SOCIETY OF ACTUARIES
Individual Life & Annuities Canada – Design & Pricing

Exam DP-IC

MORNING SESSION

Date: Thursday, October 29, 2009
Time: 8:30 a.m. – 11:45 a.m.

INSTRUCTIONS TO CANDIDATES

General Instructions

1. This examination has a total of 120 points. It consists of a morning session (worth 60 points) and an afternoon session (worth 60 points).

   a) The morning session consists of 7 questions numbered 1 through 7.

   b) The afternoon session consists of 8 questions numbered 8 through 15.

   The points for each question are indicated at the beginning of the question. Questions 1, 6 and 7 pertain to the Case Study, which is enclosed inside the front cover of this exam booklet.

2. Failure to stop writing after time is called will result in the disqualification of your answers or further disciplinary action.

3. While every attempt is made to avoid defective questions, sometimes they do occur. If you believe a question is defective, the supervisor or proctor cannot give you any guidance beyond the instructions on the exam booklet.

Written-Answer Instructions

1. Write your candidate number at the top of each sheet. Your name must not appear.

2. Write on only one side of a sheet. Start each question on a fresh sheet. On each sheet, write the number of the question that you are answering. Do not answer more than one question on a single sheet.

3. The answer should be confined to the question as set.

4. When you are asked to calculate, show all your work including any applicable formulas.

5. When you finish, insert all your written-answer sheets into the Essay Answer Envelope. Be sure to hand in all your answer sheets since they cannot be accepted later. Seal the envelope and write your candidate number in the space provided on the outside of the envelope. Check the appropriate box to indicate morning or afternoon session for Exam DP-IC.

6. Be sure your essay answer envelope is signed because if it is not, your examination will not be graded.

Tournez le cahier d'examen pour la version française.

EDUCATION AND EXAMINATION COMMITTEE

OF THE

SOCIETY OF ACTUARIES

DESIGN AND PRICING—(DP)

INDIVIDUAL LIFE AND ANNUITIES STUDY NOTE

INDIVIDUAL LIFE AND ANNUITIES CASE STUDY

This case study will be used as a basis for examination questions. Be sure to answer the question asked by referring to the case study. For example, when asked for advantages of a particular plan design to the company referenced in the case study, your response should be limited to that company. Other advantages should not be listed, as they are extraneous to the question and will result in no additional credit. Further, if they conflict with the applicable advantages, no credit will be given.

ILA-D13-09 **Printed in the USA**

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2008

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 33-03094

MetLife Insurance Company of Connecticut
(Exact name of registrant as specified in its charter)

Connecticut *(State or other jurisdiction of incorporation or organization)*	**06-0566090** *(I.R.S. Employer Identification No.)*
1300 Hall Boulevard, Bloomfield, Connecticut *(Address of principal executive offices)*	**06002** *(Zip Code)*

(860) 656-3000
(Registrant's telephone number, including area code)

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

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 ☐ No ☑

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

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 ☑ 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. ☑

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 ☐	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 ☑

At March 23, 2009, 34,595,317 shares of the registrant's common stock, $2.50 par value per share, were outstanding, of which 30,000,000 shares are owned directly by MetLife, Inc. and the remaining 4,595,317 shares are owned by MetLife Investors Group, Inc., a wholly-owned subsidiary of MetLife, Inc.

REDUCED DISCLOSURE FORMAT

The registrant meets the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and is therefore filing this Form with the reduced disclosure format.

Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K, including the Management's Discussion and Analysis of Financial Condition and Results of Operations, may contain or incorporate by reference information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and other words and terms of similar meaning in connection with a discussion of 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Note Regarding Reliance on Statements in Our Contracts

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

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

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

Part I

Item 1. *Business*

As used in this Form 10-K, the "Company," "MICC," "we," "our" and "us" refer to MetLife Insurance Company of Connecticut, a Connecticut corporation incorporated in 1863, and its subsidiaries, including MetLife Investors USA Insurance Company ("MLI-USA"). MICC is a wholly-owned subsidiary of MetLife, Inc. ("MetLife").

We are organized into two operating segments, Individual and Institutional, as well as Corporate & Other. Revenues derived from any customer, or from any class of similar products or services, within each of these segments did not exceed 10% of consolidated revenues in any of the last three years. Financial information, including revenues, expenses, income and loss, and total assets by segment, is provided in Note 14 of the Notes to the Consolidated Financial Statements.

Overview

2008 Market and Economic Events Impacting Our Business

The U.S. and global financial markets experienced extraordinary dislocations during 2008, especially in the second half of the year, producing challenges for our company and the financial services industry generally. Concerns which had originally arisen over the value of subprime mortgage loans backing certain classes of mortgage-backed securities and other financial products and investment vehicles spread during the year to the financial services sector as a whole, as investors questioned the asset quality and capital strength of banks and other financial institutions that held these investments or were otherwise exposed to them. Beginning in the summer and continuing through the end of the year, these concerns in turn led to a dramatic increase in credit spreads, particularly in the financial sector, and sharp drops in the market value of a wide range of financial instruments. Concerns over the creditworthiness of banks and other financial institutions also led to a severe contraction in lending activity, both among financial institutions and more generally, as lenders sought to increase their own liquidity to bolster their ability to withstand the stresses in the financial markets and to protect themselves against the loss of credit from other institutions. Many investors reduced or eliminated their holdings of asset-backed and corporate securities and purchased Treasury securities and other securities viewed as offering greater liquidity and credit quality, while investors in hedge funds and other collective investment vehicles sought to redeem their investments, requiring the funds to sell assets to satisfy redemption requests. During the third quarter and especially the fourth quarter, trading markets for certain kinds of financial instruments contracted severely or dried up altogether, further contributing to price declines, while concerns over the health of the economy and the possibility of defaults and bankruptcies also weighed on the value of debt securities. The application of fair value accounting principles in conditions of a dislocated market and low levels of liquidity brought into question the accuracy of fair valuations of certain securities.

As the crisis worsened, a number of significant, well-known financial institutions failed or required extraordinary government assistance to keep from failing. Investor concerns over the financial strength and solvency of financial institutions and the impact of the credit crisis on the economy also resulted in sharp declines in equity prices both within the financial services sector and in the broader stock market, especially in the last third of the year. The Standard & Poor's 500 Index fell 37% during the year, with the most dramatic declines occurring in the second half, and volatility of stock prices reached extraordinarily high levels. The stock prices of major life insurance companies, including ours, registered sharp declines, especially in the fourth quarter, driven by investor concerns over the quality of their investment assets, exposures to guarantees that protect the customer against declines in equity markets and their overall liquidity and financial strength.

Interest rates dropped significantly during the year and the yield curve grew steeper. The Federal Funds rate fell from 4.25% at the beginning of 2008 to a range of 0.0% to 0.25% at the end of 2008, while the yield on ten-year Treasury obligations decreased from 3.91% at the beginning of the year to 2.25% at the end of the year.

The financial market stress and concerns over economic weakness led the United States government and governments around the world to take unprecedented actions to shore up their economies and financial markets, including, in the United States, the reduction of the Federal Funds rate, a series of increasingly aggressive actions by the Federal Reserve to provide liquidity and avert failures of major financial institutions, the enactment of the Emergency Economic Stabilization Act of 2008 in October and the enactment of the American Recovery and Reinvestment Act, an economic stimulus bill, in February 2009. A number of foreign governments also took actions to support their economies and banking systems.

The stress in the financial markets and the impact of certain of these government stimulus measures may result in inflation or deflation, although at this point the ultimate outcome cannot be predicted.

During the second half of the year, the value of the dollar appreciated sharply against several foreign currencies, including the British pound and the Euro.

Late in 2008, the National Bureau of Economic Research announced that the United States economy was in a recession that had started in December 2007. Globally, economic growth declined from 5.2% in 2007 to an estimated 3.4% in 2008, and is currently predicted to fall to 0.5% in 2009. In the United States, economic growth fell from 2.3% in 2007 to an estimated -0.2% in 2008, and is currently projected to decline to -2.0% in 2009. Unemployment rose during 2008 from just below 5% at the beginning of the year to 7.6% at the end of 2008 with unemployment forecasted to rise to above 8.5% by the end of 2009.

Impact of 2008 Market and Economic Events on Our Business

The financial market movements and economic events of 2008 had a significant impact on our results for the year. The impacts of the credit and equity markets had the most significant impact with the recession beginning to impact our business fundamentals.

Credit Market Impacts. The widening of credit spreads on corporate debt instruments and concerns over the quality of assets underlying various mortgage-backed and asset-backed securities resulted in significant declines in the market value of many investment assets and a substantial increase in our gross unrealized losses on investments, especially in the third and fourth quarters. The conditions of reduced liquidity that prevailed toward the end of 2008 presented challenges in determining when a decline in the market price of a security was due to reduced liquidity or an actual deterioration in creditworthiness of the issuer. As described below, we recognized impairment charges when we made a determination that the decline in market value of our investments was other than temporary. See Note 2 of the Notes to the Consolidated Financial Statements.

Equity Market Impacts. Declines in the equity markets had a number of significant effects on our results. First, these declines increased the costs of guaranteed minimum benefits on certain annuity contracts, which led, in our Individual segment, to increases in policyholder benefits and claims and significant losses on embedded derivatives, which are reflected in net investment gains and losses as discussed in greater detail below. We have put in place freestanding derivatives to hedge our economic exposure to these embedded derivatives. In addition, equity market declines reduced separate account values, resulting in a decrease in fee income and an increase in amortization of deferred policy acquisition costs within our Individual segment. See "— Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Deferred Policy Acquisition Costs and Value of Business Acquired" and "— Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Discussion of Results."

Foreign Currency Impacts. The appreciation of the dollar against other currencies in the second half of 2008, especially the British pound and the Euro, had the effect of reducing our liabilities and assets for obligations denominated in those currencies, but this effect was fully offset by foreign currency derivative losses. See "— Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Discussion of Results — Income from Continuing Operations."

Impact on Net Investment Gains (Losses). We recognized substantial gains on freestanding derivatives that we entered into to hedge our exposures to interest rate risk, foreign currency exchange rate risk and equity price risk. We also recognized gains on the ceded reinsurance of embedded derivatives related to guaranteed minimum benefits on variable annuities, which outweighed the losses on the embedded derivatives related to the direct guarantees, losses resulting from the widening of the reinsurer's credit spread (partially offset by the effect of the widening of the Company's own credit spread as described below) and losses on fixed maturity and equity securities (which were primarily driven by impairments on holdings of financial institutions). See "— Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Discussion of Results."

Impact of Credit Spread Widening and Fair Value Accounting. Our net investment gains and losses were affected by the widening during the third and fourth quarters of our own credit spread and the credit spread of the reinsurer to whom we cede a portion of our guaranteed minimum benefit risk related to our variable business. The substantial decreases in equity prices during the year increased the liability for guaranteed minimum benefits on variable annuities, which is reflected as a loss on embedded derivatives in net investment gains and losses. Because we carry the liability for guaranteed minimum benefits at fair value under SFAS No. 157, *Fair Value Measurements,* ("SFAS 157"), which we adopted effective January 1, 2008, we take our own credit spread into account in determining the fair value. The widening of our own credit spread during 2008 substantially reduced the amount of the loss on embedded derivatives. However, the beneficial impact of the widening of our own credit spread was outweighed by a loss resulting from the widening of the reinsurer's credit spread. The impact of changes in the reinsurer's credit spread was larger than the impact of changes in our own credit spread due to a larger portion of the ceded reinsurance being accounted for as an embedded derivative due to a difference in settlement features as compared to the direct guarantees. See "— Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Discussion of Results — Income from Continuing Operations."

Goodwill Impacts. In addition to our annual goodwill impairment tests performed during the third quarter of 2008 based upon data as of June 30, 2008, we performed an interim goodwill impairment test as of December 31, 2008, in light of current economic conditions, the sustained low level of equity markets, declining market capitalizations in the insurance industry and lower operating earnings projections, particularly for the Individual segment. Based upon the tests performed, management concluded no impairment of goodwill had occurred for any of the Company's reporting units at December 31, 2008. See Notes 1 and 5 of the Notes to the Consolidated Financial Statements.

Impact on Net Investment Income. Investment yields declined in many asset classes, principally other limited partnerships (including hedge funds), real estate joint ventures, cash and short-term investments, and mortgage loans, causing net investment income to decrease from 2007 levels. Our results on securities lending were higher than in the prior year. See "— Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Discussion of Results — Revenues."

Business Fundamentals and Other Events. Although financial market factors had the largest impact on our performance in 2008, some factors not related to financial market developments also affected our results. Top-line growth was strong, with particularly large increases in premiums, fees and other revenues in our Institutional segment. Net interest margins decreased in our annuity business. Less favorable underwriting results than in 2007 affected our life products, retirement & savings and non-medical health & other businesses. See "— Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Discussion of Results."

Securities Lending Program. As institutional investors sought greater liquidity during the third and fourth quarters of 2008 in response to the turbulent credit markets and financial institution crisis, we systematically reduced the size of our securities lending program in-line with demand. The drop in the securities lending volume was more than offset, however, by an increase in the rates charged for securities lending transactions. See Note 2 of the Notes to the Consolidated Financial Statements.

Liquidity Position. We purposefully enhanced our own liquidity position in the second half of the year by holding historically high levels of cash, cash equivalents and short-term investments, which further pressured net investment income with the substantial decline in short-term interest rates over the year. We are managing our increased levels of liquidity and their impact on the matching of our assets and liabilities through our well established asset/liability management processes. See "— Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity Mangement."

Ratings. Rating agencies continue to monitor insurance companies, including ours, as described in "— Company Ratings."

Individual

Our Individual segment offers a wide variety of individual insurance, as well as annuities and investment-type products, aimed at serving the financial needs of our customers throughout their entire life cycle. Products offered by Individual include insurance products, such as variable, universal and traditional life insurance, and variable and fixed annuities. In addition, Individual sales representatives distribute investment products such as mutual funds and other products offered by our other businesses.

Life and Protection Solution Products

Our individual insurance products include variable life products, universal life products, traditional life products, including whole life and term life, and other individual products. We continually review and update our products.

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

Universal Life. Universal life products provide insurance coverage on the same basis as variable life, except that premiums, and the resulting accumulated balances, are allocated only to the Company's general account. Universal life products may allow 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 and interest, 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.

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.

Term Life. Term life provides 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 20 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.

Retirement and Wealth Strategies Products

We offer a variety of individual annuities and investment products, including variable and fixed annuities, and mutual funds and securities.

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

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

Mutual Funds and Securities. Through our broker-dealer affiliates, we offer a full range of mutual funds and other securities products.

Marketing and Distribution

The marketing of our Individual products by MetLife targets the large middle-income market, as well as affluent individuals, owners of small businesses and executives of small- to medium-sized companies. MetLife has been successful in selling our products in various multi-cultural markets.

Individual products are distributed nationwide through multiple channels, with the primary distribution system being the independent distribution group. Within the independent distribution group there are three wholesaler organizations, including the coverage and point of sale models for risk-based products, and the annuity wholesale model for accumulation-based products. Both the coverage and point of sale model wholesalers distribute universal life, variable universal life and traditional life products. The coverage model wholesalers distribute products through independent general agencies, financial advisors, consultants, brokerage general agencies and other independent marketing organizations under contractual arrangements. The point of sale model wholesalers distribute products through financial intermediaries, including regional broker-dealers, brokerage firms, financial planners and banks. The annuity model wholesalers distribute both fixed and variable deferred annuities, as well as income annuity products through financial intermediaries, including regional broker-dealers, New York Stock Exchange brokerage firms, financial planners and banks.

We also distribute individual insurance and investment products through additional distribution channels which include MetLife Resources and Tower Square Securities, Inc. ("Tower Square"). MetLife Resources, a focused distribution channel of MetLife, markets retirement, annuity and other financial products on a national basis through 660 agents and independent brokers at December 31, 2008. MetLife Resources targets the nonprofit, educational and healthcare markets. Tower Square, our subsidiary, is an affiliated broker-dealer that markets variable life insurance and variable annuity products, as well as mutual funds and other securities, through 522 independent registered representatives at December 31, 2008.

Institutional

Our Institutional segment offers a range of group insurance and retirement & savings products and services to corporations and other institutions and their respective employees. Group insurance products and services include specialized life insurance products, offered through corporate-owned life insurance, and individual disability income. Our retirement & savings products and services include an array of annuity and investment products, guaranteed interest contracts ("GICs"), funding agreements and similar products, as well as fixed annuity products, generally in connection with defined contribution plans, the termination of pension plans, both domestically and in the United Kingdom, and the funding of structured settlements. Other retirement & savings products and services include separate account contracts for the investment management of defined benefit and defined contribution plan assets.

Marketing and Distribution

Our Institutional segment products and services are marketed by MetLife through sales forces, comprised of MetLife employees, for both our group insurance and retirement & savings lines.

We distribute our group insurance and retirement & savings products and services through dedicated sales teams and relationship managers located in offices around the country. In addition, the retirement & savings organization works with the distribution channels in the Individual segment and in the group insurance area to better reach and service customers, brokers, consultants and other intermediaries.

Group Insurance Products and Services

Our group insurance products and services include:

Group Life. Group life insurance products and services include specialized life insurance products designed specifically to provide solutions for non-qualified benefit and retiree benefit funding purposes.

Non-Medical Health. We sell individual disability income products offered through our group insurance segment.

Retirement & Savings Products and Services

Our retirement & savings products and services include:

Guaranteed Interest and Stable Value Products. We offer GICs, including separate account GICs, funding agreements and similar products.

Accumulation and Income Annuities. We also sell fixed and variable annuity products, generally in connection with the termination of pension plans, both domestically and in the United Kingdom, or the funding of structured settlements. Annuity products include single premium buyouts and structured settlement annuities.

Other Retirement & Savings Products and Services. Other retirement & savings products and services include separate account contracts for the investment management of defined benefit and defined contribution plan assets on behalf of corporations and other institutions.

Corporate & Other

Corporate & Other contains the excess capital not allocated to the business segments, which is invested to optimize investment spread and to fund Company initiatives including start-up and run-off entities, both domestically and internationally. Corporate & Other also includes interest expense related to the majority of our outstanding debt and expenses associated with certain legal proceedings. The elimination of all intersegment transactions from activity between segments occurs within Corporate & Other.

Policyholder Liabilities

We establish, and carry as liabilities, actuarially determined amounts that are calculated to meet our policy obligations when a policy matures or is surrendered, an insured dies or becomes disabled or upon the occurrence of other covered events, or to provide for future annuity payments. We compute the amounts for actuarial liabilities reported in our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP").

In establishing actuarial liabilities for life and non-medical health insurance policies and annuity contracts, we distinguish between short duration and long duration contracts. Short duration contracts generally relate to group term life. Long duration contracts primarily consist of traditional whole life, guaranteed renewable term life, universal life, annuities, individual disability income and long-term care ("LTC").

The actuarial liability for short duration contracts consists of gross unearned premiums, the amount of the payments on pending and approved claims, and the amount of incurred but not reported claims as of the valuation date. We determine actuarial liabilities for long duration contracts using assumptions based on experience, plus a margin for adverse deviation for these policies.

Actuarial liabilities for term life, non-participating whole life, LTC and limited pay contracts such as single premium immediate individual annuities, structured settlement annuities and certain group pension annuities are equal to the present value of future benefit payments and related expenses less the present value of future net premiums plus premium deficiency reserves, if any. For limited pay contracts, we also defer the excess of the gross premium over the net premium and recognize such excess into income in a constant relationship with insurance in-force for life insurance contracts and in relation to anticipated future benefit payments for annuity contracts.

We also establish actuarial liabilities for future policy benefits (associated with base policies and riders, unearned mortality charges and future disability benefits), for other policyholder liabilities (associated with unearned revenues and claims payable) and for unearned revenue (the unamortized portion of front-end loads charged). We also establish liabilities for minimum benefit guarantees relating to certain annuity contracts and secondary guarantees relating to certain life policies.

Liabilities for investment-type and universal life-type products primarily consist of policyholder account balances. Investment-type products include individual annuity contracts in the accumulation phase and certain group pension contracts that have limited or no mortality risk. Universal life-type products consist of universal and variable life contracts and contain group pension contracts. For universal life-type contracts with front-end loads, we defer the charge and amortize the unearned revenue using the product's estimated gross profits.

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

The Connecticut State Insurance Law and regulations require us to submit to the Connecticut Commissioner of Insurance ("Connecticut Commissioner"), or other state insurance departments, with an 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 our statutory liabilities with respect to these obligations. See "— Regulation — Insurance Regulation — Policy and Contract Reserve Sufficiency Analysis."

Due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of our actuarial liabilities, we cannot precisely determine the amounts we will ultimately pay with respect to these actuarial liabilities, and the ultimate amounts may vary from the estimated amounts, particularly when payments may not occur until well into the future.

However, we believe our actuarial liabilities for future benefits are adequate to cover the ultimate benefits required to be paid to policyholders. We periodically review our estimates of actuarial liabilities for future benefits and compare them with our actual experience. We revise estimates, to the extent permitted or required under GAAP, if we determine that future expected experience differs from assumptions used in the development of actuarial liabilities.

Underwriting and Pricing

Our underwriting for the Individual and Institutional segments involves an evaluation of applications for life and retirement & savings insurance products and services by a professional staff of underwriters and actuaries, who determine the type and the amount of risk that we are willing to accept. 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.

Individual underwriting considers not only an applicant's medical history, but also other factors such as financial profiles, foreign travel, vocations and alcohol, drug and tobacco use. Our group underwriters generally evaluate the risk characteristics of each prospective insured group, although with certain voluntary products, employees may be underwritten on an individual basis. 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 for underwriting. We generally perform our own underwriting; however, certain policies are reviewed by intermediaries under strict guidelines established by us.

To maintain high standards of underwriting quality and consistency, we engage in a multi-level series of ongoing internal underwriting audits, and are subject to external audits by our reinsurers, at both our remote underwriting offices and our corporate underwriting office.

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.

Pricing for the Individual and Institutional segments reflects our insurance underwriting standards. Product pricing of insurance products 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. Product specifications are designed to mitigate the risks of greater than expected mortality, and we periodically monitor mortality and morbidity assumptions. Investment-oriented products are priced based on various factors, which may include investment return, expenses, persistency and optionality.

Pricing for certain products in the Institutional segment is experience rated. We employ both prospective and retrospective experience rating. Prospective experience rating involves the evaluation of past experience for the purpose of determining future premium rates. Retrospective experience rating involves the evaluation of past experience for the purpose of determining the actual cost of providing insurance for the customer for the period of time in question.

We continually review our underwriting and pricing guidelines so that our policies remain competitive and supportive of our marketing strategies and profitability goals. Decisions are based on established actuarial pricing and risk selection principles to ensure that our underwriting and pricing guidelines are appropriate.

Reinsurance Activity

We cede premiums to reinsurers under various agreements 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 the risk and minimize the effect of losses. The amount of each risk retained by us depends on our evaluation of the specific risk, subject, in certain circumstances, to maximum limits based on the characteristics of coverages. We obtain reinsurance when capital requirements and the economic terms of the reinsurance make it appropriate to do so. We reinsure our business through a diversified group of reinsurers.

Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse us for the ceded amount in the event the claim is paid. However, we remain liable to our policyholders with respect to ceded reinsurance should any reinsurer be unable to meet its obligations under these agreements. Since we bear the risk of nonpayment by one or more of our reinsurers, we primarily cede reinsurance to well-capitalized, highly rated reinsurers. We evaluate the financial strength of our reinsurers by monitoring their ratings and analyzing their financial statements. We also analyzes recent trends in arbitration and litigation outcomes in disputes, if any, with our reinsurers. Recoverability of reinsurance recoverable balances are evaluated based on these analyses. We generally secure large reinsurance recoverable balances with various forms of collateral, including irrevocable letters of credit, secured trusts and funds withheld accounts.

Our life insurance operations participate in reinsurance activities in order to limit losses, minimize exposure to large risks, and provide additional capacity for future growth. We have historically reinsured the mortality risk on new individual life insurance policies primarily on an excess of retention basis or a quota share basis. Until 2005, we reinsured up to 90% of the mortality risk for all new individual life insurance policies. This practice was initiated by us for different products starting at various points in time between 1997 and 2004. During 2005, we changed our retention practices for certain individual life insurance policies. Amounts reinsured in prior years remain reinsured under the original reinsurance, however, under the new retention guidelines, we reinsure up to 90% of the mortality risk in excess of $1 million for certain new individual life insurance policies that we write through our various franchises and for certain individual life policies the retention limits remained unchanged. On a case by case basis, we may retain up to $5 million per life on single life individual policies and reinsure 100% of amounts in excess of our retention limits. We evaluate our reinsurance programs routinely and may increase or decrease our retention at any time. Placement of reinsurance is done primarily on an automatic basis and also on a facultative basis for risks with specific characteristics.

We also reinsure 90% of our new production of fixed annuities to an affiliated reinsurer. We also reinsure 100% of the living and death benefit riders associated with our variable annuities issued since 2006 to an affiliated reinsurer and certain portions of the living and death benefit riders associated with our variable annuities issued prior to 2006 to affiliated and unaffiliated reinsurers. Under these reinsurance agreements, we pay a reinsurance premium generally based on rider fees collected from policyholders and receive reimbursements for benefits paid or accrued in excess of account values, subject to certain limitations. We also reinsure the risk associated with the secondary death benefit guarantee rider on certain universal life contracts to an affiliate. We enter into similar agreements for new or in-force business depending on market conditions.

Effective July 1, 2000, we reinsured 90% of our individual LTC insurance business with General Electric Capital Assurance Company (renamed Genworth Life Insurance Company) and its affiliate, GE Capital Life Assurance Company of New York (renamed Genworth Life Insurance Company of New York), through two indemnity reinsurance agreements. Effective July 1, 2008, the coinsurance percentages increased from 90% to 100%. Effective June 30, 2005, we entered into an agreement with Citigroup Insurance Holding Corporation ("CIHC"), related to the acquisition of the Company by MetLife whereby CIHC agreed to accept from us any gains and indemnify us against any losses incurred with respect to the LTC insurance business. This agreement terminated on December 31, 2008. Via a general indemnity agreement, also effective June 30, 2005, between MetLife and Citigroup, Inc. ("Citigroup") in connection with MetLife's acquisition of the Company, Citigroup agreed to indemnity MetLife against any future losses incurred by the Company with respect to the LTC insurance business.

Included in Corporate & Other as a run-off business is our workers' compensation business, which is reinsured through a 100% quota-share agreement with The Travelers Indemnity Company, an insurance subsidiary of The Travelers Companies, Inc.

In addition to reinsuring mortality risk as described previously, we reinsure other risks, as well as specific coverages. We routinely reinsure certain classes of risks in order to limit our exposure to particular travel, avocation and lifestyle hazards. We have exposure to catastrophes, which could contribute to significant fluctuations in our results of operations. We use excess of retention and quota share reinsurance arrangements to provide greater diversification of risk and minimize exposure to larger risks.

Reinsurance Recoverables

Information regarding ceded reinsurance recoverable balances, included in premiums and other receivables is as follows:

	December 31, 2008	December 31, 2007
	(In millions)	
Unaffiliated recoverables:		
Future policy benefit recoverables	$ 5,347	$ 4,774
Deposit recoverables	98	73
Claim recoverables	74	52
All other recoverables	7	6
Total	$ 5,526	$ 4,905
Affiliated recoverables:		
Future policy benefit recoverables	$ 3,296	$ 1,142
Deposit recoverables	3,041	1,953
Claim recoverables	13	38
All other recoverables	197	24
Total	$ 6,547	$ 3,157

Our five largest unaffiliated reinsurers account for $5,196 million, or 94%, of our total unaffiliated reinsurance recoverable balances of $5,526 million at December 31, 2008. Of these reinsurance recoverable balances $3,451 million were secured by funds held in trust as collateral and $98 million were secured by funds withheld accounts. All of the affiliated reinsurance recoverable balances are secured by funds withheld accounts, funds held in trust as collateral or irrevocable letters of credit issued by various financial institutions. We evaluate the collectibility of reinsurance recoverable balances as described previously and at December 31, 2008 allowances for uncollectible balances were not material.

Regulation

Insurance Regulation

MetLife Insurance Company of Connecticut, a Connecticut domiciled insurer, is licensed to transact insurance business in, and is subject to regulation and supervision by, all 50 states, the District of Columbia, Guam, Puerto Rico, the Bahamas, the U.S. Virgin Islands, and the British Virgin Islands. Each of our insurance companies is licensed and regulated in all U.S. and international jurisdictions where they conduct insurance business. The extent of such regulation varies, but most jurisdictions have laws and regulations governing the financial aspects of insurers, including standards of solvency, statutory reserves, reinsurance and capital adequacy, and the business conduct of insurers. In addition, statutes and regulations usually require the licensing of insurers and their agents, the approval of policy forms and certain other related materials and, for certain lines of insurance, the approval of rates. Such statutes and regulations also prescribe the permitted types and concentration of investments.

We are required to file reports, generally including detailed annual financial statements, with insurance regulatory authorities in each of the jurisdictions in which our insurance companies do business, and their operations and accounts are subject to periodic examination by such authorities. We 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 our insurance companies 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 our compliance 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 "Legal Proceedings."

Holding Company Regulation. We are subject to regulation under the insurance holding company laws of various jurisdictions. The insurance holding company laws and regulations vary from jurisdiction to jurisdiction, but generally require a controlled insurance company (insurers that are subsidiaries of insurance holding companies) to register with state regulatory authorities and to file with those authorities certain reports, including information concerning their 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 "Item 5 — Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities."

Guaranty Associations and Similar Arrangements. Most of the jurisdictions in which our insurance companies are admitted to transact business require life 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 us have not been material. We have established liabilities for guaranty fund assessments that we consider adequate for assessments with respect to insurers that are currently subject to insolvency proceedings. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — 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, 2008, we have not received any material adverse findings resulting from state insurance department examinations conducted during this three-year period.

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

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

Risk-Based Capital ("RBC"). Each of our U.S. insurance companies is subject to certain RBC requirements and reports its RBC based on a formula calculated by applying factors to various assets, premium and statutory reserve items. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk and business risk. 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 regulatory authority to require various actions by, or take various actions against, insurers whose RBC ratio does not 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 our insurance companies was in excess of those RBC levels.

The National Association of Insurance Commissioners ("NAIC") adopted the Codification of Statutory Accounting Principles ("Codification") in 2001. Codification was intended to standardize regulatory accounting and reporting to state insurance departments. However, statutory accounting principles continue to be established by individual state laws and permitted practices. The Connecticut Insurance Department and the Delaware Department of Insurance have adopted Codification with certain modifications for the preparation of statutory financial statements of insurance companies domiciled in Connecticut and Delaware, respectively. Modifications by the various state insurance departments may impact the effect of Codification on the statutory capital and surplus of our insurance companies.

Regulation of Investments. Each of our U.S. insurance companies 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 the Company complied, in all material respects, with such regulations at December 31, 2008.

Federal Initiatives. Although the federal government generally does not directly regulate the insurance business, federal initiatives often have an impact on our business in a variety of ways. From time to time, federal measures are proposed which may significantly affect the insurance business; the potential for this resides primarily in the tax-writing committees. At the present time, we do not know of any federal legislative initiatives that, if enacted, would adversely impact our business, results of operations or financial condition. These federal measures may have an adverse impact on our business, results of operations or financial condition. See "Risk Factors — There Can be No Assurance that Actions of the U.S. Government, Federal Reserve Bank of New York and Other Governmental and Regulatory Bodies for the Purpose of Stabilizing the Financial Markets Will Achieve the Intended Effect."

Legislative Developments. On August 17, 2006, President Bush signed the Pension Protection Act of 2006 ("PPA") into law. This act is considered to be the most sweeping pension legislation since the adoption of the Employee Retirement Income Security Act of 1974 on September 2, 1974. The provisions of the PPA, some of which were effective immediately and some which become effective through 2012, may, over time, have a significant impact on demand for pension, retirement savings, and lifestyle protection products in both the institutional and retail markets. The impact of the legislation may have a positive effect on the life insurance and financial services industries in the future. In the short-term, regulations on a number of key provisions have either been issued in proposed or final form. The final default investment regulations were issued in October 2007. Final regulations were proposed on investment advice in October 2008 and the final regulations on the selection of annuity providers for defined contribution plans were issued in October 2008, becoming effective in December 2008. As these regulations are likely to interact with one another as plan sponsors evaluate them, we cannot predict whether these regulations will be adopted as proposed, or what impact, if any, such proposals may have on our business, results of operations or financial condition.

On December 23, 2008, President Bush signed into law the Worker, Retiree and Employer Recovery Act which, among other things, eases the transition to the new funding requirements contained in the PPA for defined benefit plans.

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

Governmental Responses to Extraordinary Market Conditions

U.S. Federal Governmental Responses. Throughout 2008 and continuing in 2009, Congress, the Federal Reserve Bank of New York, the U.S. Treasury and other agencies of the Federal government took a number of increasingly aggressive actions (in addition to continuing a series of interest rate reductions that began in the second half of 2007) intended to provide liquidity to financial institutions and markets, to avert a loss of investor confidence in particular troubled institutions and to prevent or contain the spread of the financial crisis. These measures have included:

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

In addition to these actions, pursuant to the Emergency Economic Stabilization Act of 2008 ("EESA"), enacted in October 2008, the U.S. Treasury has been injecting capital into selected banking institutions and their holding companies. At December 31, 2008, $250 billion of the total $700 billion available under EESA had been dedicated to making such capital infusions. EESA also authorizes the U.S. Treasury to purchase mortgage-backed and other securities from financial institutions as part of the overall $700 billion available for the purpose of stabilizing the financial markets, although at December 31, 2008, the U.S. Treasury had indicated a general intention not to acquire mortgage-backed and similar securities. The Federal government, the Federal Reserve Bank of New York, the Federal Deposit Insurance Corporation and other governmental and regulatory bodies have taken or are considering taking other actions to address the financial crisis. For example, the Federal Reserve Bank of New York has been making funds available to commercial and financial companies under a number of programs, including the Commercial Paper Funding Facility (the "CPFF").

In February 2009, the Treasury Department outlined a financial stability plan with additional measures to provide capital relief to institutions holding troubled assets, including a capital assistance program for banks that have undergone a "stress test" (the "Capital Assistance Program") and a public-private investment fund to purchase troubled assets from financial institutions. The administration has also announced its Homeowner Affordability and Stability Plan, which includes a number of elements intended to reduce the number of mortgage foreclosures. Further details of this plan are expected to be announced in March. The U.S. government may also establish additional programs to improve liquidity in the financial markets, support asset prices and recapitalize the financial sector. There can be no assurance as to the form of any such additional programs or the impact that these additional measures or any existing governmental programs will have on the financial markets, whether on the levels of volatility currently being experienced, the levels of lending by financial institutions, the prices buyers are willing to pay for financial assets or otherwise. The choices made by the U.S. Treasury in its distribution of amounts available under the EESA, the Capital Assistance Program and other programs could have the effect of supporting some aspects of the financial services industry more than others or providing advantages to some of our competitors. See "Risk Factors — Competitive Factors May Adversely Affect Our Market Share and Profitability."

In addition to the various measures to foster liquidity and recapitalize the banking sector, in February 2009 the Federal government also passed the American Recovery and Reinvestment Act, an economic stimulus measure that provides for nearly $790 billion in additional federal spending, tax cuts and federal aid intended to spur economic activity.

MetLife and some or all of its affiliates may be eligible to sell assets to the U.S. Treasury under one or more of the programs established under EESA, and some of their assets may be among those the U.S. Treasury or the public-private investment partnership proposed by the U.S. Treasury offers to purchase, either directly or through auction. Furthermore, as a bank holding company, MetLife was eligible to apply for and could be selected to participate in the capital infusion program established under EESA, pursuant to which the U.S. Treasury purchases preferred shares of banking institutions or their holding companies and acquires warrants for their common shares. If we choose to participate in this capital infusion program, we will become subject to requirements and restrictions on our business. Issuing preferred shares and warrants could affect MetLife ability to raise capital in other transactions. MetLife could also become subject to restrictions on the compensation that it can offer or pay to certain executive employees, including incentives or performance-based compensation. These restrictions could hinder or prevent MetLife and us from attracting and retaining management with the talent and experience to manage our business effectively. The U.S. Treasury may also impose additional restrictions in the future, and such restrictions may apply to institutions receiving government assistance or financial institutions generally. In January 2009, Congress released the remaining $350 billion (of the $700 billion) authorized by the EESA. The stimulus legislation enacted in February 2009 contains additional restrictions on executive compensation for companies that have received or will receive Federal financial assistance under EESA, and Congress could impose additional requirements and conditions could be imposed on firms receiving Federal assistance.

MetLife Short Term Funding LLC, an issuer of commercial paper under a program supported by funding agreements issued by the Company and Metropolitan Life Insurance Company, was accepted in October 2008 for the CPFF and may issue a maximum amount of $3.8 billion under the CPFF. At December 31, 2008, MetLife Short Term Funding LLC had used $1,650 million of its available capacity under the CPFF, and such amount was deposited under the related funding agreements.

State Insurance Regulatory Responses. In January 2009, the NAIC considered, but declined, a number of reserve and capital relief requests made by the American Council of Life Insurers, acting on behalf of its member companies. These requests, if adopted, would have generally resulted in lower statutory reserve and capital requirements, effective December 31, 2008, for life insurance companies. However, notwithstanding the NAIC's action on these requests, insurance companies have the right to approach the insurance regulator in their respective state of domicile and request relief. Several MetLife insurance entities requested and were granted relief, with a beneficial impact on capital at December 31, 2008. We understand that various competitors have also requested and were sometimes granted relief, but we cannot quantify or project the impact on the competitive landscape of such relief or any subsequent regulatory relief that may be granted.

Foreign Governmental Responses. In an effort to strengthen the financial condition of key financial institutions or avert their collapse, and to forestall or reduce the effects of reduced lending activity, a number of foreign governments have also taken actions similar to some of those taken by the U.S. Federal government, including injecting capital into domestic financial institutions in exchange for ownership stakes. We cannot predict whether these actions will achieve their intended purpose or how they will impact competition in the financial services industry.

Broker-Dealer and Securities Regulation

Some of our activities in offering and selling variable insurance products are subject to extensive regulation under the federal securities laws administered by the U.S. Securities and Exchange Commission ("SEC"). We issue variable annuity contracts and variable life insurance policies through separate accounts that are registered with the SEC as investment companies under the Investment Company Act of 1940, as amended (the "Investment Company Act"). Each registered separate account is generally divided into sub-accounts, each of which invests in an underlying mutual fund which is itself a registered investment company under the Investment Company Act. In addition, the variable annuity contracts and variable life insurance policies issued by the separate accounts are registered with the SEC under the Securities Act of 1933, as amended (the "Securities Act"). Our subsidiary, Tower Square, is registered with the SEC as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is a member of, and subject to, regulation by the Financial Industry Regulatory Authority ("FINRA"). Further, Tower Square is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act"), and is also registered as an investment adviser in various states, as applicable.

Federal and state securities regulatory authorities and FINRA from time to time make inquiries and conduct examinations regarding our compliance 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.

Company Ratings

Insurer financial strength ratings represent the opinions of rating agencies, including A.M. Best Company ("A.M. Best"), Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("S&P"), regarding the ability of an insurance company to meet its financial obligations to policyholders and contract holders.

Rating Stability Indicators

Rating agencies use an "outlook statement" of "positive," "stable," "negative" or "developing" to indicate a medium- or long-term trend in credit fundamentals which, if continued, may lead to a rating 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. See "Risk Factors — A Downgrade or a Potential Downgrade in Our Financial Strength Ratings or those of MetLife's Other Insurance Subsidiaries, or MetLife's Credit Ratings Could Result in a Loss of Business and Materially Adversely Affect Our Financial Condition and Results of Operations."

Ratings Actions

In September and October 2008, A.M. Best, Fitch, Moody's, and S&P each revised its outlook for the U.S. life insurance sector to negative from stable. In January 2009, S&P reiterated its negative outlook on the U.S. life insurance sector. Management believes that the rating agencies may heighten the level of scrutiny that they apply to such institutions, may increase the frequency and scope of their credit reviews, may request additional information from the companies that they rate, and may adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels.

At December 31, 2008, A.M. Best, Fitch, Moody's and S&P each had MICC's and its insurance subsidiary's insurer financial strength ratings on "stable" outlook; however, (i) on February 9, 2009, Moody's revised its outlook to "negative," (ii) on February 11, 2009, Fitch revised its outlook to "negative" and anticipates completing its review within the next several weeks and will reflect those results in the ratings at that time, and (iii) on February 26, 2009, S&P downgraded the insurer financial strength ratings of MICC and its insurance subsidiary, with a "negative" outlook.

Our insurer financial strength ratings as of the date of this filing are listed in the table below:

Insurer Financial Strength Ratings

	A.M. Best (1)	Fitch (2)	Moody's (3)	S&P (4)
MetLife Insurance Company of Connecticut	A+	AA	Aa2	AA−
MetLife Investors USA Insurance Company	A+	AA	Aa2	AA−

(1) A.M. Best financial strength ratings range from "A++ (superior)" to "S (Suspended)." Ratings of "A+" and "A" are in the "superior" and "excellent" categories, respectively.

(2) Fitch insurer financial strength ratings range from "AAA (exceptionally strong)" to "C (ceased or interrupted payments imminent)." A "+" or "– " may be appended to ratings from "AA" to "CCC" to indicate relative position within a category. A rating of "AA" is in the "very strong" category.

(3) Moody's insurance financial strength ratings range from "Aaa (exceptional)" to "C (extremely poor)." A numeric modifier may be appended to ratings from "Aa" to "Caa" to indicate relative position within a category, with 1 being the highest and 3 being the lowest. A rating of "Aa" is in the "excellent" category.

(4) S&P long-term insurer financial strength ratings range from "AAA (extremely strong)" to "R (under regulatory supervision)." A "+" or "– " may be appended to ratings from "AA" to "CCC" to indicate relative position within a category. A rating of "AA" is in the "very strong" category.

The foregoing insurer financial strength ratings reflect each rating agency's opinion of MICC's and its insurance subsidiary's financial characteristics with respect to their ability to pay obligations under insurance policies and contracts in accordance with their terms. Insurer financial strength ratings are not statements of fact nor are they recommendations to purchase, hold or sell any security, contract or policy. Each rating should be evaluated independently of any other rating.

A ratings downgrade (or the potential for such a downgrade) of MICC or its insurance subsidiary could potentially, among other things, increase the number of policies surrendered and withdrawals by policyholders of cash values from their policies, adversely affect relationships with broker-dealers, banks, agents, wholesalers and other distributors of our products and services, negatively impact new sales, and adversely affect our ability to compete and thereby have a material adverse effect on our business, results of operations and financial condition.

Item 1A. *Risk Factors*

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 have been experiencing extreme volatility and disruption. At times, the volatility and disruption have reached unprecedented levels. In some cases, the markets have exerted downward pressure on availability of liquidity and credit capacity for certain issuers.

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, 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 repurchase agreements and commercial paper. Sources of capital also include borrowings from MetLife or other affiliates and capital contributions from MetLife.

In the event current resources do not satisfy our needs, we may have to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, 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 decreased 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. For instance, we have funding agreements which can be put to us after a period of notice. The notice requirements vary; however, the shortest period is 90 days, applicable to approximately $350 million of such liabilities at December 31, 2008.

Disruptions, uncertainty or volatility in the capital and credit markets may also limit our access to capital required to operate our business. Such market conditions may limit our ability to replace, in a timely manner, maturing liabilities; satisfy statutory capital requirements; and access the capital necessary to grow our business. As such, we may be forced to delay raising capital, issue different types of capital than we would otherwise, less effectively deploy such capital, issue shorter tenor securities than we prefer, or bear an unattractive cost of capital which could decrease our profitability and significantly reduce our financial flexibility. Recently our credit spreads have widened considerably. Our results of operations, financial condition, cash flows and statutory capital position could be materially adversely affected by disruptions in the financial markets.

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 results of operations are materially affected by conditions in the global capital markets and the economy generally, both in the United States and elsewhere around the world. The stress experienced by global capital markets that began in the second half of 2007 continued and substantially increased during 2008. Concerns over the availability and cost of credit, the U.S. mortgage market, geopolitical issues, energy costs, inflation and a declining real estate market in the United States contributed to increased volatility and diminished expectations for the economy and the markets in the near term. These factors, combined with declining business and consumer confidence and increased unemployment, have precipitated a recession. In addition, the fixed-income markets have experienced a period of extreme volatility which negatively impacted market liquidity conditions. Initially, the concerns on the part of market participants were focused on the sub-prime segment of the mortgage-backed securities market. However, these concerns expanded to include a broad range of mortgage- and asset-backed and other fixed income securities, including those rated investment grade, the U.S. and international credit and interbank money markets generally, and a wide range of financial institutions and markets, asset classes and sectors. Securities that are less liquid are more difficult to value and have less opportunity for disposal. Domestic and international equity markets have also experienced heightened volatility and turmoil, with companies that have exposure to the real estate, mortgage and credit markets particularly affected. These events and continued market upheavals may have an adverse effect on us, in part because we have a large investment portfolio and are also dependent upon customer behavior. Our revenues are likely to decline in such circumstances and our profit margins could erode. In addition, in the event of extreme prolonged market events, such as the global credit crisis, we could incur significant losses. Even in the absence of a market downturn, we are exposed to substantial risk of loss due to market volatility.

We are a significant writer of variable annuity products. The account values of these products will be affected by the downturn in capital markets. Any decrease in account values will decrease the fees generated by our variable annuity products, cause the amortization of deferred acquisition costs to accelerate and may increase the level of reserves we must carry to support those variable annuities issued with any associated guarantees.

Factors such as consumer spending, business investment, government spending, the volatility and strength of the capital markets, and inflation all affect the business and economic environment and, ultimately, the amount and profitability of our business. In an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending, the demand for our financial and insurance products could be adversely affected. 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 current crisis has also raised the possibility of future legislative and regulatory actions in addition to the recent enactment of the EESA that could further impact our business. We cannot predict whether or when such actions may occur, or what impact, if any, such actions could have on our business, results of operations and financial condition. See "— There Can be No Assurance that Actions of the U.S. Government, Federal Reserve Bank of New York and Other Governmental and Regulatory Bodies for the Purpose of Stabilizing the Financial Markets Will Achieve the Intended Effect" and "— Competitive Factors May Adversely Affect Our Market Share and Profitability."

There Can be No Assurance that Actions of the U.S. Government, Federal Reserve Bank of New York and Other Governmental and Regulatory Bodies for the Purpose of Stabilizing the Financial Markets Will Achieve the Intended Effect

Pursuant to the EESA, the U.S. Treasury has the authority to, among other things, purchase up to $700 billion of mortgage-backed and other securities from financial institutions for the purpose of stabilizing the financial markets and to inject capital into financial institutions, Congress and the Executive Branch have imposed requirements and conditions on the use of these funds and may impose further restrictions. The Federal Reserve Board, Federal Reserve Bank of New York, the Federal Deposit Insurance Corporation ("FDIC") and other governmental and regulatory bodies have taken or are considering taking other actions to address the financial crisis. For example, the Federal Reserve Bank of New York has been making funds available to commercial and financial companies under a number of programs, including the Commercial Paper Funding Facility, the FDIC has been guaranteeing qualifying debt issued by depository institutions and their parent companies under its Temporary Liquidity Guarantee Program (the "FDIC Program"), which has recently been extended, and the Treasury Department has also outlined a program intended to promote securitization of newly and recently originated auto loans, credit card loans, student loans and Small Business Administration-guaranteed small business loans by lending funds to purchasers of AAA-rated securitizations of such loans. Legislation is pending in Congress that will allow bankruptcy judges in certain bankruptcy proceedings to alter the terms of certain mortgages, including reducing the principal amount of the loan. There can be no assurance as to what impact such actions will have on the financial markets, whether on the levels of volatility currently being experienced, the levels of lending by financial institutions, the prices buyers are willing to pay for financial assets or otherwise. Continued volatility, low levels of credit availability and low prices for financial assets materially and adversely affect our business, financial condition and results of operations. Furthermore, if the mortgage-related legislation is passed, it could cause loss of principal on certain of our nonagency prime residential mortgage-backed security holdings and could cause a ratings downgrade in such holdings which, in turn, would cause an increase in unrealized losses on such securities. See "— We Are Exposed to Significant Financial and Capital Markets Risk Which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and Our Net Investment Income Can Vary from Period to Period." Finally, the choices made by the U.S. Treasury, the Federal Reserve Board and the FDIC in their distribution of amounts available under the EESA and other programs could have the effect of supporting some aspects of the financial services industry more than others. See "— Competitive Factors May Adversely Affect Our Market Share and Profitability."

MetLife, Inc and some or all of its affiliates may be eligible to sell assets to the U.S. Treasury under one or more of the programs established under EESA, and some of their assets may be among those the U.S. Treasury offers to purchase, either directly or through auction. Furthermore, as a bank holding company, MetLife, Inc. could be selected to participate in the U.S. Treasury's capital infusion program, pursuant to which the U.S. Treasury purchases preferred shares of banking institutions or their holding companies and acquires warrants for their common shares. The Company is not eligible to participate in the capital infusion program. We may, however, be permitted to apply to participate in any asset purchase or guarantee program that the U.S. Treasury may create depending on the terms ultimately established for these programs. If we or MetLife, Inc. chooses or is asked to participate in the capital infusion program or purchase or guarantee program, it will become subject to requirements and restrictions on its business. If any of our affiliates participate in an EESA program, the MetLife enterprise may become subject to restrictions on the compensation that it can offer or pay to certain executive employees, including incentives or performance-based compensation. These restrictions could hinder or prevent the MetLife enterprise from attracting and retaining management with the talent and experience to manage the Company's business effectively and from deducting certain compensation paid to executive employees in excess of specified amounts.

The Impairment of Other Financial Institutions Could Adversely Affect Us

We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, hedge funds and other investment funds and other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty. In addition, with respect to secured transactions, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to us. We also have exposure to these financial institutions in the form of unsecured debt instruments, non-redeemable and redeemable preferred securities, derivative transactions 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 and other intervention, could negatively impact these instruments, securities, transactions and investments. There can be no assurance that any such losses or impairments to the carrying value of these assets would not materially and adversely affect our business and results of operations.

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 major brokerage firms and commercial banks. We generally require collateral equal to 102% of the current estimated fair value of the loaned securities to be obtained at the inception of a loan, and maintained at a level greater than or equal to 100% for the duration of the loan. During the extraordinary market events occurring in the fourth quarter of 2008, we, in limited instances, accepted collateral less than 102% at the inception of certain loans, but never less than 100%, of the estimated fair value of such loaned securities. These loans involved U.S. Government Treasury Bills which we considered to have limited variation in their estimated fair value during the term of the loan. Securities with a cost or amortized cost of $5.6 billion and $9.9 billion and an estimated fair value of $6.3 billion and $9.8 billion were on loan under the program at December 31, 2008 and December 31, 2007, respectively. Securities loaned under such transactions may be sold or repledged by the transferee. We were liable for cash collateral under our control of $6.4 billion and $10.1 billion at December 31, 2008 and December 31, 2007, respectively.

Returns of loaned securities by the third parties would require us to return the cash 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 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, such as those conditions we have experienced recently, liquidity broadly deteriorates, which may further restrict our ability to sell securities.

Of this $6.4 billion of cash collateral at December 31, 2008, $1.2 billion was on open terms, meaning that the related loaned security could be returned to us on the next business day requiring return of cash collateral and the following amounts are due within 30 days, and 60 days — $4,284 million and $901 million, respectively. The estimated fair value of the securities related to the cash collateral on open at December 31, 2008 has been reduced to $1.2 billion from $2.6 billion at September 30, 2008. Of the $1.2 billion of estimated fair value of the securities related to the cash collateral on open at December 31, 2008, $1.1 billion were U.S. Treasury and agency securities which, if put to us, can be immediately sold to satisfy the cash requirements. The remainder of the securities on loan are primarily U.S. Treasury and agency securities, and very liquid residential mortgage-backed securities. Within the U.S. Treasury securities on loan, they are primarily holdings of on-the-run U.S. Treasury securities, the most liquid U.S. Treasury securities available. If these high quality securities that are on loan are put back to us, the proceeds from immediately selling these securities can be used to satisfy the related cash requirements. The estimated fair value of the reinvestment portfolio acquired with the cash collateral was $5.0 billion at December 31, 2008, and consisted principally of fixed maturity securities (including residential mortgage-backed, asset-backed, U.S. corporate and foreign corporate securities). If the on loan securities or the reinvestment portfolio become less liquid, we have the liquidity resources of most of our general account available to meet any potential cash demand when securities are put back to us.

If we decrease the amount of our securities lending activities over time, the amount of income generated by these activities will also likely decline.

We Are Exposed to Significant Financial and Capital Markets Risk which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and Our Net Investment Income Can 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 economy in general, the performance of the specific obligors 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. A rise in interest rates will increase the net unrealized loss position of our fixed income investment portfolio and, if long-term interest rates rise dramatically within a six to twelve month time period, certain of our life insurance businesses 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. A rise in interest rates would increase the net unrealized loss position of our fixed income investment portfolio, offset by our ability to earn higher rates of return on funds reinvested. Conversely, a decline in interest rates would decrease the net unrealized loss position of our fixed income investment portfolio, offset by lower rates of return on funds reinvested. Our mitigation efforts with respect to interest rate risk are primarily focused towards maintaining an investment portfolio with diversified maturities that has a weighted average duration that is approximately equal to the duration of our estimated liability cash flow profile. However, our estimate of the liability cash flow profile may be inaccurate and we may be forced to liquidate fixed income investments prior to maturity at a loss in order to cover the 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 and cash flow variability associated with changes in credit spreads. A widening of credit spreads will increase the net unrealized 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, would likely result in higher other-than-temporary impairments. Credit spread tightening will reduce net investment income associated with new purchases of fixed maturity securities. In addition, market volatility can make it difficult to value certain of our securities if trading becomes less frequent. As such, valuations may include assumptions or estimates that may have significant period to period changes which could have a material adverse effect on our consolidated results of operations or financial condition. Credit spreads on both corporate and structured securities widened during 2008, resulting in continuing depressed pricing. Continuing challenges include continued weakness in the U.S. real estate market and increased mortgage delinquencies, investor anxiety over the U.S. economy, rating agency downgrades of various structured products and financial issuers, unresolved issues with structured investment vehicles and monoline financial guarantee insurers, deleveraging of financial institutions and hedge funds and a serious dislocation in the inter-bank market. If significant, continued volatility, changes in interest rates, changes in credit spreads and defaults, a lack of pricing transparency, market liquidity, declines in equity prices, and the strengthening or weakening of foreign currencies against the U.S. dollar, individually or in tandem, could have a material adverse effect on our consolidated results of operations, financial condition or cash flows through realized losses, impairments, and changes in unrealized positions.

Our primary exposure to equity risk relates to the potential for lower earnings associated with certain of our insurance businesses, such as variable annuities, where fee income is earned based upon the estimated fair value of the assets under management. In addition, certain of our annuity products offer guaranteed benefits which increase our potential benefit exposure should equity markets decline. 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 post-retirement 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.

Our exposure to real estate risk relates to market price and cash flow variability associated with changes in real estate markets, default and bankruptcy rates, geographic and sector concentration as well as illiquidity of real estate investments. The current economic environment has led to significant weakening of the residential and commercial real estate markets, increases in foreclosures, bankruptcies and unsuccessful development projects as well as limited access to credit. Our real estate investments, including those held by joint ventures and real estate funds, may be negatively impacted by weakened local real estate conditions, such as oversupply, reduced demand and the availability and creditworthiness of current and prospective tenants and borrowers. In addition, real estate investments are relatively illiquid, and could limit our ability, and that of our joint venture partners and real estate fund managers, to sell assets to respond to changing economic, financial and investment conditions. Also, these factors could impact mortgage and consumer loan fundamentals which are further discussed under "— Defaults on Our Mortgage and Consumer Loans and Volatility in Performance May Adversely Affect Our Profitability." These factors and others beyond our control could have a material adverse effect on our consolidated results of operations, financial condition or cash flows through net investment income, realized losses and impairments.

Our primary foreign currency exchange risks are described under "— Fluctuations in Foreign Currency Exchange Rates and Foreign Securities Markets Could Negatively Affect our Profitability." Significant declines in equity prices, changes in U.S. interest rates, changes in credit spreads, and changes in foreign currency exchange rates could have a material adverse effect on our consolidated results of operations, financial condition or liquidity. 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.

We invest a portion of our invested assets in leveraged buy-out funds, hedge funds and other private equity funds reported within Other Limited Partnerships, 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. Recent equity, real estate and credit market volatility have further reduced net investment income and related yields for these types of investments and we may continue to experience reduced net investment income due to continued volatility in the equity, real estate and credit markets in 2009. In addition, due to the normal lag in the preparation of and then receipt of periodic financial statements from other limited partnership interests and real estate joint ventures and funds, results from late 2008 during periods of volatility will be reported to us in 2009.

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

Some of our derivatives transactions with financial and other institutions specify the circumstances under which the parties are required to pledge collateral related to any decline in the value of the specified assets. The amount of collateral we may be required to pledge under these transactions may increase under certain circumstances, which could adversely affect our liquidity.

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

Our mortgage and consumer loans face default risk and are principally collateralized by commercial, and agricultural properties. The carrying value of mortgage and consumer loans is stated at original cost net of repayments, amortization of premiums, accretion of discounts and valuation allowances. We establish valuation allowances for estimated impairments as of 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 value of the loan's collateral if the loan is in the process of foreclosure or otherwise collateral dependent, or the loan's estimated fair value if the loan is held-for-sale. We also establish allowances for loan losses when a loss contingency exists for pools of loans with similar characteristics, such as mortgage loans based on similar property types or loan to value risk factors. At December 31, 2008, loans that were either delinquent or in the process of foreclosure totaled less than 1.0% of our mortgage and consumer loan investments. The performance of our mortgage and consumer 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 and consumer loan investments could have a material adverse effect on our business, results of operations and financial condition.

Further, any geographic or sector concentration of our mortgage or consumer loans may have adverse effects on our investment portfolios and consequently on our consolidated 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.

Our Investments are Reflected Within the Consolidated Financial Statements Utilizing Different Accounting Basis and Accordingly We May Not Have Recognized Differences, Which May Be Significant, Between Cost and Estimated Fair Value in our Consolidated Financial Statements

Our principal investments are in fixed maturity and equity securities, short-term investments, mortgage and consumer loans, policy loans, real estate, real estate joint ventures and other limited partnerships and other invested assets. The carrying value of such investments is as follows:

- Fixed maturity and equity securities are classified as available-for-sale and are reported at their estimated fair value. Unrealized investment gains and losses on these securities are recorded as a separate component of other comprehensive income (loss), net of policyholder related amounts and deferred income taxes.
- Short-term investments include investments with remaining maturities of one year or less, but greater than three months, at the time of acquisition and are stated at amortized cost, which approximates estimated fair value, or stated at estimated fair value, if available. Short-term investments also include investments in affiliated money market pools.
- The carrying value of mortgage and consumer loans is stated at original cost net of repayments, amortization of premiums, accretion of discounts and valuation allowances.
- Policy loans are stated at unpaid principal balances.
- Real estate held-for-investment, including related improvements, is stated at cost, less accumulated depreciation.
- Real estate joint ventures and other limited partnership interests in which we have more than a minor equity interest or more than a minor influence over the joint ventures or partnership's operations, but where we do not have a controlling interest and are not the primary beneficiary, are carried using the equity method of accounting. We use the cost method of accounting for investments in real estate joint ventures and other limited partnership interests in which we have a minor equity investment and virtually no influence over the joint ventures or the partnership's operations.
- Other invested assets consist principally of freestanding derivatives with positive estimated fair values. Freestanding derivatives are carried at estimated fair value with changes in estimated fair value reflected in income for both non-qualifying derivatives and derivatives in fair value hedging relationships. Derivatives in cash flow hedging relationships are reflected as a separate component of other comprehensive income (loss).

Investments not carried at estimated fair value in our consolidated financial statements — principally, mortgage and consumer loans held-for-investment, policy loans, real estate, real estate joint ventures and other limited partnerships — may have estimated fair values which are substantially higher or lower than the carrying value reflected in our consolidated financial statements. Each of such asset classes is regularly evaluated for impairment under the accounting guidance appropriate to the respective asset class.

Our Valuation of Fixed Maturity, Equity and Trading Securities 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 securities and short-term investments which are reported at estimated fair value on the consolidated balance sheet represent the majority of our total cash and invested assets. We have categorized these securities into a three-level hierarchy, based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. SFAS 157 defines the input levels as follows:

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

Level 2 Quoted prices in markets that are not active or inputs that are observable either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The Level 1 securities primarily consist of certain U.S. Treasury and agency fixed maturity securities; exchange-traded common stock, and certain short-term investments. The Level 2 assets include fixed maturity 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, residential mortgage-backed securities, commercial mortgage-backed securities, state and political subdivision securities, foreign government securities, and asset-backed securities. Equity securities classified as Level 2 primarily consist principally 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. Management reviews the valuation methodologies used by the independent pricing services on an ongoing basis and ensures 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. This level 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; residential mortgage-backed securities; and asset-backed securities — including all of those supported by sub-prime mortgage loans and commercial mortgage-backed securities. Equity securities classified as Level 3 securities consist principally of common stock of privately held companies and non-redeemable preferred securities where there has been very limited trading activity or where less price transparency exists around the inputs to the valuation. See Note 16 of the Notes to the Consolidated Financial Statements for the estimated fair values of these assets and liabilities by hierarchy level.

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 alternative residential mortgage loans ("Alt-A") and sub-prime mortgage-backed securities and commercial mortgage-backed securities, if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes that were in active markets with significant observable data that become illiquid due to the current financial environment. 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 values which may be greater or less than the value 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 value could vary significantly. Decreases in value may have a material adverse effect on our results of operations or financial condition.

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 and consumer loans; policy loans; equity real estate, including real estate joint ventures; and other limited partnership interests. These asset classes represented 25.7% of the carrying value of our total cash and invested assets at December 31, 2008. Even some of our very high quality assets have been more illiquid as a result of the recent challenging market conditions.

If we require significant amounts of cash on short notice in excess of normal cash requirements or are required to post or return collateral in connection with our investment portfolio, derivatives transactions or securities lending activities, 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 assets in the current 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 may be forced to sell them at significantly lower prices.

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

The determination of the amount of allowances and impairments varies by investment type and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. Management updates its evaluations regularly and reflects changes in allowances and impairments in operations as such evaluations are revised. There can be no assurance that our management has accurately assessed the level of impairments taken and allowances reflected in our consolidated financial statements. Furthermore, additional impairments may need to be taken or allowances provided for in the future. 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 in value deemed to be other-than-temporary in the period in which the determination is made. The assessment of whether impairments have occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in estimated fair value. The review of our fixed maturity and equity securities for impairments includes an analysis of the total gross unrealized losses by three categories of securities: (i) securities where the estimated fair value has declined and remained below cost or amortized cost by less than 20%; (ii) securities where the estimated fair value has declined and remained below cost or amortized cost by 20% or more for less than six months; and (iii) securities where the estimated fair value has declined and remained below cost or amortized cost by 20% or more for six months or greater.

Additionally, our management considers a wide range of factors about the security issuer and uses their 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 management's 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 market 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) our ability and intent to hold the security for a period of time sufficient to allow for the recovery of its value to an amount equal to or greater than cost or amortized cost; (vii) unfavorable changes in forecasted cash flows on mortgage-backed and asset-backed securities; and (viii) other subjective factors, including concentrations and information obtained from regulators and rating agencies.

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

Fixed maturity and equity securities classified as available-for-sale are reported at their estimated fair value. Unrealized gains or losses on available-for-sale securities are recognized as a component of other comprehensive income (loss) and are, therefore, excluded from net income. Our gross unrealized losses on fixed maturity and equity securities at December 31, 2008 were $6.2 billion. The portion of the $6.2 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 $934 million at December 31, 2008. 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 is taken. Realized losses or impairments may have a material adverse affect on our net income in a particular quarterly or annual period.

Changes in Market Interest Rates May Significantly Affect Our Profitability

Some of our products, principally traditional whole life insurance, fixed annuities and GICs, expose us to the risk that changes in interest rates will reduce our "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 mortgages 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 deferred policy acquisition costs ("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 adversely affect our results of operations, financial position and cash flows and significantly reduce our profitability.

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 assets in our general account with higher yielding assets 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 invested assets at a time when the prices of those assets 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 would increase our current expenses and reduce 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.

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

The insurance industry distributes many of its individual products through other financial institutions such as banks and broker-dealers. As capital, credit and equity markets continue to experience volatility, bank and broker-dealer consolidation activity may increase and 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.

Industry Trends Could Adversely Affect the Profitability of Our Business

Our business continues to be influenced by a variety of trends that affect the insurance industry, including intense 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." The impact on our business and on the life insurance industry generally of the volatility and instability of the financial markets is difficult to predict, and our business plans, financial condition and results of operations may be negatively impacted or affected in other unexpected ways. In addition, the life insurance industry is subject to state regulation, and, as complex products are introduced, regulators may refine capital requirements and introduce new reserving standards. Furthermore, regulators have undertaken market and sales practices reviews of several markets or products, including variable annuities and group products. The current market environment may also lead to changes in regulation that may benefit or disadvantage us relative to some of our competitors. See "— Competitive Factors May Adversely Affect Our Market Share and Profitability" and "Business — Competition."

A Decline in Equity Markets or an Increase in Volatility in Equity Markets May Adversely Affect Sales of Our Investment Products and Our Profitability

Significant downturns and volatility in equity markets could have a material adverse effect on our financial condition and results of operations in three principal ways.

First, equity market downturns and volatility may discourage purchases of separate account products, such as variable annuities and variable life insurance that have underlying mutual funds with returns linked to the performance of the equity markets and may cause some of our existing customers to withdraw cash values or reduce investments in those products.

Second, downturns and volatility in equity markets can have a material adverse effect on the revenues and returns from our savings and investment products and services. Because these products and services depend on fees related primarily to the value of assets under management, a decline in the equity markets could reduce our revenues by reducing the value of the investment assets we manage. The retail annuity business in particular is highly sensitive to equity markets, and a sustained weakness in the equity markets will decrease revenues and earnings in variable annuity products.

Third, we provide certain guarantees within some of our products that protect policyholders against significant downturns in the equity markets. For example, we offer variable annuity products with guaranteed features, such as death benefits, withdrawal benefits, and minimum accumulation and income benefits. In volatile or declining equity market conditions, we may need to increase liabilities for future policy benefits and policyholder account balances, negatively affecting net income.

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

The Company was allocated a portion of goodwill balance representing the excess of the amounts MetLife paid to acquire subsidiaries and other businesses over the estimated fair value of their net assets at the date of acquisition. We test goodwill at least annually for impairment. Impairment testing is performed based upon estimates of the fair value of the "reporting unit" to which the goodwill relates. The reporting unit is the operating segment or a business one level below that operating segment if discrete financial information is prepared and regularly reviewed by management at that level. The estimated fair value of the reporting unit is impacted by the performance of the business. The performance of our businesses may be adversely impacted by prolonged market declines. If it is determined that the goodwill has been impaired, we must write down the goodwill by the amount of the impairment, with a corresponding charge to net income. Such write downs could have a material adverse effect on our results of operations or financial position. See "— Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Goodwill."

Long-lived assets, including assets such as real estate, also require impairment testing to determine whether changes in circumstances indicate that 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 value of those assets. Such write downs 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 income 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.

Further or continued deterioration of financial market conditions could result in a decrease in the expected future earnings of our reporting units, which could lead to an impairment of some or all of the goodwill associated with them in future periods. Such deterioration could also result in the impairment of long-lived assets and the establishment of a valuation allowance on our deferred income tax assets.

Competitive Factors May Adversely Affect Our Market Share and Profitability

Our business segments are subject to intense competition. We believe that this competition is based on a number of factors, including service, product features, scale, price, financial strength, claims-paying ratings, credit ratings, e-business capabilities and name recognition. We compete with a large number of other insurers, as well as non-insurance financial services companies, such as banks, broker-dealers and asset managers, for individual consumers, employers and other group customers and agents and other distributors of insurance and investment products. Some of these companies offer a broader array of products, have more competitive pricing or, with respect to other insurers, have higher claims paying ability ratings. Some may also have greater financial resources with which to compete. National banks, which may sell annuity products of life insurers in some circumstances, also have pre-existing customer bases for financial services products.

Many of our insurance products, particularly those offered by our Institutional segment, 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. Many of our competitors in these businesses offer a broader array of investment products and services and are better known than we are as sellers of annuities and other investment products.

Finally, the choices made by the U.S. Treasury in the administration of EESA and in its distribution of amounts available thereunder could have the effect of supporting some parts of the financial system more than others. See "— There Can be No Assurance that Actions of the U.S. Government, Federal Reserve Bank of New York and Other Governmental and Regulatory Bodies for the Purpose of Stabilizing the Financial Markets Will Achieve the Intended Effect."

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.

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 assets we purchase with the premiums we receive. 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 changes in 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.

MetLife's 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. MetLife has devoted significant resources to develop risk management policies and procedures for itself and its subsidiaries and expects to continue to do so in the future. Nonetheless, these policies and procedures may not be comprehensive. Many of MetLife's 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 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. This information may not always be accurate, complete, up-to-date or properly evaluated. See "Quantitative and Qualitative Disclosures About Market Risk."

Catastrophes May Adversely Impact Liabilities for Policyholder Claims and Reinsurance Availability

Our life insurance operations are exposed to the risk of catastrophic mortality, such as a pandemic or other event that causes a large number of deaths. Significant influenza pandemics have occurred three times in the last century, but neither the likelihood, timing, nor the severity of a future pandemic can be predicted. 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.

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, pandemics, hurricanes, earthquakes and man-made catastrophes may produce significant damage in larger areas, especially those that are heavily populated. Claims resulting from natural or man-made catastrophic events could cause substantial volatility in our financial results for any fiscal quarter or year and could materially reduce our profitability or harm our financial condition. Also, catastrophic events could harm the financial condition of our reinsurers and thereby increase the probability of default on reinsurance recoveries. Our ability to write new business could also be affected.

Most of the jurisdictions in which our insurance subsidiaries are admitted to transact business require life 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. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets. See "Business — Regulation — Insurance Regulation — Guaranty Associations and Similar Arrangements."

While in the past five years, the aggregate assessments levied against us have not been material, it is possible that a large catastrophic event could render such guaranty funds inadequate and we may be called upon to contribute additional amounts, which may have a material impact on our financial condition or results of operations in a particular period. We have established liabilities for guaranty fund assessments that we consider adequate for assessments with respect to insurers that are currently subject to insolvency proceedings, but additional liabilities may be necessary. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Insolvency Assessments."

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. 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.

A Downgrade or a Potential Downgrade in Our Financial Strength Ratings or those of MetLife's Other Insurance Subsidiaries, or MetLife's 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 ("NRSROs") 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. See "Business — Company Ratings — Insurer Financial Strength Ratings."

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 view of the difficulties experienced recently by many financial institutions, including our competitors in the insurance industry, we believe it is possible that the NRSROs will heighten the level of scrutiny that they apply to such institutions, will increase the frequency and scope of their credit reviews, will request additional information from the companies that they rate, and may adjust upward the capital and other requirements employed in the NRSRO models for maintenance of certain ratings levels. Rating agencies use an "outlook statement" of "positive," "stable," "negative" or "developing" to indicate a medium- or long-term trend in credit fundamentals which, if continued, may lead to a ratings change. A rating may have a "stable" outlook to indicate that the rating is not expected to change; however, a "stable" rating does not preclude a rating agency from changing a rating at any time, without notice. Certain rating agencies have recently revised their outlook on the U.S. life insurance sector, as well as MetLife's and certain of its subsidiaries' insurer financial strength and credit ratings, from "stable" to "negative." Furthermore, the insurer financial strength and credit ratings of MetLife and certain of its subsidiaries have also been recently downgraded. See "Business — Company Ratings."

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.

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

Certain of our variable annuity products include guaranteed benefit riders. These include guaranteed death benefits, guaranteed withdrawal benefits, lifetime withdrawal guarantees, guaranteed minimum accumulation benefits, and guaranteed minimum income benefit riders. 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, resulting in a reduction to net income. We also must consider our own credit standing, which is not hedged, in the valuation of certain of these liabilities. A decrease in our own credit spread could cause the value of these liabilities to increase, resulting in a reduction to net income.

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

We incur significant costs in connection with acquiring new and renewal business. Those costs that vary with and are primarily related to the production of new and renewal business are deferred and referred to as DAC. The recovery of DAC is dependent upon the future profitability of the related business. The amount of future profit is dependent principally on investment returns in excess of the amounts credited to policyholders, mortality, morbidity, persistency, interest crediting rates, 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, which generally are used to amortize such costs. If the estimates of gross profits were overstated, then the amortization of such costs would be accelerated in the period the actual experience is known and would result in a charge to income. Significant or sustained equity market declines could result in an acceleration of amortization of the DAC 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 reflects the estimated fair value of in-force contracts in a life insurance company acquisition and represents the portion of the purchase price that is allocated to the value of the right to receive future cash flows from the insurance and annuity contracts in-force at the acquisition date. VOBA is based on actuarially determined projections. Actual experience may vary from the 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 an impairment and a charge to income. Also, as VOBA is amortized similarly to DAC, an acceleration of the amortization of VOBA would occur if the estimates of gross profits were overstated. Accordingly, the amortization of such costs would be accelerated in the period in which the actual experience is known and would result in a charge to net income. Significant or sustained equity market declines could result in an acceleration of amortization of the VOBA related to variable annuity and variable universal life contracts, resulting in a charge to income. Such adjustments could have a material adverse effect on our results of operations or financial condition.

See "— Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Deferred Policy Acquisition Costs and Value of Business Acquired" for further consideration of DAC and VOBA and the impact of current market events during 2008.

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

We are subject to the risk that the issuers, or guarantors, of fixed maturity securities we own may default on principal and interest payments they owe us. We are also subject to the risk that the underlying collateral within loan-backed securities, including mortgage-backed securities, may default on principal and interest payments causing an adverse change in cash flows paid to our investment. At December 31, 2008, the fixed maturity securities of $34.8 billion in our investment portfolio represented 64.4% of our total cash and invested assets. The occurrence of a major economic downturn (such as the current downturn in the economy), acts of corporate malfeasance, widening risk spreads, or other events that adversely affect the issuers, guarantors or underlying collateral of these securities could cause the value of our fixed maturity securities portfolio and our net income 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 loan-backed security we hold could indicate the credit quality of that security has deteriorated. Any event reducing the value of these securities other than on a temporary basis could have a material adverse effect on our business, results of operations and financial condition. Levels of write down or impairment are impacted by our assessment of the intent and ability to hold 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 securities in an unrealized loss position to recovery, then we will incur an other than temporary impairment charge in the period that the decision was made not to hold the security to recovery. In addition, in January 2009, Moody's revised its loss projections for U.S. Alt-A residential mortgage-backed securities ("RMBS"), and it is anticipated that Moody's will be downgrading virtually all 2006 and 2007 Alt-A securities to below investment grade, which will increase the percentage of our portfolio that will be rated below investment grade.

Fluctuations in Foreign Currency Exchange Rates and Foreign Securities Markets 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, issuance of non-U.S. dollar denominated instruments including GICs and funding agreements, investments in foreign subsidiaries and net income from foreign operations. These risks relate to potential decreases in 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 value of our non-U.S. dollar denominated investments and our investments in foreign subsidiaries. Although we use foreign currency swaps and forward contracts to mitigate foreign currency exchange rate risk, we cannot provide assurance that these methods will be effective or that our counterparties will perform their obligations. See "Quantitative and Qualitative Disclosures About Market Risk."

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

We have matched substantially all of our foreign currency liabilities in our foreign subsidiaries with assets denominated in their respective foreign currency, which limits the effect of currency exchange rate fluctuation on local operating results; however, fluctuations in such rates affect the translation of these results into our 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."

Our International Operations Face Political, Legal, Operational and Other Risks that Could Negatively Affect Those Operations or Our Profitability

Our international operations face political, legal, operational and other risks that we do not face in our domestic operations. We face the risk of discriminatory regulation, nationalization or expropriation of assets, price controls and exchange controls or other restrictions that prevent us from transferring funds from these operations out of the countries in which they operate or converting local currencies we hold into U.S. dollars or other currencies. 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. 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.

Our operations 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.

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 recent stresses suffered by financial institutions. Such failure could have a material adverse effect on our financial condition and results of operations.

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

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

State laws in the United States grant insurance regulatory authorities broad administrative powers with respect to, among other things:

- licensing companies and agents to transact business;
- calculating the value of assets to determine compliance with statutory requirements;
- mandating certain insurance benefits;
- regulating certain premium rates;
- reviewing and approving policy forms;
- regulating unfair trade and claims practices, including through the imposition of restrictions on marketing and sales practices, distribution arrangements and payment of inducements;
- regulating advertising;
- protecting privacy;
- establishing statutory capital and reserve requirements and solvency standards;
- fixing maximum interest rates on insurance policy loans and minimum rates for guaranteed crediting rates on life insurance policies and annuity contracts;

- approving changes in control of insurance companies;
- restricting the payment of dividends and other transactions between affiliates; and
- regulating the types, amounts and valuation of investments.

State insurance guaranty associations have the right to assess insurance companies doing business in their state for funds to help pay the obligations of insolvent insurance companies to policyholders and claimants. Because the amount and timing of an assessment is beyond our control, the liabilities that we have currently established for these potential liabilities may not be adequate. See "Business — 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, are often made for the benefit of the consumer at the expense of the insurer and, thus, could have a material adverse effect on our financial condition and results of operations.

The NAIC and several states' legislatures have considered the need for regulations and/or laws to address agent or broker practices that have been the focus of investigations of broker compensation in various jurisdictions. The NAIC adopted a Compensation Disclosure Amendment to its Producers Licensing Model Act which, if adopted by the states, would require disclosure by agents or brokers to customers that insurers will compensate such agents or brokers for the placement of insurance and documented acknowledgement of this arrangement in cases where the customer also compensates the agent or broker. Several states have enacted laws similar to the NAIC amendment. We cannot predict how many states may promulgate the NAIC amendment or alternative regulations or the extent to which these regulations may have a material adverse impact on our business.

Currently, the U.S. federal government does not directly regulate the business of insurance. However, federal legislation and administrative policies in several areas can significantly and adversely affect insurance companies. These areas include financial services regulation, securities regulation, pension regulation, privacy, tort reform legislation and taxation. In addition, various forms of direct federal regulation of insurance have been proposed. In view of recent events involving certain financial institutions and the financial markets, it is possible that the U.S. federal government will heighten its oversight of insurers such as us, including possibly through a federal system of insurance regulation and/or that the oversight responsibilities and mandates of existing or newly created regulatory bodies could change. We cannot predict whether these or other proposals will be adopted, or what impact, if any, such proposals or, if enacted, such laws, could have on our business, financial condition or results of operations.

Our international operations are subject to regulation in the jurisdictions in which they operate, which in many ways is similar to that of the state regulations outlined above. Many of our customers and independent sales intermediaries also operate in regulated environments. Changes in the regulations that affect their operations also may affect our business relationships with them and their ability to purchase or distribute our products. Accordingly, these changes could have a material adverse effect on our financial condition and results of operations. See "Our International Operations Face Political, Legal, Operational and Other Risks that Could Negatively Affect Those Operations or Our Profitability."

Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in these laws and regulations may materially increase our direct and indirect compliance and other expenses of doing business, thus having a material adverse effect on our financial condition and results of operations.

From time to time, regulators raise issues during examinations or audits of MICC and its 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.

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

We face a significant risk of litigation and regulatory investigations in the ordinary course of operating our businesses, including the risk of class action lawsuits. Our pending legal and regulatory actions include proceedings specific to us and others generally applicable to business practices in the industries in which we operate. In connection with our insurance operations, plaintiffs' lawyers may bring or are bringing class actions and individual suits alleging, among other things, issues relating to sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, denial or delay of benefits and breaches of fiduciary or other duties to customers. Plaintiffs in class action and other lawsuits against us may seek very large or indeterminate amounts, including punitive and treble damages, and the damages claimed and the amount of any probable and estimable liability, if any, may remain unknown for substantial periods of time. See "Legal Proceedings" and Note 10 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 be inherently impossible to ascertain with any degree of certainty. Inherent uncertainties can include how fact finders will view individually and in their totality documentary evidence, the credibility and effectiveness of witnesses' testimony, and how trial and appellate courts will apply the law in the context of the pleadings or evidence presented, whether by motion practice, or at trial or on appeal. Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel will themselves view the relevant evidence and applicable law.

On a quarterly and annual basis, we review relevant information with respect to liabilities for litigation and contingencies to be reflected in our consolidated financial statements. The review includes senior legal and financial personnel. Estimates of possible losses or ranges of loss for particular matters cannot in the ordinary course be made with a reasonable degree of certainty. See "Legal Proceedings" and Note 10 of the Notes to the Consolidated Financial Statements. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. 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, 2008.

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 and retain our current customers.

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

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 annual and quarterly reports on Form 10-K and Form 10-Q. An assessment of proposed standards is not provided as such proposals are subject to change through the exposure process and, therefore, the effects on our financial statements cannot be meaningfully assessed. It is possible that future accounting standards we are required to adopt could change the current accounting treatment that we apply to our consolidated financial statements and that such changes could have a material adverse effect on our financial condition and results of operations.

Further, the federal government, under the EESA, conducted an investigation of fair value accounting during the fourth quarter of 2008 and has granted the SEC the authority to suspend fair value accounting for any registrant or group of registrants at its discretion. The impact of such actions on registrants who apply fair value accounting cannot be readily determined at this time; however, actions taken by the federal government could have a material adverse effect on the financial condition and results of operations of companies, including ours, that apply fair value accounting.

Changes in U.S. Federal and State Securities Laws and Regulations 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, our activities in offering and selling variable insurance contracts and policies are subject to extensive regulation under these securities laws. We 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. Our subsidiary, Tower Square, is registered with the SEC as a broker-dealer under the Exchange Act, and is a member of, and subject to, regulation by FINRA. Further, Tower Square is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940, and is also registered as an investment adviser in various states.

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. Changes to these laws or regulations that restrict the conduct of our business could have a material adverse effect on our financial condition and results of operations. In particular, changes in the regulations governing the registration and distribution of variable insurance products, such as changes in the regulatory standards for suitability of variable annuity contracts or variable life insurance policies, could have such a material adverse effect.

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, tax regulations, or interpretations of such laws or regulations could increase our corporate taxes. 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.

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.

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 United States 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, additional disruptions to commerce and reduced economic activity. Some of the assets in our investment portfolio may be adversely affected by declines in the 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. 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 United States 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 MetLife's Disaster Recovery Systems and Management Continuity Planning Could Impair Our Ability to Conduct Business Effectively

In the event of a disaster such as a natural catastrophe, an epidemic, an industrial accident, a blackout, a computer virus, a terrorist attack or war, unanticipated problems with our disaster recovery systems could have a material adverse impact on our ability to conduct business and on our results of operations and financial position, particularly if those problems affect our computer-based data processing, transmission, storage and retrieval systems and destroy valuable data. We depend heavily upon computer systems to provide reliable service. Despite our implementation of a variety of security measures, our computer systems could be subject to physical and electronic break-ins, and similar disruptions from unauthorized tampering. In addition, in the event that a significant number of our managers were unavailable in the event of a disaster, our ability to effectively conduct business could be severely compromised. These interruptions also may interfere with our suppliers' ability to provide goods and services and our employees' ability to perform their job responsibilities.

We Face Unforeseen Liabilities or Asset Impairments Arising from Possible Acquisitions and Dispositions of Businesses or Difficulties Integrating Such Businesses

We have engaged in dispositions and acquisitions of businesses in the past, and may continue to do so in the future. 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, the use of our own funds as consideration in any acquisition would consume capital resources that would no longer be available for other corporate purposes.

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 loner than expected. The integration of operations 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.

Guarantees Within Certain of Our Variable Annuity Guarantee Riders that Protect Policyholders Against Significant Downturns in Equity Markets May Increase the Volatility of Our Results Related to the Inclusion of an Own Credit Adjustment in the Estimated Fair Value of the Liability for These Riders

In determining the valuation of certain variable annuity guarantee rider liabilities that are carried at estimated fair value, we must consider our own credit standing, which is not hedged. A decrease in our own credit spread could cause the value of these liabilities to increase, resulting in a reduction to net income. An increase in our own credit spread could cause the value of these liabilities to decrease, resulting in an increase to net income. Because this credit adjustment is determined, at least in part, by taking into consideration publicly available information relating to our publicly-traded debt (including related credit default swap spreads), the overall condition of fixed income markets may impact this adjustment. The credit premium implied in our publicly-traded debt instruments may not always necessarily reflect our actual credit rating or our claims paying ability. Recently, the fixed-income markets have experienced a period of extreme volatility which negatively impacted market liquidity and increased credit spreads. The increase in credit default swap spreads has at times been even more pronounced than in the fixed income cash markets. In a broad based market downturn, this increase in our own credit spread could result in net income being relatively flat when a deterioration in other market inputs required for the estimate of fair value would otherwise result in a significant reduction in net income. The inclusion of our own credit standing in this case has the effect of muting the actual net income losses recognized. In subsequent periods, if our credit spreads improve relative to the overall market, we could have a reduction of net income in an overall improving market.

Item 1B. ***Unresolved Staff Comments***

Not applicable.

Item 2. ***Properties***

In October 2008, our executive offices at One Cityplace, Hartford, Connecticut were relocated to Bloomfield, Connecticut. The existing lease at One Cityplace expired on October 31, 2008.

Management believes that the Company's properties are suitable and adequate for our current and anticipated business operations. MetLife arranges 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 its renewal of those coverages, MetLife has arranged $700 million of property coverage including coverage for terrorism on its real estate portfolio, including our real estate portfolio, through March 15, 2009, its annual renewal date.

Item 3. ***Legal Proceedings***

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

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

CASE STUDY INSTRUCTIONS

The case study will be used as a basis for some examination questions. Be sure to answer the question asked by referring to the case study. For example, when asked for advantages of a particular plan design to a company referenced in the case study, your response should be limited to that company. Other advantages should not be listed, as they are extraneous to the question and will result in no additional credit. Further, if they conflict with the applicable advantages, no credit will be given.

BEGINNING OF EXAMINATION
Morning Session

Questions 1, 6, and 7 pertain to the Case Study ***Each question should be answered independently.***

1. *(8 points)* With the current economic downturn, management would like you to develop a guaranteed minimum withdrawal benefit (GMWB) to address decreasing sales of variable annuities. In order to get to market quickly, management has proposed using the current pricing assumptions for the new benefit. The current lapse rate is 5% annually during the surrender charge period and 15% thereafter. The partial withdrawal rate is 1% annually.

(a) *(2 points)* Explain how management's proposal would commit or avoid the common pricing mistakes identified by Atkinson and Dallas.

(b) *(4 points)*

(i) Recommend changes to the pricing assumptions for lapses and partial withdrawals to reflect the addition of the new benefit. Justify your recommendation.

(ii) Explain the potential impact of the 2008 Market and Economic events, as described in the case study, on the cost of hedging the new benefit.

(c) *(1 point)* Explain the value of using cohorts in pricing this benefit.

(d) *(1 point)* You are given the following information for a variable annuity policy with a GMWB:

- Total premium paid is 50,000
- GMWB equal to 5% of premiums paid
- Current account value of 75,000
- No withdrawals taken to date

Calculate the GMWB after a withdrawal of 37,500 under a:

(i) Proportionate withdrawal method

(ii) Dollar-for-dollar method

Show all work.

2. *(7 points)* You are given the following:

- Tax Rate is 35%
- Taxable Portion of Investment Income is 40%
- DAC amortization is 0

			End of Year		
Year	Product Cash Flow (not including investment income)	Investment Income	Solvency Reserves	Benefit Reserves	Tax Reserves
1	1400	20	1400	1200	1300
2	200	15	1200	1200	1150
3	200	10	1000	1200	950
4	100	5	0	0	0

(a) With respect to solvency earnings and taxable earnings:

(i) Identify factors that may cause permanent and timing differences.

(ii) Calculate the permanent differences in the first three years. Show all work.

(iii) Calculate the timing differences in the first three years. Show all work.

(b) Calculate the deferred tax liability at the end of the third year using the two approaches described by Atkinson and Dallas. Show all work.

(c) With respect to tax loss carry forwards:

(i) Describe the conditions under which they are created.

(ii) Analyze their impact on solvency and stockholder earnings.

3. *(6 points)*

(a) Contrast the two common philosophies used to set pricing assumptions for expenses.

(b) Explain how the choice of expense allocation methodology will affect product pricing when reserves are determined using a Principles-Based Approach.

(c) You are given the following information:

First Year Premium	500,000
PV of Renewal Premium	1,200,000
Premium Tax	2%
Variable Acquisition Expense	50,000
Fixed Acquisition Expense	500,000
Commission Paid on First Year Premium	10%
Trail Commission Paid on Renewal Premium	0.5%
PV of Variable Maintenance Expenses	20,000
PV of Fixed Maintenance Expenses	200,000
PV of Benefits	800,000

Ignore reserves, investment income, cost of capital, and income taxes.

Determine the volume increase required to maintain the profit margin following a 5% reduction in premium rates.

Show all work.

4. *(9 points)* You are a pricing actuary for XYZ Reinsurance Co. In preparing a reinsurance quote, you are given the following transactions for seven policies out of a group of 1,507 policies with an expected annual mortality rate of 2 per 1,000.

Policy #	Face Amount	Issue Date	Transaction	Termination Date
1	1,000,000	7/1/2008	Issue	
2	500,000	1/1/2004	Lapse	6/30/2008
3	250,000	4/1/2008	Death	9/30/2008
4	750,000	4/1/2008	Issue	
5	100,000	1/1/2008	Lapse	3/30/2008
6	2,000,000	1/1/2007	Death	6/30/2008
7	150,000	3/1/2008	Lapse	6/1/2008

In 2008, the additional 1,500 policies were in force throughout the year, and the total face amount for these policies was 2 billion.

(a) Describe the considerations when analyzing the quality of the data available for this reinsurance quote.

(b)

(i) Calculate the 2008 exposure for each policy using both count and face amount. Show all work.

(ii) Determine the overall actual to expected mortality ratio for 2008 by count and amount for this group of policies. Show all work.

(iii) Explain possible reasons for differences between actual to expected ratios by count and amount.

(iv) Recommend which approach is more appropriate for this reinsurance quote. Justify your answer.

(c) You are given the following:

Select mortality rate for a newly underwritten policy	1 per 1,000
Lapse rate associated with a normal level of mortality	5%
Percentage of lapses that are selective lapses	80%

Calculate the maximum actual lapse rate such that the expected mortality does not exceed 2.1 per 1,000. Show all work.

5. *(11 points)* You are pricing a Guaranteed Minimum Death Benefit (GMDB) Rider for your current Variable Annuity (VA) product.

You are given:

Annual Roll-up	5%
Cost to roll out the rider	1 million
Present Value of Profits as a % of Premium for the existing VA	1%
Hurdle Rate	15%

${}_1p_{50}^T = 0.9200$	${}_1q_{50}^d = 0.0020$	$G = 100{,}000$	$\text{BSP}_0(1) = 0.10$	$m = 0.0125$
${}_2p_{50}^T = 0.8800$	${}_1q_{51}^d = 0.0025$	$F_0 = 100{,}000$	$\text{BSP}_0(2) = 0.12$	$m_d = 0.0033$
${}_3p_{50}^T = 0.8000$	${}_1q_{52}^d = 0.0030$	$S_1 = 0.8$	$\text{BSP}_0(3) = 0.15$	$a_{50:\overline{3}\vert}^T = 2.8$

(a) *(4 points)* Calculate the following for a GMDB Rider issued at age 50:

(i) The annualized cost, in basis points, of the rider over the first 3 years.

(ii) The liability cash flow in the first year, assuming decrements occur at the end of the year.

Show all work.

(b) *(1 point)* Identify those items from the list below that will increase the estimated cost of the GMDB Rider:

(i) Changing the roll-up to 7%

(ii) Increasing the persistency assumption

(iii) Decreasing the mortality assumption

(iv) Increasing the implied volatility assumption

(v) Increasing the risk-free rate assumption

(vi) Increasing the monthly asset management charge

5. (Continued)

(c) *(2 points)* Given the following tail distribution from 100 simulated scenarios:

$$V_{94} = 0.0055$$
$$V_{95} = 0.0060$$
$$V_{96} = 0.0067$$
$$V_{97} = 0.0077$$
$$V_{98} = 0.0090$$
$$V_{99} = 0.0110$$
$$V_{100} = 0.0135$$

(i) Explain why the conditional tail expectation is superior to the quantile risk measure.

(ii) Calculate the:
- 95% quantile
- 95% conditional tail expectation

Show all work.

(d) *(4 points)* You are evaluating the impact that price might have on the sales of the rider. Given the following information for two price point alternatives:

	Price Point 1	Price Point 2
Annual GMDB Rider Charge	0.33%	0.55%
Increased Present Value of Profits as Percent of Premium for VA with GMDB Rider	0.0%	0.1%
Annual Increase in Premium from New Sales if GMDB Rider is available	10 million	5 million

(i) Explain price elasticity.

(ii) Determine the:
- Price elasticity of the rider.
- Potential breakeven year for each price point, ignoring the hurdle rate.

Show all work.

(iii) Recommend one of the two price points using embedded value as your decision-making criterion. Show all work.

Questions 1, 6, and 7 pertain to the Case Study
Each question should be answered independently.

6. *(10 points)* You have been asked to complete a Marketing Environment Audit.

Select the relevant information from the case study to start the project.

Questions 1, 6, and 7 pertain to the Case Study
Each question should be answered independently.

7. *(9 points)* On January 1, 2008, ABC Life Insurance Company sold four guaranteed investment certificates (GICs) for 1,000 with maturities of 3, 5, 7, and 10 years and an annual interest rate of 2.5%.

ABC invested in assets with shorter durations than the GIC maturities in order to earn a higher yield. During 2008 the Market and Economic events, as described in the case study, resulted in a significant drop in the interest rates and a shift in the yield curve.

(a) *(1 point)* List the primary purposes of Asset Liability Modeling with regard to fixed annuities.

(b) *(5 points)* You are given:

- The assets available are:
  - One-year zero coupon bond earning the minimum in the range for the Federal Funds rate.
  - Ten-year zero coupon bond earning the yield on ten-year Treasury obligations.
- ABC purchased a 3,000 one-year zero coupon bond and a 1,000 ten-year zero coupon bond at the beginning of 2008 to back the GICs.
- Using cash from maturing assets at the end of 2008, the company rebalanced the asset portfolio to match duration.

Determine the expected gross investment spread between assets and liabilities in 2009. Show all work.

(c) *(3 points)* Evaluate the feasibility of the following Asset Liability Matching approaches given the economic scenario as outlined in the case study.

(i) Exact matching
(ii) Duration matching
(iii) Horizon matching

****END OF EXAMINATION****
Morning Session