was partially offset by an unfavorable change in embedded derivatives of $583 million primarily associated with variable annuity minimum benefit guarantees. The $3.9 billion favorable change in freestanding derivatives was primarily attributable to the impact of falling long-term and mid-term interest rates and equity market movements and volatility. Long-term and mid-term interest rates fell more in 2011 than in 2010 which had a positive impact of $2.1 billion on our interest rate derivatives, $670 million of which was attributable to hedges of variable annuity minimum benefit guarantee liabilities that are accounted for as embedded derivatives. The impact of equity market movements and volatility in 2011 compared to 2010 had a positive impact of $1.5 billion on our equity derivatives, which was primarily attributable to hedges of variable annuity minimum benefit guarantee liabilities that are accounted for as embedded 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 recorded in net derivative gains (losses). The fair value of these embedded derivatives also includes an adjustment for nonperformance risk, which is unhedged. The $583 million unfavorable change in embedded derivatives was primarily attributable to hedged risks relating to changes in market factors of $1.6 billion and an unfavorable change in other unhedged non-market risks of $308 million, partially offset by a favorable change in unhedged risks for changes in the adjustment for nonperformance risk of $1.3 billion. The aforementioned $1.6 billion unfavorable change in embedded derivatives was more than offset by favorable changes on freestanding derivatives that hedge these risks, which are described in the preceding paragraphs.

The increase in net investment losses primarily reflects impairments on Greece sovereign debt securities, intent-to-sell impairments on other sovereign debt securities due to the repositioning of the ALICO portfolio into longer duration and higher yielding investments, intent-to-sell impairments related to the Divested Businesses, and lower net gains on sales of fixed maturity and equity securities. These losses were partially offset by net gains on the sales of certain real estate investments and reductions in the mortgage valuation allowance reflecting improving real estate market fundamentals.

Income (loss) from continuing operations, net of income tax, related to the Divested Businesses, excluding net investment gains (losses) and net derivative gains (losses), decreased $152 million to a loss of $41 million in 2011 compared to a gain of $111 million in 2010. Included in this loss was a reduction in total revenues of $73 million and an increase in total expenses of $79 million. As previously mentioned, the Divested Businesses include certain operations of MetLife Bank and the Caribbean Business.

Income tax expense for the year ended December 31, 2011 was $3.1 billion, or 31% of income (loss) from continuing operations before provision for income tax, compared with $1.2 billion, or 30% of income (loss) from continuing operations before provision for income tax, for 2010. The Company s 2011 and 2010 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 provision for income tax, as well as certain foreign permanent tax differences.

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, net of income tax, as determined in accordance with GAAP, to analyze our performance, evaluate segment performance, and allocate resources. We believe that the presentation of operating earnings and operating earnings available to common shareholders, as we measure it for management purposes, enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of the business. Operating earnings and operating earnings available to common shareholders should not be viewed as substitutes for GAAP income (loss) from continuing operations, net of income tax, and GAAP net income (loss) available to MetLife, Inc. s common shareholders, respectively. Operating earnings available to common shareholders increased $1.5 billion to $5.3 billion in 2011 from $3.8 billion in 2010.

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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, 2011

	0000000000	0000000000	0000000000	0000000000	0000000000	0000000000	0000000000	0000000000
	Insurance Products	**Retirement Products**	**Corporate Benefit Funding**	**Auto & Home**	**Japan**	**Other International Regions**	**Corporate & Other**	**Total**
				(In millions)				
Income (loss) from continuing operations, net of income tax	$ 2,629	$ 1,419	$ 1,405	$ 90	$ 1,190	$ 782	$ (564)	$ 6,951
Less: Net investment gains (losses)	53	84	23	(9)	(221)	(616)	(181)	(867)
Less: Net derivative gains (losses)	1,849	1,747	366	(12)	200	785	(111)	4,824
Less: Other adjustments to continuing operations (1)	(125)	(777)	91		38	(441)	(427)	(1,641)
Less: Provision for income tax (expense) benefit	(623)	(368)	(166)	7	(3)	18	290	(845)
Operating earnings	$ 1,475	$ 733	$ 1,091	$ 104	$ 1,176	$ 1,036	(135)	5,480
Less: Preferred stock dividends							122	122
Operating earnings available to common shareholders							$ (257)	$ 5,358

Year Ended December 31, 2010

	0000000000	0000000000	0000000000	0000000000	0000000000	0000000000	0000000000	0000000000
	Insurance Products	**Retirement Products**	**Corporate Benefit Funding**	**Auto & Home**	**Japan**	**Other International Regions**	**Corporate & Other**	**Total**
				(In millions)				
Income (loss) from continuing operations, net of income tax	$ 1,367	$ 792	$ 1,020	$ 295	$ 2	$ (155)	$ (574)	$ 2,747
Less: Net investment gains (losses)	103	139	176	(7)	(9)	(280)	(530)	(408)
Less: Net derivative gains (losses)	215	235	(162)	(1)	(144)	(347)	(61)	(265)
Less: Other adjustments to continuing operations (1)	(244)	(381)	140		12	(439)	(2)	(914)
Less: Provision for income tax (expense) benefit	(28)	(4)	(54)	3	49	225	188	379
Operating earnings	$ 1,321	$ 803	$ 920	$ 300	$ 94	$ 686	(169)	3,955

Less: Preferred stock dividends		122		122
Operating earnings available to common shareholders	$	(291)	$	3,833

(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, 2011

	Insurance Products	Retirement Products	Corporate Benefit Funding	Auto & Home	Japan	Other International Regions	Corporate & Other	Total
				(In millions)				
Total revenues	$ 27,841	$ 9,015	$ 8,613	$ 3,217	$ 8,822	$ 10,538	$ 2,216	$ 70,262
Less: Net investment gains (losses)	53	84	23	(9)	(221)	(616)	(181)	(867)
Less: Net derivative gains (losses)	1,849	1,747	366	(12)	200	785	(111)	4,824
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	14							14
Less: Other adjustments to revenues (1)	(224)	78	145		(407)	50	1,265	907
Total operating revenues	$ 26,149	$ 7,106	$ 8,079	$ 3,238	$ 9,250	$ 10,319	$ 1,243	$ 65,384
Total expenses	$ 23,795	$ 6,833	$ 6,454	$ 3,162	$ 6,994	$ 9,376	$ 3,622	$ 60,236
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(85)	638			19			572
Less: Other adjustments to expenses (1)		217	54		(464)	491	1,692	1,990
Total operating expenses	$ 23,880	$ 5,978	$ 6,400	$ 3,162	$ 7,439	$ 8,885	$ 1,930	$ 57,674

Year Ended December 31, 2010

	Insurance Products	Retirement Products	Corporate Benefit Funding	Auto & Home	Japan	Other International Regions	Corporate & Other	Total
				(In millions)				
Total revenues	$ 26,444	$ 6,849	$ 7,568	$ 3,146	$ 669	$ 5,685	$ 1,904	$ 52,265
Less: Net investment gains (losses)	103	139	176	(7)	(9)	(280)	(530)	(408)
Less: Net derivative gains (losses)	215	235	(162)	(1)	(144)	(347)	(61)	(265)
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	1							1
Less: Other adjustments to revenues (1)	(151)	(39)	190		116	(72)	1,450	1,494
Total operating revenues	$ 26,276	$ 6,514	$ 7,364	$ 3,154	$ 706	$ 6,384	$ 1,045	$ 51,443
Total expenses	$ 24,338	$ 5,622	$ 5,999	$ 2,781	$ 664	$ 5,917	$ 3,032	$ 48,353
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	90	35						125
Less: Other adjustments to expenses (1)	4	307	50		104	367	1,452	2,284
Total operating expenses	$ 24,244	$ 5,280	$ 5,949	$ 2,781	$ 560	$ 5,550	$ 1,580	$ 45,944

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

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Consolidated Results Operating

	Years Ended December 31, 2011	2010	Change	% Change
		(In millions)		
OPERATING REVENUES				
Premiums	$ 36,269	$ 27,071	$ 9,198	34.0%
Universal life and investment-type product policy fees	7,528	5,817	1,711	29.4%
Net investment income	19,676	16,880	2,796	16.6%
Other revenues	1,911	1,675	236	14.1%
Total operating revenues	65,384	51,443	13,941	27.1%
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	36,227	29,972	6,255	20.9%
Interest credited to policyholder account balances	6,057	4,697	1,360	29.0%
Capitalization of DAC	(6,849)	(3,299)	(3,550)	
Amortization of DAC and VOBA	4,799	2,802	1,997	71.3%
Amortization of negative VOBA	(619)	(57)	(562)	
Interest expense on debt	1,305	1,139	166	14.6%
Other expenses	16,754	10,690	6,064	56.7%
Total operating expenses	57,674	45,944	11,730	25.5%
Provision for income tax expense (benefit)	2,230	1,544	686	44.4%
Operating earnings	5,480	3,955	1,525	38.6%
Less: Preferred stock dividends	122	122		%
Operating earnings available to common shareholders	$ 5,358	$ 3,833	$ 1,525	39.8%

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

The increase in operating earnings reflects the impact of the Acquisition with the corresponding effects on each of our financial statement lines in both Japan and Other International Regions. Further trends and matters impacting our business and the comparison to 2010 results are discussed below.

Positive results from strong sales in 2011 were offset by losses from severe weather and the impact of the low interest rate environment. Changes in foreign currency exchange rates had a slightly positive impact on results compared to 2010.

In 2011, we benefited from strong sales as well as growth and higher persistency in our business, across many of our products. As a result, we experienced growth in our investment portfolio, as well as our average separate account assets, generating both higher net investment income of $479 million and higher policy fee income of $265 million. Since many of our products are interest spread-based, the growth in our individual life, long-term care (LTC) and structured settlement businesses also resulted in a $131 million increase in interest credited expenses. These increased sales also generated an increase in commission and other volume-related expenses of $622 million, which was largely offset by an increase of $538 million in related DAC capitalization. In addition, other non-variable expenses increased $73 million due to growth in our existing businesses.

On an annual basis, we perform experience studies, as well as update our assumptions regarding both expected policyholder behaviors and the related investment environment. These updates, commonly known as unlocking events, result in changes to certain insurance-related liabilities, DAC and revenue amortization. The impact of updates to our assumptions in both 2011 and 2010, resulted in a net increase to operating earnings of $23 million, in the current year.

In the fourth quarter of 2011, we announced a reduction in our dividend scale related to our closed block. The impact of this action increased operating earnings by $54 million.

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Severe weather during 2011 was the primary driver of our unfavorable claims experience in Auto & Home, which decreased operating earnings by $239 million. In addition, in the third quarter of 2011, we incurred a $117 million charge to increase reserves in connection with our use of the Death Master File, impacting primarily Insurance Products. These events overshadowed favorable claims experience in our dental and disability businesses and strong mortality gains in our group life business, which, combined, improved operating earnings by $100 million.

Market factors, specifically the current low interest rate environment, continued to be a challenge during 2011. Also in 2011, equity markets remained relatively flat compared to much stronger 2010 equity market performance. Investment yields were negatively impacted by the current low interest rate environment and lower returns in the equity markets, partially offset by improving real estate markets, resulting in a $157 million decrease in net investment income. DAC, VOBA and DSI amortization and certain insurance-related liabilities are sensitive to market fluctuations, which was the primary driver of higher expenses of $102 million in these categories. In particular, the less favorable 2011 investment markets caused acceleration of DAC amortization. Partially offsetting these decreases was a $119 million improvement in operating earnings, primarily driven by lower average crediting rates on our annuity and funding agreement businesses. The lower average crediting rates continue to reflect the lower investment returns available in the marketplace. Also contributing to the decrease in interest credited is the impact from derivatives that are used to hedge certain liabilities in our funding agreement business. In addition, growth in our separate accounts due to favorable equity market performance in 2010 and stable equity markets in 2011 resulted in increased fees and other revenues of $79 million.

Interest expense on debt increased $109 million primarily as a result of debt issued in the third and fourth quarters of 2010 in connection with the Acquisition and Federal Home Loan Bank (FHLB) borrowings.

The Company incurred $40 million of expenses related to a liquidation plan filed by the Department of Financial Services for ELNY in the third quarter of 2011. Results from our mortgage loan servicing business were lower driven by an increase in expenses of $31 million in response to both a larger portfolio and increased regulatory oversight.

The Company also benefited from a higher tax benefit in 2011 of $88 million over 2010 primarily due to $75 million of charges in 2010 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 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 was reflected in our financial statements, the entire future impact of this change in law was required to be recorded as a charge in the first quarter of 2010, when the legislation was enacted. The higher tax benefit was also a result of higher utilization of tax preferenced investments which provide tax credits and deductions.

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Insurance Products

	Years Ended December 31, 2011	2010 (In millions)	Change	% Change
OPERATING REVENUES				
Premiums	$ 16,949	$ 17,200	$ (251)	(1.5)%
Universal life and investment-type product policy fees	2,264	2,247	17	0.8%
Net investment income	6,107	6,068	39	0.6%
Other revenues	829	761	68	8.9%
Total operating revenues	26,149	26,276	(127)	(0.5)%
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	18,707	19,075	(368)	(1.9)%
Interest credited to policyholder account balances	997	963	34	3.5%
Capitalization of DAC	(864)	(841)	(23)	(2.7)%
Amortization of DAC and VOBA	897	966	(69)	(7.1)%
Interest expense on debt		1	(1)	(100.0)%
Other expenses	4,143	4,080	63	1.5%
Total operating expenses	23,880	24,244	(364)	(1.5)%
Provision for income tax expense (benefit)	794	711	83	11.7%
Operating earnings	$ 1,475	$ 1,321	$ 154	11.7%

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

Strong underwriting results generated about half of our increase in operating earnings. The remaining increase resulted from the impact of annual assumption updates, lower policyholder dividends and higher fees from our variable and universal life business. These increases were dampened by the negative impacts of the sustained low interest rate environment.

Growth in our open block traditional life and in our variable and universal life businesses was more than offset by declines in our group life and non-medical health businesses, as well as the expected run-off from our closed block business. Sustained high levels of unemployment and a challenging pricing environment continue to depress growth in many of our group insurance businesses. Our dental business benefited from higher enrollment and certain pricing actions, but this was more than offset by a decline in revenues from our disability business. This reduction was mainly due to net customer cancellations and lower covered lives. Our LTC revenues were flat period over period, consistent with the discontinuance of the sale of this coverage at the end of 2010. Although revenues have declined from the prior year, current year premiums and deposits, along with an expansion of our securities lending program, resulted in an increase in our average invested assets, which contributed $189 million to operating earnings. Mirroring the growth in average invested assets in our individual life and LTC businesses, interest credited on long-duration contracts and on our policyholder account balances increased by $76 million. The aforementioned increased sales of our individual variable and universal life products, which was mainly driven by our launch of a new product in the current year, coupled with ongoing organic growth in the business, increased operating earnings by $41 million. These increased sales also generated an increase in commission expenses, which was mostly offset by the capitalization of these expenses. Broker dealer related revenues also increased during the year and were significantly offset by a corresponding increase in other expenses.

In 2011, pricing actions and improved claims experience, mainly as a result of stabilizing benefits utilization, drove a $57 million increase in our dental results. Higher closures and lower incidences in 2011 contributed to the $43 million increase in our disability results. Our life businesses were essentially flat; however, lower claims incidence resulted in very strong group life mortality gains, which were offset by increased severity of claims in the variable and universal life businesses. On an annual basis, we perform experience studies, as well as update

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our assumptions surrounding both expected policyholder behaviors and the related investment environment. These updates, commonly known as unlocking events, result in changes to certain insurance related liabilities, DAC and revenue amortization. The impact of updates to our assumptions, in both 2011 and 2010 primarily related to policyholder behaviors, such as projected premium assumptions and various factors impacting persistency, coupled with insurance related refinements, resulted in a net increase to operating earnings of $41 million. Partially offsetting these favorable impacts was a $109 million charge, recorded in the third quarter of the current year, related to our use of the Death Master File, in both our group and individual life businesses.

Refinements in our DAC model in both years as well as the impact of higher amortization in 2010 contributed to a $37 million net decrease in amortization. The higher level of amortization in 2010 was primarily due to the emergence of actual premium and lapse information which differed from management s expectations.

In the fourth quarter of 2011, we announced a reduction to our dividend scale related to our closed block. The impact of this action increased operating earnings by $54 million.

Market factors, specifically the current low interest rate environment, continued to be a challenge during 2011. Investment yields were negatively impacted by lower returns on allocated equity and lower returns in the equity markets, partially offset by improving real estate markets. Unlike in Retirement Products and Corporate Benefit Funding, a reduction in investment yield does not necessarily drive a corresponding change in the rates credited on policyholder account balances or amounts held for future policyholder benefits. The reduction in investment yield resulted in a $164 million decrease in operating earnings. Partially offsetting this decline was the impact of updating projected market factors as part of our aforementioned annual update to assumptions. This update resulted in an unlocking event, resulting in a $32 million increase to operating earnings.

Retirement Products

	Years Ended December 31, 2011	2010 (In millions)	Change	% Change
OPERATING REVENUES				
Premiums	$ 1,141	$ 875	$ 266	30.4%
Universal life and investment-type product policy fees	2,463	2,024	439	21.7%
Net investment income	3,195	3,395	(200)	(5.9)%
Other revenues	307	220	87	39.5%
Total operating revenues	7,106	6,514	592	9.1%
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	1,846	1,487	359	24.1%
Interest credited to policyholder account balances	1,595	1,612	(17)	(1.1)%
Capitalization of DAC	(1,612)	(1,067)	(545)	(51.1)%
Amortization of DAC and VOBA	1,004	808	196	24.3%
Interest expense on debt	2	3	(1)	(33.3)%
Other expenses	3,143	2,437	706	29.0%
Total operating expenses	5,978	5,280	698	13.2%
Provision for income tax expense (benefit)	395	431	(36)	(8.4)%
Operating earnings	$ 733	$ 803	$ (70)	(8.7)%

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

Total annuity sales increased 51% to $30.4 billion due to strong growth in variable annuities across all distribution channels. Variable annuity product sales increased primarily due to the introduction of a new higher benefit, lower-risk variable annuity rider and changes in competitors offerings which, we believe, made our products more attractive. We have launched several changes to the products and riders we offer that we expect will reduce sales volumes in 2012, as we manage these sales volumes to strike the right balance among growth, profitability and risk. Total annuity net flows were $16.2 billion, higher than in 2010. Changes in interest rates and equity markets can significantly impact our earnings. In 2011, interest rates declined while equity markets remained relatively flat compared to much stronger 2010 equity market performance. Operating earnings were down 9% mainly due to these market factors.

Strong sales and higher persistency in 2011, along with the impact of an increase in allocated equity, increased operating earnings by $147 million. The strong sales of variable annuities increased our average separate account assets and, as a result, we generated higher asset-based fee revenue on the separate account assets and higher net investment income, partially offset by increases in DAC amortization. Partially offsetting these favorable impacts was an increase in variable expenses, primarily related to new business commissions and asset-based commissions of $38 million, net of related DAC capitalization. Other non-variable expenses also increased $16 million due to growth in the business.

Investment market performance reduced our operating earnings by $56 million. DAC, VOBA and DSI amortization, as well as certain insurance-related liabilities, are sensitive to market fluctuations, which was the primary driver of higher expenses in these categories. In particular, the less favorable 2011 equity markets when compared to 2010 caused an acceleration of DAC amortization. Lower investment returns on certain limited partnerships and lower returns on allocated equity also contributed to the decline in operating earnings. Partially offsetting these decreases was an improvement in operating earnings, primarily driven by lower average crediting rates on annuity fixed rate funds. Lower average crediting rates continue to reflect the lower investment returns available in the marketplace. Growth in our separate accounts, due to favorable equity market performance in 2010 and 2011, resulted in increased fees and other revenues.

To better align with hedged risks, certain elements of our variable annuity hedging program that were previously recorded in net investment income were recorded in net derivative gains (losses) beginning in 2011 which resulted in a decrease in operating earnings of $77 million. Lower income annuity mortality gains of $18 million also reduced operating earnings in 2011. We review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC annually, which may result in changes and are recorded in the fourth quarter each year. This annual update of assumptions, other insurance liability refinements and DAC model revisions made during the year, contributed to a net operating earnings reduction of $12 million.

Corporate Benefit Funding

	Years Ended December 31,			
	2011	2010	Change	% Change
	(In millions)			
OPERATING REVENUES				
Premiums	$ 2,418	$ 1,938	$ 480	24.8%
Universal life and investment-type product policy fees	231	226	5	2.2%
Net investment income	5,181	4,954	227	4.6%
Other revenues	249	246	3	1.2%
Total operating revenues	8,079	7,364	715	9.7%
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	4,594	4,041	553	13.7%
Interest credited to policyholder account balances	1,321	1,445	(124)	(8.6)%
Capitalization of DAC	(27)	(19)	(8)	(42.1)%
Amortization of DAC and VOBA	17	16	1	6.3%
Interest expense on debt	8	6	2	33.3%
Other expenses	487	460	27	5.9%
Total operating expenses	6,400	5,949	451	7.6%
Provision for income tax expense (benefit)	588	495	93	18.8%
Operating earnings	$ 1,091	$ 920	$ 171	18.6%

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

Corporate Benefit Funding had strong pension closeout sales in the U.K., and strong sales of structured settlements. Although the combination of poor equity returns and the low interest rate environment has resulted in underfunded pension plans, which reduces our customers flexibility to engage in transactions such as pension closeouts, sales in the U.K. remained strong as we continue to penetrate that market. Sales in our structured settlement business were strong as we remain very competitive in the marketplace. Premiums for these businesses were almost entirely offset by the related change in policyholder benefits. However, current year premiums, deposits, funding agreement issuances, increased allocated equity, and the expansion of our securities lending program, all contributed to the growth of our average invested assets, which led to an increase in net investment income of $167 million.

Deposits into separate accounts, including guaranteed interest contracts, and corporate owned life insurance, increased significantly resulting in a $9 million increase in advisory fees and an $8 million increase in premium tax. However, these expenses are offset by a corresponding increase in revenues.

Market factors, including the current low interest rate environment, have negatively impacted our investment returns by $19 million. These lower investment returns include the impact of returns on invested economic capital. The low interest rate environment was also the primary driver of the decrease in interest credited to policyholders of $81 million. Many of our funding agreement and guaranteed interest contract liabilities are tied to market indices. Interest rates on new business were set lower, as were the rates on existing business with terms that can fluctuate. Also contributing to the decrease in interest credited is the impact from derivatives that are used to hedge certain liabilities in our funding agreement business. Commensurate with our strong sales of structured settlements, the interest credited expense associated with these insurance liabilities increased $26 million.

The Company s use of the Death Master File in connection with our post-retirement benefit business resulted in a charge in the third quarter of the current year of $8 million. Other insurance liability refinements and mortality results negatively impacted our year-over-year operating earnings by $20 million.

Auto & Home

	Years Ended December 31, 2011	2010	Change	% Change
		(In millions)		
OPERATING REVENUES				
Premiums	$ 3,000	$ 2,923	$ 77	2.6%
Net investment income	205	209	(4)	(1.9)%
Other revenues	33	22	11	50.0%
Total operating revenues	3,238	3,154	84	2.7%
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	2,375	2,021	354	17.5%
Capitalization of DAC	(453)	(448)	(5)	(1.1)%
Amortization of DAC and VOBA	448	439	9	2.1%
Other expenses	792	769	23	3.0%
Total operating expenses	3,162	2,781	381	13.7%
Provision for income tax expense (benefit)	(28)	73	(101)	
Operating earnings	$ 104	$ 300	$ (196)	(65.3)%

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

In 2011, operating results were negatively impacted by severe weather including record numbers of tornadoes in the second quarter and Hurricane Irene in the third quarter. Policy sales decreased as the housing and new

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automobile sales markets remained sluggish, resulting in a decrease in exposures. However, average premium per policy increased for both our homeowners and auto policies, more than offsetting the negative impact from the decrease in exposures.

Adverse claims experience was the primary driver of the decrease in operating earnings. Catastrophe-related losses increased $187 million compared to 2010 mainly due to severe storm activity in the U.S. during the second and third quarters of 2011, which resulted in $261 million of losses. The second quarter included catastrophe-related losses mainly due to a record number of tornadoes for a one-month period that resulted in damage in many states. The third quarter included catastrophe-related losses resulting from the impact from Hurricane Irene. In addition, current year non-catastrophe claim costs increased $75 million as a result of higher claim frequencies in both our auto and homeowners businesses due primarily to more severe winter weather in the first quarter of 2011 and to non-catastrophe wind and hail through the remainder of the year. The negative impact of these items was partially offset by additional favorable development of prior year losses of $23 million.

The increase in average premium per policy in both our homeowners and auto businesses improved operating earnings by $60 million and the decrease in exposures resulted in a $4 million decrease in operating earnings as the negative impact from lower premiums exceeded the positive impact from lower claims. Exposures are primarily each automobile for the auto line of business and each residence for the homeowners line of business.

The impact of the items discussed above can be seen in the unfavorable change in the combined ratio, including catastrophes, to 104.9% in 2011 from 94.6% in 2010. The combined ratio, excluding catastrophes, was 89.1% in 2011 compared to 88.1% in 2010.

Higher commissions, resulting from the increase in average premium per policy, coupled with an increase in other volume-related expenses contributed to the decrease in operating earnings. This increase is included in the $18 million increase in other expenses, including the net change in DAC.

Japan

	Years Ended December 31,		
	2011	2010	Change
		(In millions)	
OPERATING REVENUES			
Premiums	$ 6,325	$ 499	$ 5,826
Universal life and investment-type product policy fees	824	55	769
Net investment income	2,079	145	1,934
Other revenues	22	7	15
Total operating revenues	9,250	706	8,544
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	3,973	309	3,664
Interest credited to policyholder account balances	1,561	123	1,438
Capitalization of DAC	(2,250)	(149)	(2,101)
Amortization of DAC and VOBA	1,312	82	1,230
Amortization of negative VOBA	(555)	(49)	(506)
Other expenses	3,398	244	3,154
Total operating expenses	7,439	560	6,879
Provision for income tax expense (benefit)	635	52	583
Operating earnings	$ 1,176	$ 94	$ 1,082

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

Our Japan operation is comprised of the Japanese business acquired in the Acquisition and remains among the largest foreign life insurers in Japan. The stability of this business is evidenced by a solvency margin ratio significantly in excess of the legally mandated solvency margin in Japan and above average with respect to the industry. Through our Japan operation, we provide accident and health insurance, life insurance, annuities and endowment products to both individuals and groups. Japan s operating earnings for 2010 include one month of results from the ALICO operations.

The Japanese economy, to which we face substantial exposure given our operations there, was significantly negatively impacted by the March 2011 earthquake and tsunami. Although we expect modest growth in the Japanese economy during 2012, disruptions to the Japanese economy are having, and will continue to have, negative impacts on the overall global economy, not all of which can be foreseen. Despite the impact of the earthquake and tsunami, our sales results continued to show steady growth and improvement across our captive agent, independent agent, broker, bancassurance, and direct marketing distribution channels.

Japan reported premiums, fees and other revenues of $7.2 billion for 2011, including $4.3 billion from accident and health insurance and $2.7 billion from life insurance products distributed through our multi-distribution platform. In addition, during 2011, the Company incurred $39 million of incremental insurance claims and operating expenses related to the March 2011 earthquake and tsunami.

Other International Regions

	Years Ended December 31,			
	2011	2010	Change	% Change
	(In millions)			
OPERATING REVENUES				
Premiums	$ 6,426	$ 3,625	$ 2,801	77.3%
Universal life and investment-type product policy fees	1,746	1,265	481	38.0%
Net investment income	1,995	1,466	529	36.1%
Other revenues	152	28	124	
Total operating revenues	10,319	6,384	3,935	61.6%
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	4,724	3,053	1,671	54.7%
Interest credited to policyholder account balances	583	554	29	5.2%
Capitalization of DAC	(1,643)	(775)	(868)	
Amortization of DAC and VOBA	1,120	490	630	
Amortization of negative VOBA	(64)	(8)	(56)	
Interest expense on debt	1	3	(2)	(66.7)%
Other expenses	4,164	2,233	1,931	86.5%
Total operating expenses	8,885	5,550	3,335	60.1%
Provision for income tax expense (benefit)	398	148	250	
Operating earnings	$ 1,036	$ 686	$ 350	51.0%

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

Sales results continued to show steady growth and improvement, with increases over 2010 in essentially all of our businesses. In the Asia Pacific region, sales continued to grow, driven by strong variable universal life sales, the launch of a whole life cancer product in Korea and higher group sales in the Australia business. In Latin America, accident and health sales increased throughout the region. In addition, there was strong retirement sales growth in Mexico, as well as strong growth in Chile s immediate annuity products. Our business in Europe experienced higher credit life sales and continued growth in our variable annuity business.

Reported operating earnings increased over 2010 as a result of the inclusion of a full year of results of the ALICO operations other than Japan for 2011 compared to one month of results for 2010. The positive impact of changes in foreign currency exchange rates improved reported earnings by $19 million for 2011 compared to 2010.

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In addition to the increase in operating earnings due to the ALICO operations other than Japan, the current year benefited from business growth, most notably in Mexico, Korea and Ireland. These increases were partially offset by a decrease in the Japan reinsurance business mainly due to market performance. The impact of the sale of the Company s interest in Mitsui Sumitomo MetLife Insurance Co., LTD (MSI MetLife) on April 1, 2011 also decreased operating results for 2011, as no earnings were recognized in the current year.

Net investment income increased reflecting an increase from growth in average invested assets and a decrease from lower yields. The increase in average invested assets reflects the Acquisition and growth in our businesses. Beginning in the fourth quarter of 2010, investment earnings and interest credited related to contractholder-directed unit-linked investments were excluded from operating revenues and operating expenses, as the contractholder, and not the Company, directs the investment of the funds. This change in presentation had no impact on operating earnings in the current period; however, it unfavorably impacted the change in net investment income in 2011, when compared to 2010 as positive returns were incurred in 2010 from recovering equity markets. The corresponding favorable impact is reflected in interest credited expense. Decreased yields reflect the decreased operating joint venture returns from the sale of MSI MetLife in second quarter of 2011, the Acquisition, as ALICO s acquired investment portfolio has a larger allocation to lower yielding government securities, partially offset by the impact of higher inflation. The change in net investment income from inflation was offset by a similar change in the related insurance liabilities.

In addition to an increase associated with the Acquisition, operating expenses increased primarily due to higher commissions and compensation expenses in Korea, Mexico, Brazil and Ireland due to business growth, a portion which is offset by DAC capitalization.

Corporate & Other

	Years Ended December 31,			
	2011	2010	Change	% Change
		(In millions)		
OPERATING REVENUES				
Premiums	$ 10	$ 11	$ (1)	(9.1)%
Net investment income	914	643	271	42.1%
Other revenues	319	391	(72)	(18.4)%
Total operating revenues	1,243	1,045	198	18.9%
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	8	(14)	22	
Amortization of DAC and VOBA	1	1		%
Interest expense on debt	1,294	1,126	168	14.9%
Other expenses	627	467	160	34.3%
Total operating expenses	1,930	1,580	350	22.2%
Provision for income tax expense (benefit)	(552)	(366)	(186)	(50.8)%
Operating earnings	(135)	(169)	34	20.1%
Less: Preferred stock dividends	122	122		%
Operating earnings available to common shareholders	$ (257)	$ (291)	$ 34	11.7%

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

MetLife, Inc. completed four debt financings in August 2010 in connection with 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. MetLife, Inc. also issued debt securities in November 2010, 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.

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Operating earnings available to common shareholders and operating earnings each increased $34 million, primarily due to higher net investment income and a higher tax benefit. These increases were partially offset by an increase in interest expense of $109 million, primarily resulting from the 2010 debt issuances, a decrease in earnings related to resolutions of certain legal matters in 2010 and an increase in other expenses.

Net investment income increased $176 million due to an increase of $130 million from higher yields and an increase of $46 million from growth in average invested assets. Yields were primarily impacted by the decline in interest rates, as lower crediting rates were paid to the segments on the economic capital invested on their behalf period over period, lower returns in equity markets and lower returns on alternative investments. An increase in the average invested assets was primarily due to proceeds from the debt issuances referenced above. Our investments primarily include structured securities, investment grade corporate fixed maturities, mortgage loans and U.S. Treasury and agency securities. In addition, our investment portfolio includes the excess capital not allocated to the segments. Accordingly, it includes a higher allocation to certain other invested asset classes to provide additional diversification and opportunity for long-term yield enhancement, including leveraged leases, other limited partnership interests, real estate, real estate joint ventures, trading and other securities and equity securities.

Corporate & Other also benefited in 2011 from a higher tax benefit of $133 million over 2010 primarily due to $75 million of charges in 2010 related to the Health Care Act. The higher tax benefit was also a result of higher utilization of tax preferenced investments which provide tax credits and deductions.

Results from our mortgage loan servicing business were lower, driven by an increase in expenses of $31 million in response to both a larger portfolio and increased regulatory oversight. In addition hedging results were lower by $21 million.

The Company incurred $40 million of expenses related to a liquidation plan filed by the Department of Financial Services for ELNY in the third quarter of 2011. In addition, the Company increased advertising costs by $15 million and incurred higher internal resources costs for associates committed to the Acquisition of $13 million. Minor fluctuations in various other expense categories, such as interest on uncertain tax positions, and discretionary spending, such as consulting and postemployment related costs, offset each other and resulted in a small increase to earnings. Additionally, the resolutions of certain legal matters in the prior period resulted in $39 million of lower operating earnings for 2011.

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Results of Operations

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

Consolidated Results

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.

	Years Ended December 31,			
	2010	2009	Change	% Change
	(In millions)			
Revenues				
Premiums	$ 27,071	$ 26,157	$ 914	3.5%
Universal life and investment-type product policy fees	6,028	5,197	831	16.0%
Net investment income	17,511	14,741	2,770	18.8%
Other revenues	2,328	2,329	(1)	%
Net investment gains (losses)	(408)	(2,901)	2,493	85.9%
Net derivative gains (losses)	(265)	(4,866)	4,601	94.6%
Total revenues	52,265	40,657	11,608	28.6%
Expenses				
Policyholder benefits and claims and policyholder dividends	30,670	29,652	1,018	3.4%
Interest credited to policyholder account balances	4,919	4,845	74	1.5%
Capitalization of DAC	(3,299)	(2,976)	(323)	(10.9)%
Amortization of DAC and VOBA	2,843	1,289	1,554	
Amortization of negative VOBA	(64)		(64)	
Interest expense on debt	1,550	1,044	506	48.5%
Other expenses	11,734	11,164	570	5.1%
Total expenses	48,353	45,018	3,335	7.4%
Income (loss) from continuing operations before provision for income tax	3,912	(4,361)	8,273	
Provision for income tax expense (benefit)	1,165	(2,025)	3,190	
Income (loss) from continuing operations, net of income tax	2,747	(2,336)	5,083	
Income (loss) from discontinued operations, net of income tax	39	58	(19)	(32.8)%
Net income (loss)	2,786	(2,278)	5,064	
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	
Less: Preferred stock dividends	122	122		%
Preferred stock redemption premium				%

Net income (loss) available to MetLife, Inc. s common shareholders	$ 2,668	$ (2,368)	$ 5,036

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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 $518 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.

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.

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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 Corporate & Other and are not a component of operating earnings.

Income tax expense for the year ended December 31, 2010 was $1.2 billion, or 30% of income from continuing operations before provision for income tax, compared with income tax benefit of $2.0 billion, or 46% 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.

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 $1.6 billion to $3.8 billion in 2010 from $2.2 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

	000000000	000000000	000000000	000000000	000000000	000000000	000000000	000000000
	Insurance Products	**Retirement Products**	**Corporate Benefit Funding**	**Auto & Home**	**Japan**	**Other International Regions**	**Corporate & Other**	**Total**
				(In millions)				
Income (loss) from continuing operations, net of income tax	$ 1,367	$ 792	$ 1,020	$ 295	$ 2	$ (155)	$ (574)	$ 2,747
Less: Net investment gains (losses)	103	139	176	(7)	(9)	(280)	(530)	(408)
Less: Net derivative gains (losses)	215	235	(162)	(1)	(144)	(347)	(61)	(265)
Less: Other adjustments to continuing operations (1)	(244)	(381)	140		12	(439)	(2)	(914)
Less: Provision for income tax (expense) benefit	(28)	(4)	(54)	3	49	225	188	379
Operating earnings	$ 1,321	$ 803	$ 920	$ 300	$ 94	$ 686	(169)	3,955
Less: Preferred stock dividends							122	122
Operating earnings available to common shareholders							$ (291)	$ 3,833

Year Ended December 31, 2009

	000000000	000000000	000000000	000000000	000000000	000000000	000000000	000000000
	Insurance Products	**Retirement Products**	**Corporate Benefit Funding**	**Auto & Home**	**Japan**	**Other International Regions**	**Corporate & Other**	**Total**
				(In millions)				
Income (loss) from continuing operations, net of income tax	$ (422)	$ (466)	$ (746)	$ 321	$	$ (289)	$ (734)	$ (2,336)
Less: Net investment gains (losses)	(472)	(533)	(1,486)	(41)		(100)	(269)	(2,901)
Less: Net derivative gains (losses)	(1,786)	(1,175)	(672)	39		(798)	(474)	(4,866)
Less: Other adjustments to continuing operations (1)	(146)	379	121			(206)	332	480
Less: Provision for income tax (expense) benefit	840	465	711	1		364	216	2,597
Operating earnings	$ 1,142	$ 398	$ 580	$ 322	$	$ 451	(539)	2,354
Less: Preferred stock dividends							122	122
Operating earnings available to common shareholders							$ (661)	$ 2,232

(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, 2010

	Insurance Products	Retirement Products	Corporate Benefit Funding	Auto & Home	Japan	Other International Regions	Corporate & Other	Total
				(In millions)				
Total revenues	$ 26,444	$ 6,849	$ 7,568	$ 3,146	$ 669	$ 5,685	$ 1,904	$ 52,265
Less: Net investment gains (losses)	103	139	176	(7)	(9)	(280)	(530)	(408)
Less: Net derivative gains (losses)	215	235	(162)	(1)	(144)	(347)	(61)	(265)
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	1							1
Less: Other adjustments to revenues (1)	(151)	(39)	190		116	(72)	1,450	1,494
Total operating revenues	$ 26,276	$ 6,514	$ 7,364	$ 3,154	$ 706	$ 6,384	$ 1,045	$ 51,443
Total expenses	$ 24,338	$ 5,622	$ 5,999	$ 2,781	$ 664	$ 5,917	$ 3,032	$ 48,353
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	90	35						125
Less: Other adjustments to expenses (1)	4	307	50		104	367	1,452	2,284
Total operating expenses	$ 24,244	$ 5,280	$ 5,949	$ 2,781	$ 560	$ 5,550	$ 1,580	$ 45,944

Year Ended December 31, 2009

	Insurance Products	Retirement Products	Corporate Benefit Funding	Auto & Home	Japan	Other International Regions	Corporate & Other	Total
				(In millions)				
Total revenues	$ 23,476	$ 3,975	$ 5,231	$ 3,113	$	$ 3,997	$ 865	$ 40,657
Less: Net investment gains (losses)	(472)	(533)	(1,486)	(41)		(100)	(269)	(2,901)
Less: Net derivative gains (losses)	(1,786)	(1,175)	(672)	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)	(81)	(51)	184			(169)	1,283	1,166
Total operating revenues	$ 25,842	$ 5,734	$ 7,205	$ 3,115	$	$ 5,064	$ 325	$ 47,285
Total expenses	$ 24,165	$ 4,690	$ 6,400	$ 2,697	$	$ 4,495	$ 2,571	$ 45,018
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	39	(739)						(700)
Less: Other adjustments to expenses (1)	(1)	309	63			37	951	1,359
Total operating expenses	$ 24,127	$ 5,120	$ 6,337	$ 2,697	$	$ 4,458	$ 1,620	$ 44,359

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

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Consolidated Results - Operating

	Years Ended December 31, 2010	2009	Change	% Change
	(In millions)			
OPERATING REVENUES				
Premiums	$ 27,071	$ 26,157	$ 914	3.5%
Universal life and investment-type product policy fees	5,817	5,055	762	15.1%
Net investment income	16,880	14,600	2,280	15.6%
Other revenues	1,675	1,473	202	13.7%
Total operating revenues	51,443	47,285	4,158	8.8%
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	29,972	29,104	868	3.0%
Interest credited to policyholder account balances	4,697	4,849	(152)	(3.1)%
Capitalization of DAC	(3,299)	(2,976)	(323)	(10.9)%
Amortization of DAC and VOBA	2,802	2,186	616	28.2%
Amortization of negative VOBA	(57)		(57)	
Interest expense on debt	1,139	1,044	95	9.1%
Other expenses	10,690	10,152	538	5.3%
Total operating expenses	45,944	44,359	1,585	3.6%
Provision for income tax expense (benefit)	1,544	572	972	
Operating earnings	3,955	2,354	1,601	68.0%
Less: Preferred stock dividends	122	122		%
Operating earnings available to common shareholders	$ 3,833	$ 2,232	$ 1,601	71.7%

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

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. 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 $37 million for 2010 compared to 2009. 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 the prior period impact of pesification in Argentina and unfavorable claims experience.

Net investment income increased from higher yields and 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 the Acquisition and positive net cash flows from growth in our domestic individual and group life businesses, as well as certain international businesses, 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 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, LTC 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 $444 million, most notably in our Retirement Products segment. In addition, changes in foreign currency exchange rates increased policy fees by $52 million. The improvement in fees is partially offset by greater DAC, VOBA and DSI amortization of $325 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.

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.

Interest expense increased $62 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 a $60 million increase related to the investment and growth in our international businesses. Changes in foreign currency exchange rates also increased other expenses by $54 million. 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.

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. Changes to the provision for income taxes in both periods contributed to an increase in operating earnings of $86 million for our Other International Regions 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 $82 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 (In millions)	Change	% Change
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 claims and policyholder 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 and agency 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.

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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 LTC 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 2010.

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 2010. In addition, an improvement in our LTC results was driven by favorable claim experience mainly due to higher terminations and less claimants in 2010, coupled with the impact of unfavorable reserve refinements in 2009. 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 agreement in 2009.

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 2010 and 2009 increased DAC amortization.

Certain events reduced operating earnings, including the impact of a benefit being recorded in 2009 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.

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	2,024	1,543	481	31.2%
Net investment income	3,395	3,098	297	9.6%
Other revenues	220	173	47	27.2%
Total operating revenues	6,514	5,734	780	13.6%
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	1,487	1,486	1	0.1%
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	808	610	198	32.5%
Interest expense on debt	3		3	
Other expenses	2,437	2,403	34	1.4%
Total operating expenses	5,280	5,120	160	3.1%
Provision for income tax expense (benefit)	431	216	215	99.5%

Operating earnings	$ 803	$ 398	$ 405

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 $405 million increase in operating earnings, with the largest impact resulting from a $343 million increase in policy fees and other revenues and, a $193 million increase in net investment income, offset by a $132 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 $343 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 and agency 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.

Annuity guaranteed benefit liabilities, net of a decrease in paid claims, increased benefits by $13 million primarily from our annual unlocking of assumptions related to these liabilities.

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 PABs.

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Corporate Benefit Funding

	Years Ended December 31, 2010	2009 (In millions)	Change	% Change
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 claims and policyholder 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 PABs 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 and agency 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 2010 and 2009 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.

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 claims and policyholder 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. The 2010 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 agreement in run-off, both of which 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.

Japan

	Years Ended December 31, 2010	2009 (In millions)	Change
OPERATING REVENUES			
Premiums	$ 499	$	$ 499
Universal life and investment-type product policy fees	55		55
Net investment income	145		145
Other revenues	7		7
Total operating revenues	706		706
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	309		309
Interest credited to policyholder account balances	123		123
Capitalization of DAC	(149)		(149)
Amortization of DAC and VOBA	82		82
Amortization of negative VOBA	(49)		(49)
Other expenses	244		244
Total operating expenses	560		560
Provision for income tax expense (benefit)	52		52
Operating earnings	$ 94	$	$ 94

Our Japan operation is comprised of the Japan business acquired in the Acquisition and is among the largest foreign life insurers in Japan. Through our Japan operation we provide life insurance, accident and health insurance, annuities and endowment products to both individuals and groups. Reported operating earnings reflect the operating results of ALICO from the Acquisition Date through November 30, 2010, ALICO s fiscal year-end. Therefore, Japan s operating earnings for 2010 include one month of results from ALICO operations.

Other International Regions

	Years Ended December 31, 2010	2009 (In millions)	Change	% Change
OPERATING REVENUES				
Premiums	$ 3,625	$ 2,884	$ 741	25.7%
Universal life and investment-type product policy fees	1,265	1,055	210	19.9%
Net investment income	1,466	1,111	355	32.0%
Other revenues	28	14	14	100.0%
Total operating revenues	6,384	5,064	1,320	26.1%
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	3,053	2,326	727	31.3%
Interest credited to policyholder account balances	554	577	(23)	(4.0)%
Capitalization of DAC	(775)	(587)	(188)	(32.0)%
Amortization of DAC and VOBA	490	397	93	23.4%
Amortization of negative VOBA	(8)		(8)	
Interest expense on debt	3	8	(5)	(62.5)%
Other expenses	2,233	1,737	496	28.6%
Total operating expenses	5,550	4,458	1,092	24.5%
Provision for income tax expense (benefit)	148	155	(7)	(4.5)%
Operating earnings	$ 686	$ 451	$ 235	52.1%

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

The improvement in the global financial markets has resulted in continued growth, with an 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 driven by strong annuity, universal life and pension sales in Europe, Mexico, Chile, 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 Korea, slightly offset by the decline in annuity sales and strong bank channel sales in China.

Reported operating earnings increased by $235 million over the prior year. The positive impact of changes in foreign currency exchange rates improved reported earnings by $37 million for 2010 compared to 2009. Reported operating earnings reflect the operating results of ALICO operations other than Japan from the Acquisition Date through November 30, 2010, which contributed $20 million to our 2010 operating earnings. As previously noted, ALICO s fiscal year-end is November 30; therefore, our results for the year include one month of results from ALICO operations other than Japan.

Changes in assumptions for measuring the impact of inflation on certain inflation-indexed fixed maturity securities increased operating earnings. Changes to the provision for income taxes in both periods contributed to an increase in operating earnings, resulting from an unfavorable impact in 2009 from a change in assumption regarding the repatriation of earnings and a benefit 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 due to growth in our institutional and individual businesses, partially offset by the impact of

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unfavorable claims experience. Higher investment yields resulting from portfolio restructuring was the primary driver in Argentina contributing to an improvement in operating earnings. India s results benefited 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, which was primarily due to a write-off of DAC attributable to a change in a product feature in the current period.

Net investment income increased from growth in average invested assets and 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 an 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 Korea, Brazil and Mexico, which resulted in increased commissions and compensation. These increases were partially offset by lower commissions and business expenses in India.

Corporate & Other

	Years Ended December 31,			
	2010	2009	Change	% Change
	(In millions)			
OPERATING REVENUES				
Premiums	$ 11	$ 19	$ (8)	(42.1)%
Net investment income	643	70	573	
Other revenues	391	236	155	65.7%
Total operating revenues	1,045	325	720	
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	(14)	4	(18)	
Amortization of DAC and VOBA	1	3	(2)	(66.7)%
Interest expense on debt	1,126	1,027	99	9.6%
Other expenses	467	586	(119)	(20.3)%
Total operating expenses	1,580	1,620	(40)	(2.5)%
Provision for income tax expense (benefit)	(366)	(756)	390	51.6%
Operating earnings	(169)	(539)	370	68.6%
Less: Preferred stock dividends	122	122		%
Operating earnings (losses) available to common shareholders	$ (291)	$ (661)	$ 370	56.0%

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

MetLife, Inc. 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. MetLife, Inc. 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. MetLife, Inc. 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 $370 million, primarily due to an increase in net investment income and a reduction in operating expenses, partially offset by a decrease in tax benefit and an increase in interest expense resulting from the debt issuances noted above.

Net investment income increased $372 million reflecting an increase of $242 million due to higher yields and an increase of $130 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 and mortgage loan 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 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 and agency 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.

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. 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. Additionally, the resolutions of certain legal matters increased operating earnings by $35 million.

Positive results from our mortgage loan servicing business were driven by a $32 million improvement in hedging results. A larger portfolio resulted in higher servicing fees of $18 million. This was partially offset by $10 million of additional expenses incurred in response to both the larger portfolio and increased regulatory oversight.

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, Corporate & Other received a larger benefit of $49 million as compared to 2010 related to the utilization of tax preferenced investments which provide tax credits and deductions.

Effects of Inflation

Management believes that inflation has not had a material effect on its consolidated results of operations, except insofar as inflation may affect interest rates.

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 cannot 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; through product design, such as the use of market value adjustment features and surrender charges; and through 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.

Purchased credit default swaps are utilized by the Company to mitigate credit risk in its investment portfolio. Generally, the Company purchases credit protection by entering into credit default swaps referencing the issuers of specific assets owned by the Company. In certain cases, basis risk exists between these credit default swaps

and the specific assets owned by the Company. For example, the Company may purchase credit protection on a macro basis to reduce exposure to specific industries or other portfolio concentrations. In such instances, the referenced entities and obligations under the credit default swaps may not be identical to the individual obligors or securities in the Company s investment portfolio. In addition, the Company s purchased credit default swaps may have shorter tenors than the underlying investments they are hedging. However, the Company dynamically hedges this risk through the rebalancing and rollover of its credit default swaps at their most liquid tenors. The Company believes that its purchased credit default swaps serve as effective legal and economic hedges of its credit exposure.

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

Current Environment

The global economy and markets are still affected by a period of significant stress that began in the second half of 2007. This disruption adversely affected the financial services sector in particular and global capital markets. The Federal Reserve Board has taken a number of actions in recent years to spur economic activity by keeping interest rates low and may take further actions to influence interest rates in the future, which may have an impact on the pricing levels of risk-bearing investments. See Risk Factors Governmental and Regulatory Actions 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 Our Competitive Position.

Beginning in 2010 and continuing throughout 2011, concerns increased about capital markets and the solvency of certain European Union member states, including Portugal, Ireland, Italy, Greece and Spain, and of financial institutions that have significant direct or indirect exposure to their sovereign debt. This, in turn, increased market volatility that will continue to affect the performance of various asset classes in 2012, and perhaps longer, until there is an ultimate resolution of these European Union sovereign debt-related concerns.

As a result of concerns about the ability of Portugal, Ireland, Italy, Greece and Spain, commonly referred to as Europe s perimeter region, to service their sovereign debt, these countries have experienced credit ratings downgrades, including the downgrade of Greece s sovereign debt in July 2011 by Moody s Investors Service, Inc. (Moody s) and S&P to Ca and CC ratings, respectively rating designations of likely in, or very near, default, following the announcement of the debt exchange proposal summarized below. In February 2012, S&P further downgraded Greece, as described below. Despite support programs for Europe s perimeter region, concerns about the ability to service sovereign debt subsequently expanded to other European Union member states. As a result, in late 2011 and early 2012, several other European Union member states have experienced credit ratings downgrades or have had their credit ratings outlook changed to negative. As summarized below, at December 31, 2011, the Company did not have significant exposure to the sovereign debt of Europe s perimeter region. Accordingly, we do not expect such investments to have a material adverse effect on our results of operations or financial condition. Outside of Europe s perimeter region, the Company s sovereign debt, corporate debt and perpetual hybrid securities in Europe were concentrated in the United Kingdom, Germany, France, the Netherlands and Poland, which are higher-rated countries within the European Union, as well in Switzerland and Norway, which are two higher-rated non-European Union countries.

Greece Support Program. In July 2011, a public sector support program for Greece of 109 billion was announced, as well as a separate, voluntary debt exchange proposal for private sector holders of Greece sovereign debt (known as Private Sector Involvement, or PSI). Private investors that voluntarily participate in the initially proposed July PSI proposal, which was expected to apply to Greece s sovereign debt maturing

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through 2019, were expected to incur losses on a net present value basis of approximately 20% on such securities. In October 2011, a revision of the July PSI proposal was announced which included a voluntary 50% nominal discount on all maturities of Greece sovereign debt held by the private sector. In addition to this, the public sector Greece financing package was revised to 100 billion plus a contribution of 30 billion from Greece s public sector creditors to provide collateral enhancements on the exchanged Greece sovereign bonds under the October PSI proposal. On February 21, 2012, the Euro Group, which is comprised of the finance ministers of the member states of the European Union, representatives of the European Commission and the European Central Bank, announced a 130 billion support program that contains a PSI proposal for a voluntary 53.5% nominal discount on all maturities of Greece sovereign debt held by the private sector. On February 23, 2012, Greece s Parliament retroactively inserted collective action clauses in the documentation of certain series of its sovereign debt, which has the effect of binding all private sector investors to accept the terms of a debt exchange, if a quorum of private sector investors accepts the debt exchange proposal. Greece launched a sovereign debt exchange offer on February 24, 2012. On February 27, 2012, as a result of the retroactive insertion of such collective action clauses, S&P downgraded Greece s credit rating to SD, a rating of selective default. If the Greece sovereign debt exchange offer is consummated, S&P has stated it will likely consider the selective default to have been cured and would likely raise the sovereign credit rating on Greece.

Europe s Perimeter Region Sovereign Debt Securities. Our holdings of Greece sovereign debt were acquired in the Acquisition and our amortized cost basis reflects recording such securities at estimated fair value on November 1, 2010, which was substantially below par, partially mitigating our impairment exposure. During the year ended December 31, 2011, we recorded non-cash impairment charges of $405 million on our holdings of Greece s sovereign debt. In addition, during the year ended December 31, 2011, we sold a significant portion of our Europe s perimeter region sovereign debt, thereby substantially reducing our exposure. The par value, amortized cost and estimated fair value of holdings in sovereign debt of Europe s perimeter region were $874 million, $254 million and $264 million at December 31, 2011, respectively, and $1.9 billion, $1.6 billion and $1.6 billion at December 31, 2010, respectively.

Select European Countries Investment Exposures. Due to the current level of economic, fiscal and political strain in Europe s perimeter region and Cyprus, the Company continually monitors and adjusts its level of investment exposure in these countries. We manage direct and indirect investment exposure in these countries through fundamental credit analysis. The following table presents a summary of investments by invested asset class and related purchased credit default protection across Europe s perimeter region, by country, and Cyprus.

Summary of Select European Country Investment Exposure at December 31, 2011 (1)(2)

	Fixed maturity securities (3)									
	Sovereign	**Financial Services**	**Non-Financial Services**	**Total**	**All Other General Account Investment Exposure (4)(5)**	**Total Exposure (6)**	**%**	**Purchased Credit Default Protection (7)**	**Net Exposure**	**%**
					(In millions)					
Europe s perimeter region:										
Portugal	$ 16	$ 4	$ 164	$ 184	$ 9	$ 193	5 %	$ (31)	$ 162	4 %
Italy	30	242	995	1,267	80	1,347	33	(11)	1,336	33
Ireland	16	6	537	559	532	1,091	26		1,091	27
Greece	189			189	203	392	9		392	9
Spain	13	163	764	940	60	1,000	24		1,000	24
Total Europe s perimeter region	264	415	2,460	3,139	884	4,023	97	(42)	3,981	97
Cyprus	80			80	34	114	3		114	3
Total	$ 344	$ 415	$ 2,460	$ 3,219	$ 918	$ 4,137	100 %	$ (42)	$ 4,095	100 %
As percent of total cash and invested assets	0.1%	0.1%	0.4%	0.6%	0.2%	0.8%		0.0%	0.8 %	
Investment grade percent	41%	99%	93%	88%						
Non investment grade percent	59%	1%	7%	12%						

(1) Information is presented on a country of risk basis (e.g. the country where the issuer primarily conducts business).

(2) The Company has not written any credit default swaps with an underlying risk related to any of these six countries.

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(3) Presented at estimated fair value. The par value and amortized cost of the fixed maturity securities were $3.9 billion and $3.4 billion, respectively, at December 31, 2011.

(4) Comprised of equity securities, FVO general account securities, real estate and real estate joint ventures, other limited partnership interests, cash, cash equivalents and short-term investments, and other invested assets at carrying value. See Note 1 of the Notes to the Consolidated Financial Statements for an explanation of the carrying value for these invested asset classes.

(5) Excludes FVO contractholder-directed unit-linked investments of $667 million, which support unit-linked variable annuity type liabilities and do not qualify for separate account summary total assets and liabilities. The contractholder, and not the Company, directs the investment of these funds. The related variable annuity type liability is satisfied from the contractholder s account balance and not from the general account investments of the Company.

(6) There were no unfunded commitments related to these investments as of December 31, 2011.

(7) Purchased credit default protection is stated at the estimated fair value of the swap. For Portugal, the purchased credit default protection relates to sovereign securities and this swap had a notional amount of $100 million and an estimated fair value of $31 million as of December 31, 2011. For Italy, the purchased credit default protection relates to financial services corporate securities and these swaps had a notional amount of $80 million and an estimated fair value of $11 million at December 31, 2011. The counterparties to these swaps are financial institutions with S&P credit ratings ranging from A+ to A- as of December 31, 2011.

European Region Investments. The Company has investments across certain European Union member states and other countries in the region that are not members of the European Union (collectively, the European Region). In the European Region, we have proactively mitigated risk in both direct and indirect exposures by investing in a diversified portfolio of high quality investments with a focus on the higher-rated countries, reducing our holdings through sales of financial services securities during 2010 and 2011 and sales of Europe s perimeter region sovereign debt in 2011, and by purchasing certain single name credit default protection in 2010 and 2011. Our sales of financial services securities were focused on institutions with exposure to Europe s perimeter region, lower preference capital structure instruments, and larger positions. Sovereign debt issued by countries outside of Europe s perimeter region comprised $8.4 billion, or 97% of European Region sovereign fixed maturity securities, at estimated fair value at December 31, 2011. The European Region corporate securities (fixed maturity and perpetual hybrid securities classified as non-redeemable preferred stock) are invested in a diversified portfolio of primarily non-financial services securities, which comprised $25.8 billion, or 77% of European Region total corporate securities, at estimated fair value at December 31, 2011. Of these European Region sovereign fixed maturity and corporate securities, 92% were investment grade and, for the 8% that were below investment grade, the majority were non-financial services corporate securities at December 31, 2011. European Region financial services corporate securities at estimated fair value were $7.6 billion, including $5.9 billion within the banking sector, with 94% invested in investment grade rated corporate securities, at December 31, 2011.

Rating Actions U.S. Treasury Securities. In August 2011, S&P downgraded the AAA rating on U.S. Treasury securities to AA+ with a negative outlook, while Moody s affirmed the Aaa rating on U.S. Treasury securities, but with a negative outlook. Fitch affirmed its AAA rating on U.S. Treasury securities and kept its outlook stable. In October 2011, Moody s affirmed its August 2011 ratings but revised its negative outlook to stable. In November 2011, Fitch affirmed its AAA rating on U.S. Treasury securities but changed its U.S. credit rating outlook to negative from stable, citing the failure of a special Congressional committee to agree on certain deficit-reduction measures. We continue to closely evaluate the implications on our investment portfolio of further rating agency downgrades of U.S. Treasury securities and believe our investment portfolio is well positioned. In light of the related market uncertainty, we increased our liquidity position in July 2011. With the raising of the statutory debt ceiling in August 2011, we have subsequently redeployed and reduced some of this increased liquidity position into higher yielding investments according to our ALM discipline. Despite the downgrade by S&P, yields on U.S. Treasury securities have decreased since these actions, causing an increase in the unrealized gain position on our holdings of U.S. Treasury and agency securities. The S&P downgrade initially had an adverse effect on financial markets but the extent of the longer-term impact cannot be predicted. See Risk Factors Concerns Over U.S. Fiscal Policy and the Trajectory of the National Debt of the U.S., as well as Rating Agency Downgrades of U.S. Treasury Securities Could Have an Adverse Effect on Our Business, Financial Condition and Results of Operations.

Japan Investments. The Japanese economy, to which we face substantial exposure given our operations there, was significantly negatively impacted by the March 2011 earthquake and tsunami. Although we expect modest growth in the Japanese economy during 2012, disruptions to the Japanese economy are having, and will continue to have, negative impacts on the overall global economy, not all of which can be foreseen. The Company s investment in fixed maturity and equity securities in Japan were $28.4 billion, of which $21.0 billion, or 74%, were Japan government and agency fixed maturity securities at December 31, 2011.

Summary. All of these factors have had and could continue to have an adverse effect on the financial results of companies in the financial services industry, including MetLife. Such global economic conditions, as well as the global financial markets, continue to impact our net investment income, our net investment gains (losses) and net derivative gains (losses), level of unrealized gains and (losses) within the various asset classes within our investment portfolio and our allocation to lower yielding cash equivalents and short-term investments. See Industry Trends and Risk Factors 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.

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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 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,		
	2011	2010	2009
		(In millions)	
Fixed Maturity Securities:			
Yield (1)	4.94%	5.54%	5.75%
Investment income (2),(3),(4)	$ 15,016	$ 12,567	$ 11,827
Investment gains (losses) (3)	$ (932)	$ (255)	$ (1,658)
Ending carrying value (2),(3)	$ 351,011	$ 325,391	$ 228,070
Mortgage Loans:			
Yield (1)	5.53%	5.51%	5.38%
Investment income (3),(4)	$ 3,162	$ 2,821	$ 2,734
Investment gains (losses) (3)	$ 175	$ 22	$ (442)
Ending carrying value (3)	$ 61,303	$ 55,457	$ 50,824
Real Estate and Real Estate Joint Ventures:			
Yield (1)	3.76%	1.10%	(7.47)%
Investment income (3)	$ 307	$ 77	$ (541)
Investment gains (losses) (3)	$ 230	$ (40)	$ (156)
Ending carrying value	$ 8,563	$ 8,030	$ 6,896
Policy Loans:			
Yield (1)	5.43%	6.38%	6.49%
Investment income	$ 641	$ 649	$ 641
Ending carrying value	$ 11,892	$ 11,761	$ 9,932
Equity Securities:			
Yield (1)	4.44%	4.40%	5.12%
Investment income	$ 141	$ 128	$ 176
Investment gains (losses)	$ (23)	$ 104	$ (399)
Ending carrying value	$ 3,023	$ 3,602	$ 3,081
Other Limited Partnership Interests:			
Yield (1)	10.58%	14.99%	3.22%
Investment income	$ 681	$ 879	$ 174
Investment gains (losses)	$ 4	$ (18)	$ (356)
Ending carrying value	$ 6,378	$ 6,416	$ 5,508
Cash and Short-Term Investments:			
Yield (1), (5)	1.04%	0.61%	0.53%
Investment income	$ 155	$ 81	$ 93
Investment gains (losses)	$ 2	$ 2	$ 6
Ending carrying value (3)	$ 27,750	$ 22,302	$ 18,385
Other Invested Assets: (1)			
Investment income	$ 454	$ 492	$ 335
Investment gains (losses) (3)	$ (9)	$ (8)	$ (32)
Ending carrying value	$ 23,628	$ 15,430	$ 12,697
Total Investments:			
Investment income yield (1)	5.01%	5.51%	5.08%
Investment fees and expenses yield	(0.13)	(0.14)	(0.14)
Net Investment Income Yield (1), (3),(5)	4.88%	5.37%	4.94%
Investment income	$ 20,557	$ 17,694	$ 15,439
Investment fees and expenses	(546)	(465)	(432)
Net investment income including divested businesses	$ 20,011	$ 17,229	$ 15,007
Less: net investment income from divested businesses (5)	(335)	(349)	(407)

Net Investment Income (3)	$ 19,676	$ 16,880	$ 14,600
Ending Carrying Value (3)	$ 493,548	$ 448,389	$ 335,393
Investment portfolio gains (losses) including divested businesses	$ (553)	$ (193)	$ (3,037)
Less: investment portfolio gains (losses) from divested businesses (5)	140	33	129
Investment portfolio gains (losses) (3),(5),(6)	$ (413)	$ (160)	$ (2,908)
Gross investment gains	$ 1,354	$ 1,180	$ 1,226
Gross investment losses	(1,058)	(840)	(1,393)
Writedowns	(709)	(500)	(2,741)
Investment Portfolio Gains (Losses) (3),(5),(6)	$ (413)	$ (160)	$ (2,908)
Investment portfolio gains (losses) income tax (expense) benefit	148	46	1,068
Investment Portfolio Gains (Losses), Net of Income Tax	$ (265)	$ (114)	$ (1,840)
Derivative gains (losses) including divested businesses	$ 4,545	$ (614)	$ (5,106)
Less: derivative gains (losses) from divested businesses (5)	163	41	(2)
Derivative gains (losses) (3),(5),(6)	$ 4,708	$ (573)	$ (5,108)
Derivative gains (losses) income tax (expense) benefit	(1,643)	144	1,804
Derivative Gains (Losses), Net of Income Tax	$ 3,065	$ (429)	$ (3,304)

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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. This yield table presentation is consistent with how we measure our investment performance for management purposes, and we believe it enhances understanding of our investment portfolio results.

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

(2) Fixed maturity securities include $740 million, $594 million and $2.4 billion at estimated fair value of trading and other securities at December 31, 2011, 2010 and 2009, respectively. Fixed maturity securities include $31 million, $234 million and $400 million of investment income (loss) related to trading and other securities for the years ended December 31, 2011, 2010 and 2009, respectively.

(3) As described in footnote (1) above, ending carrying values exclude contractholder-directed unit-linked investments reported within trading and other securities, securities held by CSEs reported within trading and other securities, and securitized reverse residential mortgage loans reported within mortgage loans. The related adjustments to ending carrying value, investment income and investment gains (losses) by invested asset class are presented below. The adjustments to investment income, net investment income and investment gains (losses) in the aggregate are as shown in footnote (6) to this yield table. 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, 2011			At or For the Year Ended December 31, 2010		
	As Reported in the Yield Table	Excluded Amounts	Total	As Reported in the Yield Table	Excluded Amounts	Total
		(In millions)			(In millions)	
Trading and Other Securities: (included within Fixed Maturity Securities):						
Ending carrying value	$ 740	$ 17,528	$ 18,268	$ 594	$ 17,995	$ 18,589
Investment income	$ 31	$ (444)	$ (413)	$ 234	$ 226	$ 460
Investment gains (losses)	$ (2)	$ (8)	$ (10)	$	$ (30)	$ (30)
Mortgage Loans:						
Ending carrying value	$ 61,303	$ 10,790	$ 72,093	$ 55,457	$ 6,840	$ 62,297
Investment income	$ 3,162	$ 332	$ 3,494	$ 2,821	$ 396	$ 3,217
Investment gains (losses)	$ 175	$ 13	$ 188	$ 22	$ 36	$ 58
Cash and Short-Term Investments:						
Ending carrying value	$ 27,750	$ 21	$ 27,771	$ 22,302	$ 39	$ 22,341
Total Investments:						
Ending carrying value	$ 493,548	$ 28,339	$ 521,887	$ 448,389	$ 24,874	$ 473,263

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

(5)

For further information on Divested Businesses, see Note 2 of the Notes to the Consolidated Financial Statements. Prior period yields have been recast to conform to the current period presentation to exclude from asset carrying values freestanding derivatives and collateral received from derivative counterparties. Net investment income, investment portfolio gains (losses), and derivative gains (losses) are presented including and excluding the impact of Divested Businesses. Yields are calculated including the net investment income and ending carrying values of the Divested Businesses.

(6) Net 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), interest credited to policyholder account balances, and other revenues, and excludes 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, 2011	2010	2009
		(In millions)	
Net investment income in the above yield table	$ 20,011	$ 17,229	$ 15,007
Real estate discontinued operations deduct from net investment income	(4)	(2)	(22)
Scheduled periodic settlement payments on derivatives not qualifying for hedge accounting deduct from net investment income, add to net derivative gains (losses)	(249)	(208)	(88)
Equity method operating joint ventures add to net investment income, deduct from net derivative gains (losses)	(23)	(130)	(156)
Net investment income on contractholder-directed unit-linked investments reported within trading and other securities add to net investment income	(453)	211	
Incremental net investment income from CSEs add to net investment income	324	411	
Net investment income GAAP consolidated statements of operations	$ 19,606	$ 17,511	$ 14,741
Investment portfolio gains (losses) in the above yield table	$ (553)	$ (193)	$ (3,037)
Real estate discontinued operations deduct from net investment gains (losses)	(96)	(14)	(8)
Investment gains (losses) related to CSEs add to net investment gains (losses)	5	6	
Other gains (losses) add to net investment gains (losses)	(223)	(207)	144
Net investment gains (losses) GAAP consolidated statements of operations	$ (867)	$ (408)	$ (2,901)
Derivative gains (losses) in the above yield table	$ 4,545	$ (614)	$ (5,106)
Scheduled periodic settlement payments on derivatives not qualifying for hedge accounting add to net derivative gains (losses), deduct from net investment income	249	208	88
Scheduled periodic settlement payments on derivatives not qualifying for hedge accounting add to net derivative gains (losses), deduct from interest credited to PABs	19	11	(4)
Settlement of foreign currency earnings hedges add to net derivative gains (losses), deduct from other revenues	(12)		
Equity method operating joint ventures add to net investment income, deduct from net derivative gains (losses)	23	130	156
Net derivative gains (losses) GAAP consolidated statements of operations	$ 4,824	$ (265)	$ (4,866)

See Results of Operations Year Ended December 31, 2011 Compared with the Year Ended December 31, 2010 and Year Ended December 31, 2010 Compared with the Year Ended December 31, 2009, for analyses of the year over year changes in net investment income, 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 $350.3 billion and $324.8 billion at estimated fair value, or 67% and 69% of total cash and invested assets, at December 31, 2011 and 2010, respectively. Publicly-traded fixed maturity securities represented $303.6 billion and $284.0 billion of total fixed maturity securities at estimated fair value, at December 31, 2011 and 2010, respectively, or 87% of total fixed maturity securities at estimated fair value, at both December 31, 2011 and

2010. Privately placed fixed maturity securities represented $46.7 billion and $40.8 billion at estimated fair value, at December 31, 2011 and 2010 respectively, or 13% of total fixed maturity securities at estimated fair value, at both December 31, 2011 and 2010.

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 $3.0 billion and $3.6 billion at estimated fair value, or 0.6% and 0.8% of total cash and invested assets, at December 31, 2011 and 2010, respectively. Publicly-traded equity securities represented $1.7 billion and $2.3 billion at estimated fair value, or 57% and 64% of total equity securities, at December 31, 2011 and 2010, respectively. Privately-held equity securities represented $1.3 billion of total equity securities at estimated fair value, at both December 31, 2011 and 2010, or 43% and 36% of total equity securities at estimated fair value, at December 31, 2011 and 2010, respectively.

Upon acquisition, the Company classifies perpetual securities that have attributes of both debt and equity as fixed maturity securities if the securities have an interest rate step-up feature which, when combined with other qualitative factors, indicates that the securities have more debt-like characteristics; while those with more equity-like characteristics are classified as equity securities within non-redeemable preferred stock. Many of such securities, commonly referred to as perpetual hybrid securities, have been issued by non-U.S. financial institutions that are accorded the highest two capital treatment categories by their respective regulatory bodies (i.e. core capital, or Tier 1 capital and perpetual deferrable securities, or Upper Tier 2 capital). The following table presents the amount and classification of perpetual hybrid securities held by the Company at:

Classification			December 31,	
			2011	2010
Consolidated Balance Sheets	Sector Table	Primary Issuers	Estimated Fair Value	Estimated Fair Value
			(In millions)	
Fixed maturity securities	Foreign corporate securities	Non-U.S. financial institutions	$ 523	$ 2,008
Fixed maturity securities	U.S. corporate securities	U.S. financial institutions	$ 226	$ 83
Equity securities	Non-redeemable preferred stock	Non-U.S. financial institutions	$ 440	$ 1,043
Equity securities	Non-redeemable preferred stock	U.S. financial institutions	$ 350	$ 236

The Company s holdings in redeemable preferred stock with stated maturity dates, commonly referred to as capital securities, were primarily issued by U.S. financial institutions and have cumulative interest deferral features. The Company held $1.9 billion and $2.7 billion at estimated fair value of such securities at December 31, 2011 and 2010, respectively, which are included in the U.S. and foreign corporate securities sectors within fixed maturity securities.

Valuation of Securities. We are responsible for the determination of estimated fair value. The estimated fair value of publicly-traded 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; whereas for privately placed securities, estimated fair value is determined after considering one of three primary sources of information: market standard internal matrix pricing, market standard internal discounted cash flow techniques, or independent pricing services after we determine their use of available observable market data. Discounted cash flow techniques rely upon the estimated future cash flows of the security, credit spreads of comparable public securities and secondary transactions, as well as other factors, including the credit quality of the issuer and the reduced liquidity associated with privately placed debt securities. For publicly-traded securities, the number of quotations 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 data about market transactions and inputs from multiple pricing sources that are market observable or can be derived principally from or corroborated by observable market data. See Note 5

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of the Notes to the Consolidated Financial Statements for a discussion of the types of market standard valuation methodologies utilized and key assumptions and observable inputs used in applying these standard valuation methodologies. When a price is not available in the active market or through an independent pricing service, management will value the security primarily using market standard internal matrix pricing or discounted cash flow techniques, and non-binding quotations from independent brokers who are knowledgeable about these securities. Independent non-binding broker quotations utilize inputs that may be difficult to corroborate with observable market data. As shown in the following section, less than 1% of our fixed maturity securities were valued using non-binding quotations from independent brokers at December 31, 2011.

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, when applied, are based upon established policies and are applied consistently over time. We review our valuation methodologies on an ongoing basis and revise when necessary based on changing market conditions. 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 our controls designed to ensure that the financial assets and financial liabilities are appropriately valued and represent an exit price. We utilize several controls, including certain monthly controls, which include, but are not limited to, analysis of portfolio returns to corresponding benchmark returns, comparing a sample of executed prices of securities sold to the fair value estimates, comparing fair value estimates to management s knowledge of the current market, reviewing the bid/ask spreads to assess activity, comparing prices from multiple pricing sources, when available, reviewing independent auditor reports regarding the controls over valuation of securities employed by independent pricing services, and ongoing due diligence to confirm that independent pricing services use market-based parameters for valuation. We determine the observability of inputs used in estimated fair values received from independent pricing services or brokers by assessing whether these inputs can be corroborated by observable market data.

The Company also applies 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. As described below, such overrides have not been material. 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. This is, in part, because our internal estimates of liquidity and non-performance risks are generally based on available market evidence and estimates used by other market participants. In the absence of such market-based evidence, management s best estimate is used. As a result, we generally use the price provided by the independent pricing service under our normal pricing protocol.

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 lowest level significant input to its valuation. Certain securities have been classified into Level 1 because of unadjusted quoted prices and 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 non-binding quotations from independent brokers that use inputs that may be difficult to corroborate with observable market data, are

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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. See Note 5 of the Notes to the Consolidated Financial Statements for further information regarding the valuation techniques and inputs by level within the three level fair value hierarchy by major classes of invested assets.

Quarterly, we evaluate and monitor the markets in which our fixed maturity and equity securities trade and, in our judgment, despite reduced levels of liquidity discussed above, believe none of these fixed maturity and equity securities trading markets should be characterized as distressed and disorderly.

Fair Value Hierarchy and Level 3 Rollforward Fixed Maturity and Equity Securities. 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, 2011			
	Fixed Maturity Securities		Equity Securities	
	(In millions)			
Level 1:				
Quoted prices in active markets for identical assets	$ 19,987	5.7%	$ 819	27.1%
Level 2:				
Independent pricing source	275,575	78.7	497	16.4
Internal matrix pricing or discounted cash flow techniques	36,944	10.5	988	32.7
Significant other observable inputs	312,519	89.2	1,485	49.1
Level 3:				
Independent pricing source	8,178	2.4	513	17.0
Internal matrix pricing or discounted cash flow techniques	8,138	2.3	158	5.2
Independent broker quotations	1,449	0.4	48	1.6
Significant unobservable inputs	17,765	5.1	719	23.8
Total estimated fair value	$ 350,271	100.0%	$ 3,023	100.0%

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	December 31, 2011 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	$	$ 99,001	$ 6,784	$ 105,785
Foreign corporate securities		59,648	4,370	64,018
Foreign government securities	76	50,138	2,322	52,536
Residential mortgage-backed securities (RMBS)		41,035	1,602	42,637
U.S. Treasury and agency securities	19,911	20,070	31	40,012
Commercial mortgage-backed securities (CMBS)		18,316	753	19,069
State and political subdivision securities		13,182	53	13,235
Asset-backed securities (ABS)		11,129	1,850	12,979
Other fixed maturity securities				
Total fixed maturity securities	$ 19,987	$ 312,519	$ 17,765	$ 350,271
Equity Securities:				
Common stock	$ 819	$ 1,105	$ 281	$ 2,205
Non-redeemable preferred stock		380	438	818
Total equity securities	$ 819	$ 1,485	$ 719	$ 3,023

The composition of fair value pricing sources for and significant changes in Level 3 securities at December 31, 2011 are as follows:

The majority of the Level 3 fixed maturity and equity securities (83%, as presented above) were concentrated in four sectors: U.S. and foreign corporate securities, foreign government securities and ABS.

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 consist 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 (Alt-A) and sub-prime 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), less liquid foreign government securities and less liquid ABS.

During the year ended December 31, 2011, Level 3 fixed maturity securities decreased by $5.0 billion, or 22%. The decrease was driven by net transfers out of Level 3, partially offset by net purchases in excess of sales and increase in estimated fair value recognized in accumulated other comprehensive income (loss). See analysis of transfers into and/or out of Level 3 below. The increase in net purchases in excess of sales of fixed maturity securities were concentrated in ABS and foreign government securities, and the increase in estimated fair value recognized in accumulated other comprehensive income (loss) for fixed maturity securities was concentrated in U.S. corporate securities due in part to a decrease in interest rates.

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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, 2011	
	Fixed Maturity Securities	Equity Securities
	(In millions)	
Balance, beginning of period	$ 22,716	$ 1,173
Total realized/unrealized gains (losses) included in:		
Earnings (1)	48	(57)
Other comprehensive income (loss)	403	10
Purchases	4,907	109
Sales	(4,219)	(462)
Transfers into Level 3	599	12
Transfers out of Level 3	(6,689)	(66)
Balance, end of period	$ 17,765	$ 719

(1) Total gains and losses in earnings and other comprehensive income (loss) are calculated assuming transfers into or out of Level 3 occurred at the beginning of the period. Items transferred into and out for the same period are excluded from the rollforward. Total gains (losses) for fixed maturity securities included in earnings of ($7) million and other comprehensive income (loss) of $9 million, were incurred on these securities subsequent to their transfer into Level 3, for the year ended December 31, 2011, respectively.

An analysis of transfers into and/or out of Level 3 for the year ended December 31, 2011 is as follows:

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 into and/or out of Level 3 assets and liabilities for the year ended December 31, 2011 are summarized below:

During the year ended December 31, 2011, fixed maturity securities transfers into Level 3 of $599 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 U.S. and foreign corporate securities and foreign government securities.

During the year ended December 31, 2011, fixed maturity securities transfers out of Level 3 of ($6.7) billion resulted primarily from increased transparency of both new issuances that, subsequent to issuance and establishment of trading activity, became priced by independent pricing services and existing issuances that, over time, the Company was able to obtain pricing from, or corroborate pricing received from independent pricing services with observable inputs, or there were increases in market activity and upgraded credit ratings primarily for ABS, foreign government securities, U.S. and foreign corporate securities and RMBS.

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.

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See Note 5 of the Notes to the Consolidated Financial Statements for further information about the valuation techniques and inputs by level by major classes of invested assets that affect the amounts reported above.

Fixed Maturity Securities. See Note 3 of the Notes to the Consolidated Financial Statements for information about:

- Fixed maturity and equity securities on a sector basis and the related cost or amortized cost, gross unrealized gains and losses, including the noncredit loss component of OTTI loss, and estimated fair value of such securities at December 31, 2011 and 2010;
- Government and agency securities holdings in excess of 10% of the Company s equity at December 31, 2011 and 2010; and
- Maturities of fixed maturity securities at December 31, 2011 and 2010.

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 or rated BBB or better by S&P and Fitch) by such rating organizations. NAIC ratings 3 through 6 include fixed maturity securities generally considered below investment grade (i.e., rated Ba1 or lower by Moody s or rated BB+ or lower by S&P and Fitch) by such rating organizations. 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.

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

The four tables below present fixed maturity securities based on rating agency designations and equivalent designations of the NAIC, with the exception of certain structured securities described above. These structured securities are presented based on ratings from the revised NAIC rating methodologies described above (which may not correspond to rating agency designations). All NAIC designation (e.g., NAIC 1 6) 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.

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

		December 31,					
		2011			2010		
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	$ 230,195	$ 246,786	70.5 %	$ 226,639	$ 231,198	71.2 %
2	Baa	73,352	78,531	22.4	65,412	68,729	21.2
3	Ba	14,604	14,375	4.1	15,331	15,290	4.7
4	B	9,437	8,849	2.5	8,742	8,308	2.6
5	Caa and lower	2,142	1,668	0.5	1,340	1,142	0.3
6	In or near default	81	62		153	130	
	Total fixed maturity securities	$ 329,811	$ 350,271	100.0 %	$ 317,617	$ 324,797	100.0 %

The following tables present total fixed maturity securities, based on estimated fair value, by sector classification and by NRSRO designation and the equivalent designations of the NAIC, except for certain structured securities, which are presented as described above, that each designation is comprised of at December 31, 2011and 2010:

	Fixed Maturity Securities by Sector & Credit Quality Rating at December 31, 2011						
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	$ 51,045	$ 41,533	$ 8,677	$ 4,257	$ 271	$ 2	$ 105,785
Foreign corporate securities	33,403	26,383	2,915	1,173	140	4	64,018
Foreign government securities	42,360	7,553	1,146	1,281	196		52,536
RMBS (1)	36,699	1,477	1,450	2,026	933	52	42,637
U.S. Treasury and agency securities	40,012						40,012
CMBS (1)	18,403	388	125	57	96		19,069
State and political subdivision securities	12,357						