

METLIFE INC  
Form 10-K  
February 25, 2016

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, 2015

or

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

For the transition period from to  
Commission file number 001-15787  
MetLife, Inc.

(Exact name of registrant as specified in its charter)

Delaware 13-4075851  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

200 Park Avenue, New York, N.Y. 10166-0188  
(Address of principal (Zip Code)  
executive offices)

(212) 578-9500  
(Registrant's telephone number, including area code)

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

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

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

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

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

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  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.

Edgar Filing: METLIFE INC - 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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant at June 30, 2015 was approximately \$62.6 billion. At February 22, 2016 1,096,666,865 shares of the registrant's common stock were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III of this Form 10-K incorporates by reference certain information from the registrant's definitive proxy statement for the Annual Meeting of Shareholders to be held on June 14, 2016, to be filed by the registrant with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the year ended December 31, 2015.

---

## Table of Contents

|   | Page       |
|---|------------|
| Part I  |            |
| Item 1. <u>Business</u>   | <u>4</u>   |
| Item 1A. <u>Risk Factors</u>  | <u>39</u>  |
| Item 1B. <u>Unresolved Staff Comments</u>   | <u>68</u>  |
| Item 2. <u>Properties</u>   | <u>68</u>  |
| Item 3. <u>Legal Proceedings</u>  | <u>69</u>  |
| Item 4. <u>Mine Safety Disclosures</u>  | <u>69</u>  |
| Part II   |            |
| Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | <u>70</u>  |
| Item 6. <u>Selected Financial Data</u>  | <u>71</u>  |
| Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>                        | <u>74</u>  |
| Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>  | <u>177</u> |
| Item 8. <u>Financial Statements and Supplementary Data</u>  | <u>187</u> |
| Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>                         | <u>357</u> |
| Item 9A. <u>Controls and Procedures</u>   | <u>357</u> |
| Item 9B. <u>Other Information</u>   | <u>359</u> |
| Part III  |            |
| Item 10. <u>Directors, Executive Officers and Corporate Governance</u>  | <u>359</u> |
| Item 11. <u>Executive Compensation</u>  | <u>359</u> |
| Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>              | <u>359</u> |
| Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>                                   | <u>361</u> |
| Item 14. <u>Principal Accountant Fees and Services</u>  | <u>362</u> |
| Part IV   |            |
| Item 15. <u>Exhibits and Financial Statement Schedules</u>  | <u>362</u> |
| <u>Signatures</u>   | <u>363</u> |
| <u>Exhibit Index</u>  | <u>E-1</u> |

---

Table of Contents

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

Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, may contain or incorporate by reference information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and other words and terms of similar meaning, or are tied to future periods, in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

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

respect to pricing, entry of new competitors, consolidation of distributors, the development of new products by new and existing competitors, and for personnel; (24) exposure to losses related to variable annuity guarantee benefits, including from significant and sustained downturns or extreme volatility in equity markets, reduced interest rates, unanticipated policyholder behavior, mortality or longevity, and the adjustment for nonperformance risk; (25) regulatory and other restrictions affecting MetLife, Inc.'s ability to pay dividends and repurchase common stock; (26) MetLife, Inc.'s primary reliance, as a holding company, on dividends from its subsidiaries to meet its free cash flow targets and debt payment obligations and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends; (27) the possibility that MetLife, Inc.'s Board of Directors may influence the outcome of stockholder votes through the voting provisions of the MetLife Policyholder Trust; (28) changes in accounting standards, practices and/or policies; (29) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (30) inability to protect our intellectual property rights or claims of infringement of

Table of Contents

the intellectual property rights of others; (31) inability to attract and retain sales representatives; (32) provisions of laws and our incorporation documents may delay, deter or prevent takeovers and corporate combinations involving MetLife; (33) the effects of business disruption or economic contraction due to disasters such as terrorist attacks, cyberattacks, other hostilities, or natural catastrophes, including any related impact on the value of our investment portfolio, our disaster recovery systems, cyber- or other information security systems and management continuity planning; (34) the effectiveness of our programs and practices in avoiding giving our associates incentives to take excessive risks; and (35) other risks and uncertainties described from time to time in MetLife, Inc.'s filings with the U.S. Securities and Exchange Commission.

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

Note Regarding Reliance on Statements in Our Contracts

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

Table of Contents

Part I

Item 1. Business

Index to Business

|   | Page      |
|---|-----------|
| <u>Overview</u>                           | <u>5</u>  |
| <u>Segments and Corporate &amp; Other</u> | <u>7</u>  |
| <u>Policyholder Liabilities</u>           | <u>16</u> |
| <u>Underwriting and Pricing</u>           | <u>17</u> |
| <u>Reinsurance Activity</u>               | <u>18</u> |
| <u>Regulation</u>                         | <u>21</u> |
| <u>Company Ratings</u>                    | <u>35</u> |
| <u>Competition</u>                        | <u>37</u> |
| <u>Employees</u>                          | <u>37</u> |
| <u>Executive Officers</u>                 | <u>38</u> |
| <u>Trademarks</u>                         | <u>39</u> |
| <u>Available Information</u>              | <u>39</u> |

Table of Contents

Overview

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

We have grown to become a global provider of life insurance, annuities, employee benefits and asset management. Through our subsidiaries and affiliates, we hold leading market positions in the United States, Japan, Latin America, Asia, Europe and the Middle East. Over the past several years, we have grown our core businesses, as well as successfully executed on our growth strategy. This has included completing a number of transactions that have resulted in the acquisition and, in some cases, divestiture of certain businesses while also further strengthening our balance sheet to position MetLife for continued growth.

We are also one of the largest institutional investors in the U.S. with a \$508.2 billion general account portfolio invested primarily in investment grade corporate bonds, structured finance securities, mortgage loans and U.S. Treasury and agency securities, as well as real estate and corporate equity, at December 31, 2015. Over the past several years, we have further diversified and strengthened our general account portfolio.

Our well-recognized brand, leading market positions, competitive and innovative product offerings and financial strength and expertise should help drive future growth and enhance shareholder value, building on a long history of fairness, honesty and integrity. Over the course of the next several years, we will pursue the following objectives to position the Company for continued growth and achieve our vision of being recognized as the leading global life insurance and employee benefits provider:

Refocus the U.S. businesses

- Shift product mix away from capital intensive products
- Invest in growth initiatives for the voluntary/worksites, accident & health, and direct channels
- Drive margin improvement

Build the Global Employee Benefits business

- Accelerate our local employee benefits businesses in key markets outside the U.S.
- Grow our global employee benefits businesses through multinational and expatriate solutions



Table of Contents

Grow emerging markets presence

- Accelerate earnings in emerging markets in which we already have a strong presence
- Seek opportunistic mergers and acquisitions to complement our organic growth

Drive toward Customer Centricity and a global brand

- Further institutionalize customer-centric actions and culture at MetLife
- Grow consideration of and preference for MetLife’s brand in key markets

MetLife is organized into six segments, reflecting three broad geographic regions: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the “Americas”); Asia; and Europe, the Middle East and Africa (“EMEA”). In addition, the Company reports certain of its results of operations in Corporate & Other. See “— Segments and Corporate & Other” and Note 2 of the Notes to the Consolidated Financial Statements for further information on the Company’s segments and Corporate & Other. See also “— Other Key Information” for information on the Company’s announcement of its plan to pursue the separation of a substantial portion of its Retail segment, which is organized into two U.S. businesses, Life & Other and Annuities, as well as certain portions of its Corporate Benefit Funding segment and Corporate & Other (the “Separation”). Management continues to evaluate the Company’s segment performance and allocated resources and may adjust related measurements in the future to better reflect segment profitability.

In the U.S., we provide a variety of insurance and financial services products, including life, dental, disability, property & casualty, guaranteed interest, stable value and annuities, through both proprietary and independent retail distribution channels, as well as at the workplace.

Outside the U.S., we provide life, medical, dental, credit and other accident & health insurance, as well as annuities, endowment and retirement & savings products to both individuals and groups. We believe these businesses will continue to grow more quickly than our U.S. businesses.

Revenues derived from any customer did not exceed 10% of consolidated premiums, universal life and investment-type product policy fees and other revenues for the years ended December 31, 2015, 2014 and 2013. Financial information, including revenues, expenses, operating earnings, and total assets by segment, as well as premiums, universal life and investment-type product policy fees and other revenues by major product groups, is provided in Note 2 of the Notes to the Consolidated Financial Statements. Operating revenues and operating earnings are performance measures that are not based on accounting principles generally accepted in the United States of America (“GAAP”). See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP and Other Financial Disclosures” for definitions of such measures.

For financial information related to revenues, total assets, and goodwill balances by geographic region, see Notes 2 and 11 of the Notes to the Consolidated Financial Statements.

## Table of Contents

### Other Key Information

On January 12, 2016, the Company announced its plan to pursue the Separation. The Company is currently evaluating structural alternatives for the proposed Separation, including a public offering of shares in an independent, publicly traded company, a spin-off, or a sale. The completion of a public offering would depend on, among other things, the U.S. Securities and Exchange Commission (“SEC”) filing and review process, as well as market conditions. Any Separation that might occur will be subject to the satisfaction of various conditions and approvals, including approval of any transaction by the MetLife, Inc. Board of Directors, satisfaction of any applicable requirements of the SEC, and receipt of insurance and other regulatory approvals and other anticipated conditions.

In November 2014, MetLife Insurance Company of Connecticut (“MICC”), a wholly-owned subsidiary of MetLife, Inc., re-domesticated from Connecticut to Delaware, changed its name to MetLife Insurance Company USA and merged with its subsidiary, MetLife Investors USA Insurance Company (“MLI-USA”), and its affiliate, MetLife Investors Insurance Company (“MLIIC”), each a U.S. insurance company that issued variable annuity products in addition to other products, and Exeter Reassurance Company, Ltd. (“Exeter”), a former offshore, captive reinsurance subsidiary of MetLife, Inc. and affiliate of MICC that mainly reinsured guarantees associated with variable annuity products (the “Mergers”). The surviving entity of the Mergers was MetLife Insurance Company USA (“MetLife USA”). See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Other Key Information — Significant Events” for further information on the Mergers.

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

Certain international subsidiaries have a fiscal year cutoff of November 30<sup>th</sup>. Accordingly, the Company’s consolidated financial statements reflect the assets and liabilities of such subsidiaries as of November 30, 2015 and 2014 and the operating results of such subsidiaries for the years ended November 30, 2015, 2014 and 2013. The Company is in the process of converting to calendar year reporting for these subsidiaries. These conversions are expected to be substantially complete in the first quarter of 2016. The impact of the conversions on our financial statements to date has been de minimis and, therefore, has been reported in net income in the quarter of conversion.

### Segments and Corporate & Other

#### Americas

#### Product Overview

Our businesses in the Americas offer a broad range of protection products and services aimed at serving the financial needs of our customers throughout their lives. These products are sold to individuals and corporations, as well as other institutions, and their respective employees.

#### Retail

Our Retail segment is organized into two U.S. businesses: Life & Other and Annuities.

#### Life & Other

Our Life & Other insurance products and services include variable life, universal life, term life and whole life products. Life & Other products and services also include individual disability income products and personal lines property & casualty insurance, including private passenger automobile, homeowners and personal excess liability insurance. Additionally, through broker-dealer affiliates, the Company offers a full range of mutual funds and other securities products.

## Table of Contents

The major products within Life & Other are as follows:

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

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

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

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

**Disability.** Disability products provide a benefit in the event of the disability of the insured. In most instances, this benefit is in the form of monthly income paid until the insured reaches age 65. In addition to income replacement, the product may be used to provide for the payment of business overhead expenses for disabled business owners or mortgage payment protection.

**Property & Casualty.** These products include personal lines property & casualty insurance offered to individuals through a variety of retail distribution channels, including independent agents, property & casualty specialists, and the MetLife Premier Client Group.

Auto insurance policies provide coverage for private passenger automobiles, utility automobiles and vans, motorcycles, motor homes, antique or classic automobiles and trailers. We also offer traditional coverage such as liability, uninsured motorist, no fault or personal injury protection, as well as collision and comprehensive insurance. Homeowners' insurance policies provide protection for homeowners, renters, condominium owners and residential landlords against losses arising out of damage to dwellings and contents from a wide variety of perils, as well as coverage for liability arising from ownership or occupancy. Other insurance includes personal excess liability (protection against losses in excess of amounts covered by other liability insurance policies), and coverage for recreational vehicles and boat owners. Most of our homeowners' policies are traditional insurance policies for dwellings, providing protection for loss on a "replacement cost" basis. These policies also provide additional coverage

for reasonable, normal living expenses incurred by policyholders that have been displaced from their homes.

8

---

Table of Contents

Other. Additionally, through our broker-dealer affiliates, we offer a full range of mutual funds and other securities products. The elimination of transactions from activity between the segments within the Americas occurs within Life & Other.

Annuities

Our Annuities business offers a variety of variable and fixed annuities that are primarily sold to individuals and tax-qualified groups in the education, healthcare and not-for-profit sectors.

The major products within Annuities are as follows:

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

**Fixed and Indexed Annuities.** Fixed annuities provide for both asset accumulation and asset distribution needs. Fixed annuities do not allow the same investment flexibility provided by variable annuities, but provide guarantees related to the preservation of principal and interest credited. Deposits made into deferred annuity contracts are allocated to the Company's general account and are credited with interest at rates we determine, subject to specified minimums. Credited interest rates are guaranteed not to change for certain limited periods of time, ranging from one to 10 years. Fixed income annuities provide a guaranteed monthly income for a specified period of years and/or for the life of the annuitant. Additionally, the Company has recently begun issuing indexed annuities which allow the contractholder to participate in returns from equity indices.

Group, Voluntary & Worksite Benefits

We have built a leading position in the U.S. group insurance market through long-standing relationships with many of the largest corporate employers in the U.S.

Our Group, Voluntary & Worksite Benefits insurance products and services include life, dental, group short- and long-term disability, property & casualty, long-term care, accidental death and dismemberment ("AD&D"), critical illness, vision and accident & health coverages, as well as prepaid legal plans. We also sell administrative services-only ("ASO") arrangements to some employers. Under such ASO arrangements, the employer is at risk, as we have not issued an insurance policy. We pay claims funded by the employer and perform other administrative services on behalf of the employer.

The major products within Group, Voluntary & Worksite Benefits are as follows:

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

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

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

**Property & Casualty.** These products include personal lines property & casualty insurance offered directly to employees at their employer's worksite through a variety of distribution channels, including independent agents, property & casualty specialists and direct marketing. The property & casualty products offered by the Group, Voluntary & Worksite business are the same products offered by the Retail property & casualty business.

**Long-term Care.** Long-term care products provide protection against the potentially high costs of long-term care services. They generally pay benefits to insureds who need assistance with activities of daily living or have a cognitive

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

9

---

## Table of Contents

### Corporate Benefit Funding

The Corporate Benefit Funding segment provides funding and financing solutions that help institutional customers mitigate and manage liabilities primarily associated with their qualified, nonqualified and welfare employee benefit programs using a spectrum of life and annuity-based insurance and investment products.

The major products within Corporate Benefit Funding are as follows:

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

General account guaranteed interest contracts are designed to provide stable value investment options within tax-qualified defined contribution plans. Traditional general account guaranteed interest contracts integrate a general account fixed or determinable fixed maturity investment with a general account guarantee of liquidity at contract value for participant transactions.

Separate account guaranteed interest contracts are available to defined contribution plan sponsors. These contracts integrate market value returns on separate account investments with a general account guarantee of liquidity at contract value to the extent the separate account assets are not sufficient. The contracts do not have a fixed maturity date and are terminable by each party on notice.

Private floating rate funding agreements are generally privately-placed, unregistered investment contracts issued as general account obligations. Interest is credited based on an external index, generally the three-month London Interbank Offered Rate (“LIBOR”). Contracts may contain put provisions (of 90 days or longer) that allow for the contractholder to receive the account balance prior to the stated maturity date.

**Pension Risk Transfers.** We offer general account and separate account annuity products, generally in connection with the termination of defined benefit pension plans. These risk transfer products include single premium buyouts that allow for full or partial transfers of pension liabilities.

General account annuity products include nonparticipating contracts. Under nonparticipating contracts, group annuity benefits may be purchased for retired and terminated employees or employees covered under terminating or ongoing pension plans. Both immediate and deferred annuities may be purchased by a single premium at issue. There are generally no cash surrender rights, with some exceptions including certain contracts that include liabilities for cash balance pension plans.

Separate account annuity products include both participating and non-participating contracts. Under participating contracts, group annuity benefits are purchased for retired, terminated, or active employees covered under active or terminated pension plans. Both immediate and deferred fixed annuities are purchased with a single premium. Under some contracts, additional annuities may be periodically purchased at then current purchase rates. The assets supporting the guaranteed benefits for each contract are held in a separate account. Some contracts require the contractholder to make periodic payments to cover investment and insurance expenses. The Company fully guarantees benefit payments and is ultimately responsible for all benefit payments. The non-participating contracts have economic features similar to our general account product, but offer the added protection of an insulated separate account. Under U.S. GAAP, these annuity contracts are treated as general account products.

**Institutional Income Annuities.** These general account contracts are available for purchasing guaranteed payout annuities for employees upon retirement or termination of employment. These annuities can be either life contingent or non-life contingent. These annuities are nonparticipating, do not provide for any loan or cash surrender value and, with few exceptions, do not permit future considerations.

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

Structured settlement annuities are customized annuities designed to serve as an alternative to a lump sum payment in a lawsuit initiated because of personal injury, wrongful death, or a workers’ compensation claim or other claim for damages. Surrenders are generally not allowed, although commutations are permitted in certain circumstances.

Guaranteed payments consist of life contingent annuities, term certain annuities and lump sums.

Capital Markets Investment Products. Products we offer include funding agreements, funding agreement-backed notes and funding agreement-backed commercial paper. We also issue funding agreements to receive Federal Home Loan Bank (“FHLB”) advances and through a program with the Federal Agricultural Mortgage Corporation (“Farmer Mac”).



Table of Contents

Funding agreement-backed notes are part of a medium term note program, under which funding agreements are issued to a special-purpose trust that issues marketable notes in U.S. dollars or foreign currencies. The proceeds of the issuance of a series of notes are used by the trust to acquire a funding agreement with matching interest and maturity payment terms from the Company. The notes are underwritten and marketed by major investment banks' broker-dealer operations and are sold to institutional investors.

Funding agreement-backed commercial paper is issued by a special purpose limited liability company which deposits the proceeds under a master funding agreement issued to it by Metropolitan Life Insurance Company ("MLIC") or MetLife USA. The commercial paper receives the same short-term credit rating as MLIC or MetLife USA and is marketed by major investment banks' broker-dealer operations. The program allows for funding agreement-backed commercial paper to be issued in U.S. dollars or foreign currencies.

Through the Farmer Mac program, funding agreements have been issued by MLIC to Farmer Mac, as well as to certain special purpose entities ("SPEs") that have issued debt securities for which payment of interest and principal is secured by such funding agreements, and such debt securities are also guaranteed as to payment of interest and principal by Farmer Mac.

Other Corporate Benefit Funding Products and Services. We offer specialized life insurance products and funding agreements designed specifically to provide solutions for funding postretirement benefits and company-, bank- or trust-owned life insurance used to finance nonqualified benefit programs for executives.

Latin America

In Latin America, our largest operations are in Mexico and Chile. The Latin America segment includes U.S. direct business, comprised of group and individual products sold through sponsoring organizations, affinity groups and direct to consumer.

The major products within Latin America are as follows:

Universal Life, Variable Life, Fixed Annuities and Term Life. For a description of these products, see "— Retail." ProVida. We offer a savings oriented pension product under a mandatory privatized social security system. See Note 3 of the Notes to the Consolidated Financial Statements.

In addition to other various products discussed within the Americas, Latin America also engages in the following businesses:

Accident & Health Insurance. We offer group and individual major medical, accidental, and supplemental health products, including accidental death and disability, medical reimbursement, hospital indemnity and medical coverage for serious medical conditions.

Administradora de Fondos de Ahorro para el Retiro ("AFORE"). We offer a savings oriented pension product under the mandatory privatized social security system for all non-government employees.

Credit Insurance. We offer credit insurance policies designed to fulfill certain loan obligations in the event of the policyholder's death.

Table of Contents

Operations

In the Americas, we operate in the U.S. and Latin America.

Sales Distribution

In the Americas, excluding Latin America, we market our products and services through various distribution channels. Our retail life, disability and annuities products targeted to individuals are sold via sales forces, comprised of MetLife employees, as well as third-party organizations. Our group and corporate benefit funding products are sold via sales forces primarily comprised of MetLife employees. Personal lines property & casualty insurance products are directly marketed to employees at their employer's worksite. Personal lines property & casualty insurance products are also marketed and sold to individuals by independent agents, property & casualty specialists through a direct marketing channel, and via sales forces comprised of MetLife employees. MetLife sales employees work with all distribution channels to better reach and service customers, brokers, consultants and other intermediaries. In Latin America, we market our products and services through a multi-distribution strategy which varies by geographic region and stage of market development.

Retail Distribution

Retail products are sold through a diverse set of distribution networks in order to maximize penetration in the market place. These include our MetLife Premier Client Group, third-party organizations and property & casualty specialists. Our MetLife Premier Client Group targets the middle to upper income consumer market, including the executives of small- to medium-sized companies and small business owners.

## Table of Contents

We also sell Retail products through various third-party organizations. We distribute products to individuals and small to medium-sized businesses through independent general agencies, financial advisors, consultants, brokerage general agencies and other independent marketing organizations under contractual arrangements with the support of wholesalers. Additionally, wholesalers sell through financial intermediaries, including regional broker-dealers, brokerage firms, financial planners and banks.

We market and sell property & casualty products through independent agents, property & casualty specialists, and the MetLife Premier Client Group. In recent years, we have increased the number of independent agents appointed to sell these products.

### Group, Voluntary & Worksite Benefits Distribution

Group, Voluntary & Worksite Benefits distributes its products and services through a sales force that is segmented by the size of the target customer. Marketing representatives sell either directly to corporate and other group customers or through an intermediary, such as a broker or consultant. In addition, voluntary products are sold by specialists.

Employers have been emphasizing voluntary products and, as a result, we have increased our focus on communicating and marketing to employees in order to further foster sales of those products.

We are a leading provider of personal lines property & casualty insurance products offered to employees at their employer's worksite. Marketing representatives market personal lines property & casualty insurance products to employers through a variety of means, including broker referrals and cross-selling to group customers. Once permitted by the employer, MetLife commences marketing efforts to employees, enabling them to purchase coverage and to request payroll deduction over the telephone.

We have entered into several operating joint ventures and other arrangements with third parties to expand the marketing and distribution opportunities of Group, Voluntary & Worksite Benefits products and services. We also sell our group products and services through sponsoring organizations and affinity groups and provide life and dental coverage to certain employees of the U.S. Government.

### Corporate Benefit Funding Distribution

Corporate Benefit Funding products and services are distributed through dedicated sales teams and relationship managers. Products may be sold directly to benefit plan sponsors and advisors or through brokers, consultants or other intermediaries. In addition, these sales professionals work with individual, group and global distribution areas to better reach and service customers, brokers, consultants and other intermediaries.

### Latin America Distribution

Latin America's distribution channels include captive agents, direct marketing ("sponsored and direct to customer"), large multinational brokers and small and medium-sized brokers, direct and group sales forces (mostly for group policies without broker intermediation), and worksite marketing. The region has an exclusive and captive agency distribution network also selling a variety of individual life, accident & health, and pension products. In the direct marketing channel, we work with sponsors and telesales representatives selling mainly accident & health and individual life products directly to consumers. We currently work with active brokers with registered sales of group and individual life, accident & health, group medical, dental and pension products.

### Asia

#### Product Overview

Our Asia segment engages in the following businesses:

**Life Insurance.** We offer both traditional and non-traditional life insurance products, such as whole life, term life, endowments, universal life and variable life products. We offer group life programs in most markets.

**Accident & Health Insurance.** We offer individual and group personal accident and supplemental health products, including AD&D, hospital indemnity, scheduled medical reimbursement plans, and coverage for serious medical conditions. In addition, we offer individual and group major medical coverage in select markets.

**Retirement and Savings Products.** We offer both fixed and variable annuity products in select markets, with our largest markets in Japan, Korea and China.

**Credit Insurance.** We offer credit insurance policies designed to fulfill certain obligations in the event of the policyholder's death in select markets, including Japan, Australia and Bangladesh.



Table of Contents

Operations

We operate throughout Asia, with our largest operation in Japan.

Sales Distribution

Our Asia operations are geographically diverse with developed and emerging markets. We market our products and services through a multi-channel distribution strategy including career agency, bancassurance, direct marketing, brokerage, other third-party distribution and e-commerce.

Japan's multi-channel distribution strategy consists of captive agents, independent agents, bancassurance, direct marketing and brokers. While face-to-face channels continue to be core to Japan's business, other channels, including bancassurance and direct marketing, have become a critical part of Japan's distribution strategy. Our Japan operation has maintained its position in bancassurance due to its strong distribution relationship with Japan's mega banks, trust banks and various regional banks, as well as with the Japan Post. The direct marketing channel is supported by an industry-leading marketing platform, state-of-the-art call center infrastructure and its own campaign management system. Our direct marketing operations, the largest of which is in Japan, deploy both broadcast marketing approaches (e.g. direct response TV, web-based lead generation) and traditional direct marketing techniques such as inbound and outbound telemarketing.

Outside of Japan, our distribution strategies differ by country but generally utilize a combination of captive agents, bancassurance relationships and direct marketing. Throughout the region, our Asia operation leverages its expertise in direct marketing operations management to conduct its own campaigns and provide those direct marketing capabilities to third-party sponsors. While not a significant part of the region's overall business, sales of group life and pension business are primarily achieved through independent brokers and an employee sales force.

Table of Contents

EMEA

Product Overview

Our EMEA segment engages in the following businesses:

**Life Insurance.** We offer both traditional and non-traditional life insurance products, such as whole life, term life, endowments and variable life products. We offer group term life programs in most markets.

**Accident & Health Insurance.** We offer individual and group personal accident and supplemental health products, including AD&D, hospital indemnity, scheduled medical reimbursement plans, and coverage for serious medical conditions. In addition, we offer individual and group major medical coverage in select markets.

**Retirement and Savings Products.** We offer fixed annuity products and pension products, including group pension programs in select markets. In Poland and Romania, we offer through specialized pension companies a savings oriented pension product under the mandatory privatized social security systems.

**Credit Insurance.** We offer credit insurance policies designed to fulfill certain obligations in the event of the policyholder's death.

Operations

We operate in several countries across EMEA, with our largest operations in the Gulf and Poland.

Table of Contents

## Sales Distribution

Our EMEA operations are geographically diverse with a mix of developed and emerging markets. We hold leading positions in several markets in the Middle East and Central & Eastern Europe, and focus on attractive niche segments in more developed markets. Emerging markets represent a significant part of the region's overall earnings. Our businesses in EMEA employ a multi-channel distribution strategy, including captive and independent agency, bancassurance and direct-to-consumer.

## Corporate &amp; Other

## Overview

The Company reports certain of its results of operations in Corporate & Other. Corporate & Other contains the excess capital, as well as certain charges and activities, not allocated to the segments, including external integration costs, internal resource costs for associates committed to acquisitions, enterprise-wide strategic initiative restructuring charges, various start-up businesses (including expatriate benefits insurance and our investment management business through which we offer fee-based investment management services to institutional clients) and certain run-off businesses. Corporate & Other also includes assumed reinsurance of certain variable annuity products from our former operating joint venture in Japan. Under this in-force reinsurance agreement, we reinsure living and death benefit guarantees issued in connection with variable annuity products. Additionally, Corporate & Other includes interest expense related to the majority of the Company's outstanding debt and expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings.

## Policyholder Liabilities

We establish, and carry as liabilities, actuarially determined amounts that are calculated to meet policy obligations when a policy matures or is surrendered, an insured dies or becomes disabled or upon the occurrence of other covered events, or to provide for future annuity payments. 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 assumptions and estimates, including estimated premiums to be received over the assumed life of the policy, the timing of the event covered by the insurance policy, the amount of benefits or claims to be paid and the investment returns on the investments we make with the premiums we receive. We establish liabilities for claims and benefits based on assumptions and estimates of losses and liabilities incurred. Amounts for actuarial liabilities are computed and reported in the consolidated financial statements in conformity with GAAP. For more details on policyholder liabilities see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Liability for Future Policy Benefits" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Policyholder Liabilities." Pursuant to applicable insurance laws and regulations, MetLife, Inc.'s insurance subsidiaries, including affiliated captive reinsurers, establish statutory reserves, reported as liabilities, to meet their obligations on their respective policies. These statutory reserves are established in amounts sufficient to meet policy and contract obligations, when taken together with expected future premiums and interest at assumed rates. Statutory reserves and actuarial liabilities for future policy benefits generally differ based on accounting guidance.

U.S. state insurance laws and regulations require certain MetLife entities to submit to superintendents of insurance, with each annual report, an opinion and memorandum of a "qualified actuary" that the statutory reserves and related actuarial amounts recorded in support of specified policies and contracts, and the assets supporting such statutory reserves and related actuarial amounts, make adequate provision for their statutory liabilities with respect to these obligations. See "— Regulation — U.S. Regulation — Insurance Regulation — Policy and Contract Reserve Adequacy Analysis." Insurance regulators in many of the non-U.S. countries in which we operate require certain MetLife entities to prepare a sufficiency analysis of the reserves presented in the locally required regulatory financial statements, and to submit that analysis to the regulatory authorities. See "— Regulation — International Regulation."

## Table of Contents

### Underwriting and Pricing

Our Global Risk Management Department (“GRM”) contains a dedicated unit, the primary responsibility of which is the development of product pricing standards and independent pricing and underwriting oversight for MetLife’s insurance businesses. Further important controls around management of underwriting and pricing processes include regular experience studies to monitor assumptions against expectations, formal new product approval processes, periodic updates to product profitability studies and the use of reinsurance to manage our exposures, as appropriate. See “— Reinsurance Activity.”

#### Underwriting

Underwriting generally involves an evaluation of applications by a professional staff of underwriters and actuaries, who determine the type and the amount of insurance 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 such risks before issuing policies to qualified applicants or groups.

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

The underwriting conducted by our remote underwriting offices and intermediaries, as well as our corporate underwriting office, is subject to periodic quality assurance reviews to maintain high standards of underwriting and consistency. Such offices are also subject to periodic external audits by reinsurers with whom we do business. We have established 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.

For our property & casualty business, our underwriting function has six principal aspects: evaluating potential voluntary and worksite employer accounts and independent agencies; establishing guidelines for the binding of risks; reviewing coverage bound by agents; underwriting potential insureds, on a case by case basis, presented by agents outside the scope of their binding authority; pursuing information necessary in certain cases to enable issuance of a policy within our guidelines; and ensuring that renewal policies continue to be written at rates commensurate with risk. Subject to very few exceptions, agents in each of the distribution channels have binding authority for risks which fall within our published underwriting guidelines. Risks falling outside the underwriting guidelines may be submitted for approval to the underwriting department; alternatively, agents in such a situation may call the underwriting department to obtain authorization to bind the risk themselves. In most states, we generally have the right within a specified period (usually the first 60 days) to cancel any policy.

We continually review our underwriting guidelines in light of applicable regulations and to ensure that our policies remain competitive and supportive of our marketing strategies and profitability goals.

#### Pricing

Product pricing reflects our pricing standards, which are consistent for our global businesses. GRM, as well as regional finance and product teams are responsible for pricing and oversight for all of our insurance businesses. Product pricing is based on the expected payout of benefits calculated through the use of assumptions for mortality, morbidity, expenses, persistency and investment returns, as well as certain macroeconomic factors, such as inflation. Investment-oriented products are priced based on various factors, which may include investment return, expenses, persistency and optionality and possible variability of results. For certain products, pricing may include prospective and retrospective experience rating features. Prospective experience rating involves the evaluation of past experience for the purpose of determining future premium rates and we bear all prior year gains and losses. Retrospective



experience rating also involves the evaluation of past experience for the purpose of determining the actual cost of providing insurance for the customer; however, the contract includes certain features that allow us to recoup certain losses or distribute certain gains back to the policyholder based on actual prior years' experience.

Table of Contents

Rates for group insurance and voluntary & worksite products (with the exception of property & casualty products) are based on anticipated earnings and expenses for the book of business being underwritten. Renewals are generally reevaluated annually or biannually and are repriced to reflect actual experience on such products. Products offered by Corporate Benefit Funding are priced on demand. Pricing reflects expected investment returns, as well as mortality, longevity and expense assumptions appropriate for each product. This business is generally nonparticipating and illiquid, as policyholders have few or no options or contractual rights to cash values.

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

For our property & casualty business, our ability to set and change rates is subject to regulatory oversight. Rates for our major lines of property & casualty insurance are based on our proprietary database, rather than relying on rating bureaus. We determine prices in part from a number of variables specific to each risk. The pricing of personal lines insurance products takes into account, among other things, the expected frequency and severity of losses, the costs of providing coverage (including the costs of acquiring policyholders and administering policy benefits and other administrative and overhead costs such as reinsurance), competitive factors and profit considerations. The major pricing variables for personal lines insurance include characteristics of the insured property, such as age, make and model or construction type, as well as characteristics of the insureds, such as driving record and loss experience, and the insured's personal financial management. As a condition of our license to do business in each state, we, like all other personal lines insurers, are required to write or share the cost of private passenger automobile and homeowners insurance for higher risk individuals who would otherwise be unable to obtain such insurance. This "involuntary" market, also called the "shared market," is governed by the applicable laws and regulations of each state, and policies written in this market are generally written at rates higher than standard rates and typically afford less coverage. We continually review our pricing guidelines in light of applicable regulations and to ensure that our policies remain competitive and supportive of our marketing strategies and profitability goals.

**Reinsurance Activity**

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

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

Table of Contents

We reinsure our business through a diversified group of well-capitalized, highly rated reinsurers. We analyze recent trends in arbitration and litigation outcomes in disputes, if any, with our reinsurers. We monitor ratings and evaluate the financial strength of our reinsurers by analyzing their financial statements. In addition, the reinsurance recoverable balance due from each reinsurer is evaluated as part of the overall monitoring process. Recoverability of reinsurance recoverable balances is evaluated based on these analyses. We generally secure large reinsurance recoverable balances with various forms of collateral, including secured trusts, funds withheld accounts and irrevocable letters of credit. Additionally, we enter into reinsurance agreements for risk and capital management purposes with several affiliated captive reinsurers. Captive reinsurers are affiliated insurance companies licensed under specific provisions of insurance law of their respective jurisdictions, such as the Special Purpose Financial Captive law adopted by several states including Vermont and Delaware, and have a very narrow business plan that specifically restricts the majority or all of their activity to reinsuring business from their affiliates. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Capital — Affiliated Captive Reinsurance Transactions.”

Americas - Excluding Latin America

For our Retail Life & Other insurance products, we have historically reinsured the mortality risk primarily on an excess of retention basis or on a quota share basis. We currently reinsure 90% of the mortality risk in excess of \$2 million for most products. In addition to reinsuring mortality risk as described above, we reinsure other risks, as well as specific coverages. Placement of reinsurance is done primarily on an automatic basis and also on a facultative basis for risks with specified characteristics. On a case by case basis, we may retain up to \$20 million per life and reinsure 100% of amounts in excess of the amount we retain. We evaluate our reinsurance programs routinely and may increase or decrease our retention at any time.

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

For our Group, Voluntary & Worksite Benefits segment, we generally retain most of the risk and only cede particular risk on certain client arrangements. The majority of our reinsurance activity within this segment relates to the following client agreements:

- Employer sponsored captive programs: through these programs, employers buy a group life insurance policy with the condition that a portion of the risk is reinsured back to a captive insurer sponsored by the client.

- Risk-sharing agreements: through these programs, clients require that we reinsure a portion of the risk back to third parties, such as minority-owned reinsurers.

- Multinational pooling: through these agreements, employers buy many group insurance policies which are aggregated in a single insurer via reinsurance.

The risks ceded under these agreements are generally quota shares of group life and disability policies. The cessions vary from 50% to 90% of all the risks of the policies.

For our property & casualty business within both the Retail and Group, Voluntary & Worksite Benefits segments, we purchase reinsurance to manage our exposure to large losses (primarily catastrophe losses) and to protect statutory surplus. We cede losses and premiums based upon the exposure of the policies subject to reinsurance. To manage exposure to large property & casualty losses, we purchase property catastrophe, casualty and property per risk excess of loss reinsurance protection.

For our Corporate Benefit Funding segment, we have periodically engaged in reinsurance activities on an opportunistic basis. There were no such transactions during the periods presented.

Latin America, Asia and EMEA

For certain life insurance products, we currently reinsure risks in excess of \$5 million to external reinsurers on a yearly renewable term basis. We may also reinsure certain risks with external reinsurers depending upon the nature of the risk and local regulatory requirements.

For selected large corporate clients, we reinsure group employee benefits or credit insurance business with various client-affiliated reinsurance companies, covering policies issued to the employees or customers of the clients.

Additionally, we cede and assume risk with other insurance companies when either company requires a business partner with the appropriate local licensing to issue certain types of policies in certain countries. In these cases, the assuming company typically underwrites the risks, develops the products and assumes most or all of the risk.

Table of Contents

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

**Corporate & Other**

We reinsure through 100% quota share reinsurance agreements certain run-off long-term care and workers' compensation business written by MetLife USA.

Corporate & Other also has a reinsurance agreement in-force to reinsure the living and death benefit guarantees issued in connection with certain variable annuity products. Under this agreement, we receive reinsurance fees associated with the guarantees collected from policyholders, and provide reimbursement for benefits paid or accrued in excess of account values, subject to certain limitations.

**Catastrophe Coverage**

We have exposure to catastrophes which could contribute to significant fluctuations in our results of operations. We use excess reinsurance agreements, under which the direct writing company reinsures risk in excess of a specific dollar value for each policy within a class of policies, to provide greater diversification of risk and minimize exposure to larger risks. Such excess reinsurance agreements include retention reinsurance agreements and quota share reinsurance agreements. Retention reinsurance agreements provide for a portion of a risk to remain with the direct writing company, and quota share reinsurance agreements provide for the direct writing company to transfer a fixed percentage of all risks of a class of policies. Our life insurance products, particularly group life, subject us to catastrophe risk which we do not reinsure other than through our ongoing mortality reinsurance program which transfers risk at the individual policy level. For the Americas, excluding Latin America, we use excess of retention and quota share reinsurance agreements to provide greater diversification of risk and minimize exposure to larger risks. Currently, for Latin America, Asia and EMEA, we purchase catastrophe coverage to insure risks within certain countries deemed by management to be exposed to the greatest catastrophic risks.

**Reinsurance Recoverables**

For information regarding ceded reinsurance recoverable balances, included in premiums, reinsurance and other receivables in the consolidated balance sheets, see Note 6 of the Notes to the Consolidated Financial Statements.

Table of Contents

|  |           |
|--|-----------|
| Regulation   |           |
| Index to Regulation  |           |
|  | Page      |
| <u>Overview</u>  | <u>22</u> |
| <u>U.S. Regulation</u>   | <u>22</u> |
| <u>Insurance Regulation</u>  | <u>22</u> |
| <u>Regulation as a Non-Bank SIFI</u>                               | <u>28</u> |
| <u>ERISA Considerations</u>  | <u>30</u> |
| <u>Consumer Protection Laws</u>                                    | <u>31</u> |
| <u>Regulation of Over-the-Counter Derivatives</u>                  | <u>32</u> |
| <u>Securities, Broker-Dealer and Investment Adviser Regulation</u> | <u>32</u> |
| <u>Environmental Considerations</u>                                | <u>33</u> |
| <u>Unclaimed Property</u>  | <u>33</u> |
| <u>International Regulation</u>                                    | <u>33</u> |
| <u>Solvency Regimes</u>  | <u>34</u> |
| <u>Global Systemically Important Insurers</u>                      | <u>34</u> |
| <u>Japan</u>   | <u>35</u> |

Table of Contents

## Overview

In the U.S., our life insurance companies are regulated primarily at the state level with some products and services also subject to federal regulation. In addition, MetLife, Inc. and its U.S. insurance subsidiaries are subject to regulation under the insurance holding company laws of various U.S. jurisdictions. As a non-bank systemically important financial institution (“non-bank SIFI”), MetLife, Inc. is also subject to regulation by the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”) and the Federal Reserve Bank of New York (collectively, with the Federal Reserve Board, the “Federal Reserve”) and the Federal Deposit Insurance Corporation (“FDIC”). Furthermore, some of MetLife’s operations, products and services are subject to consumer protection laws, securities, broker-dealer and investment adviser regulations, environmental and unclaimed property laws and regulations, and to the Employee Retirement Income Security Act of 1974 (“ERISA”). See “— U.S. Regulation.”

Our international insurance operations are principally regulated by insurance regulatory authorities in the jurisdictions in which they are located or operate. In addition, our investment and pension companies outside of the U.S. are subject to oversight by the relevant securities, pension and other authorities of the countries in which the companies operate. Our non-U.S. insurance businesses are also subject to current and developing solvency regimes which impose various capital and other requirements. As a global systemically important insurer (“G-SII”), MetLife, Inc. may also become subject to additional capital requirements. See “— International Regulation.”

## U.S. Regulation

## Insurance Regulation

State insurance regulation generally aims at supervising and regulating insurers, with the goal of protecting policyholders and ensuring that insurance companies remain solvent. Insurance regulators have increasingly sought information about the potential impact of activities in holding company systems as a whole, and some jurisdictions have adopted laws and regulations enhancing “group-wide” supervision, as supported by the National Association of Insurance Commissioners’ (“NAIC”) Solvency Modernization Initiative. See “— NAIC” for information regarding group-wide supervision.

Each of MetLife’s insurance subsidiaries operating in the United States is licensed and regulated in each U.S. jurisdiction where it conducts insurance business. The extent of such regulation varies, but most jurisdictions have laws and regulations governing the financial aspects and business conduct of insurers. State laws in the U.S. grant insurance regulatory authorities broad administrative powers with respect to, among other things:

- licensing companies and agents to transact business;
- calculating the value of assets to determine compliance with statutory requirements;
- mandating certain insurance benefits;
- regulating certain premium rates;
- reviewing and approving certain policy forms;
- regulating unfair trade and claims practices, including through the imposition of restrictions on marketing and sales practices, distribution arrangements and payment of inducements, and identifying and paying to the states benefits and other property that is not claimed by the owners;
- regulating advertising;
- protecting privacy;
- establishing statutory capital and reserve requirements and solvency standards;
- specifying the conditions under which a ceding company can take credit for reinsurance in its statutory financial statements (i.e., reduce its reserves by the amount of reserves ceded to a reinsurer);
- fixing maximum interest rates on insurance policy loans and minimum rates for guaranteed crediting rates on life insurance policies and annuity contracts;
- adopting and enforcing suitability standards with respect to the sale of annuities and other insurance products;
- 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.





## Table of Contents

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

State and federal insurance and securities regulatory authorities and other state law enforcement agencies and attorneys general from time to time make inquiries regarding compliance by MetLife, Inc. and its insurance subsidiaries with insurance, securities and other laws and regulations regarding the conduct of our insurance and securities businesses. We cooperate with such inquiries and take corrective action when warranted. See Note 21 of the Notes to the Consolidated Financial Statements.

### Holding Company Regulation

Insurance holding company laws and regulations vary from jurisdiction to jurisdiction, but generally require a controlled insurance company (insurers that are subsidiaries of insurance holding companies) to register with state regulatory authorities and to file with those authorities certain reports, including information concerning its capital structure, ownership, financial condition, certain intercompany transactions and general business operations. The NAIC adopted revisions to the NAIC Insurance Holding Company System Model Act (“Model Holding Company Act”) and the Insurance Holding Company System Model Regulation (“Regulation”) in December 2010 and December 2014. The Model Holding Company Act and Regulation serve as a basis for action by the states. See “— NAIC” for further information on the Model Holding Company Act and Regulation.

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. Dividends in excess of prescribed limits and transactions above a specified size between an insurer and its affiliates require the approval of the insurance regulator in the insurer’s state of domicile. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — MetLife, Inc. — Liquidity and Capital Sources — Dividends from Subsidiaries.” See also “Dividend Restrictions” in Note 16 of the Notes to the Consolidated Financial Statements for further information regarding such limitations, as well as an amendment to the New York Insurance Law permitting MLIC to pay stockholder dividends to MetLife, Inc. in any calendar year without prior insurance regulatory clearance under one of two alternative formulations during 2016 and going forward.

### Federal Initiatives

Although the insurance business in the United States is primarily regulated by the states, federal initiatives often have an impact on our business in a variety of ways. From time to time, federal measures are proposed which may significantly affect the insurance business. These areas include financial services regulation, securities regulation, derivatives regulation, pension regulation, health care regulation, privacy, tort reform legislation and taxation. In addition, various forms of direct and indirect federal regulation of insurance have been proposed from time to time, including proposals for the establishment of an optional federal charter for insurance companies. See “—Health Care Regulation” and “Risk Factors — Regulatory and Legal Risks — Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.”

The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”) effected the most far-reaching overhaul of financial regulation in the U.S. in decades. The full impact of Dodd-Frank on us will depend on the numerous rulemaking initiatives required or permitted by Dodd-Frank and the various studies mandated by Dodd-Frank, many of which remain to be completed.

Dodd-Frank established the Federal Insurance Office (“FIO”) within the Department of the Treasury, which has the authority to participate in the negotiations of international insurance agreements with foreign regulators for the U.S., as well as to collect information about the insurance industry and recommend prudential standards. While not having a general supervisory or regulatory authority over the business of insurance, the director of this office performs various functions with respect to insurance, including serving as a non-voting member of the Financial Stability Oversight Council (“FSOC”) and making recommendations to the FSOC regarding insurers to be designated for more stringent

regulation. On December 12, 2013, the FIO issued a report, mandated by Dodd-Frank, which, among other things, urged the states to modernize and promote greater uniformity in insurance regulation. However, the report also discussed potential federal solutions if states failed to modernize and improve regulation and some of the report's recommendations, for instance, favored a greater federal role in monitoring financial stability and identifying issues or gaps in the regulation of large national and internationally active insurers.

Table of Contents

Dodd-Frank also includes provisions that impact the investments and investment activities of MetLife, Inc. and its subsidiaries, including the federal regulation of such activities. Until the various final regulations are promulgated pursuant to Dodd-Frank, and perhaps for some time thereafter, the full impact of Dodd-Frank on such activities will remain unclear. Such provisions and regulations include, but are not limited to, the potential application of enhanced prudential standards and other restrictions, including the regulation of proprietary trading and sponsoring or investing in hedge funds or private equity funds, to non-bank SIFIs, all of which affect MetLife, Inc. as the FSOC has designated it as a non-bank SIFI. See “— Regulation as a Non-Bank SIFI.”

Health Care Regulation

The Patient Protection and Affordable Care Act (“PPACA”), signed into law on March 23, 2010, and The Health Care and Education Reconciliation Act of 2010, signed into law on March 30, 2010 (together, the “Affordable Care Act”), imposes obligations on MetLife as an enterprise, and as a provider of non-medical health insurance benefits and as a purchaser of certain of these products. In 2014, we became subject to an excise tax called the “health insurer fee,” the cost of which is primarily passed on to group purchasers of certain of our dental and vision insurance products. Additionally, with respect to dental insurance products sold to groups with 50 or fewer employees, we have changed certain of our product offerings in response to the Affordable Care Act. The cost of these product changes will also be reflected in our pricing of such products. The Affordable Care Act and its related regulations have already resulted in increased and unpredictable costs to provide certain products and may have additional adverse effects. See “Risk Factors — Regulatory and Legal Risks — Legislative and Regulatory Activity in Health Care and Other Employee Benefits Could Affect our Profitability as a Provider of Life Insurance, Annuities, and Non-Medical Health Insurance Benefit Products.” It has also harmed our competitive position, as the Affordable Care Act has a disparate impact on our products compared to products offered by our not-for-profit competitors.

On July 14, 2014, the District of Columbia (“DC”) adopted a law that imposes an assessment on health insurers doing business in DC, including those that issue non-medical health-related products that are not subject to regulation under the Affordable Care Act. While the financial impact to the Company of DC’s action will be minimal, if other states decide to successfully adopt this model, there could be an impact on product pricing and sales. Currently 16 states and DC have created their own public healthcare exchanges. One other state (Connecticut) has levied an assessment and other states may also consider levying assessments on both medical and non-medical health insurers to fund their healthcare exchanges. On June 25, 2015, the U.S. Supreme Court, in the *King v. Burwell* decision, upheld the payment of tax credits to individuals who purchase coverage in states that have a federally facilitated exchange rather than a state exchange. Had the Supreme Court not upheld this payment, it is likely more states would have been compelled to create their own exchanges and possibly assess insurers for the fees of running these exchanges.

The Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 also includes certain provisions for defined benefit pension plan funding relief. As part of our Corporate Benefit Funding segment, we offer general account and separate account group annuity products that enable a plan sponsor to transfer these risks, often in connection with the termination of defined benefit pension plans. See “Risk Factors — Regulatory and Legal Risks — Legislative and Regulatory Activity in Health Care and Other Employee Benefits Could Affect our Profitability as a Provider of Life Insurance, Annuities, and Non-Medical Health Insurance Benefit Products” for further information regarding the potential effect of such regulation.

Guaranty Associations and Similar Arrangements

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

In the past five years, the aggregate assessments levied against MetLife have not been material. We have established liabilities for guaranty fund assessments that we consider adequate. See Note 21 of the Notes to the Consolidated Financial Statements for additional information on the insolvency assessments.



Table of Contents

## Insurance Regulatory Examinations and Other Activities

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. Except as otherwise disclosed in Note 21 of the Notes to the Consolidated Financial Statements, during the years ended December 31, 2015, 2014 and 2013, MetLife did not receive any material adverse findings resulting from state insurance department examinations of its insurance subsidiaries.

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

In addition, claims payment practices by insurance companies have received increased scrutiny from regulators. See Note 21 of the Notes to the Consolidated Financial Statements for further information regarding retained asset accounts and unclaimed property inquiries and related litigation.

We also received an inquiry relating to licensing. See Note 21 of the Notes to the Consolidated Financial Statements for further information regarding the settlement of a licensing matter with the New York State Department of Financial Services (the “Department of Financial Services”) and the District Attorney, New York County, and a related amendment to the New York Insurance Law.

State insurance regulators and the NAIC are also investigating the use of affiliated captive reinsurers and offshore entities to reinsure insurance risks. The NAIC contracted with Rector & Associates to study captives and recommend additional regulation. Rector & Associates issued recommendations in June 2014, modifying its report which was released for comment in late February 2014 (as modified, the “Rector Report”). The Rector Report was adopted by an NAIC task force on June 30, 2014 and by an NAIC executive committee on August 17, 2014. As a result, a number of NAIC working groups have adopted and may continue to adopt additional regulations on captives. It is premature to project the impact, if any, of any such regulations on MetLife.

Like many life insurance companies, we utilize captive reinsurers to satisfy reserve and capital requirements related to universal life and term life insurance policies. Insurance regulators in a few states, including New York and California, have imposed a moratorium on new reinsurance transactions between life insurers domiciled in those states and captive reinsurers. We will continue to evaluate product modifications, pricing structure and alternative means of managing risks, capital and statutory reserves. We expect the discontinued use of captive reinsurance on new reserve financing transactions would not have a material impact on our future consolidated financial results. See “Risk Factors — Regulatory and Legal Risks — Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.” As a result of the Mergers, we no longer cede any U.S. variable annuity guarantee risks to a captive reinsurer. Instead, our reinsured U.S. variable annuity risks that were previously reinsured by captives are now reinsured by MLIC, MetLife USA, or third parties. For more information on our use of captive reinsurers see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Capital — Affiliated Captive Reinsurance Transactions” and Note 16 of the Notes to the Consolidated Financial Statements.

Table of Contents

The International Association of Insurance Supervisors (“IAIS”) has encouraged U.S. insurance supervisors, such as the Department of Financial Services, to establish Supervisory Colleges for U.S.-based insurance groups with international operations, including MetLife, to facilitate cooperation and coordination among the insurance groups’ supervisors and to enhance the member regulators’ understanding of an insurance group’s risk profile. MetLife, Inc. was the subject of Supervisory College meetings in prior years chaired by the Department of Financial Services and attended by MetLife’s key U.S. and international insurance regulators. Because MetLife, Inc. is now supervised as a non-bank SIFI, an April 2015 Supervisory College was co-chaired by the Department of Financial Services and the Federal Reserve Bank of New York and attended by MetLife’s key U.S. and international regulators, including the FDIC, which has joint authority with the Federal Reserve Board over the resolution plan that MetLife will be required to submit. The next meeting is scheduled for June 2016 and will be chaired by the Federal Reserve Bank of New York. See “— Regulation as a Non-Bank SIFI — Enhanced Prudential Standards for Non-Bank SIFIs” below. We have not received any reports or recommendations from the Supervisory College meetings, and we do not expect any outcome of the meetings to have a material adverse effect on our business.

Policy and Contract Reserve Adequacy Analysis

Annually, our U.S. insurance subsidiaries, including affiliated captive reinsurers, are required to conduct an analysis of the adequacy of all statutory reserves. In each case, a qualified actuary must submit an opinion which states that the statutory reserves make adequate provision, according to accepted actuarial standards of practice, for the anticipated cash flows required by the contractual obligations and related expenses of the U.S. insurance subsidiary. The adequacy of the statutory reserves is considered in light of the assets held by the insurer with respect to such reserves and related actuarial items including, but not limited to, the investment earnings on such assets, and the consideration anticipated to be received and retained under the related policies and contracts. The Company may increase reserves in order to submit an opinion without qualification. Since inception of this requirement, our U.S. insurance subsidiaries which are required by their states of domicile to provide these opinions have provided such opinions without qualifications.

NAIC

The NAIC is an organization, the mission of which is to assist state insurance regulatory authorities in serving the public interest and achieving the insurance regulatory goals of its members, the state insurance regulatory officials. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate their regulatory oversight. The NAIC provides standardized insurance industry accounting and reporting guidance through its Accounting Practices and Procedures Manual (the “Manual”). However, statutory accounting principles continue to be established by individual state laws, regulations and permitted practices. Changes to the Manual or modifications by the various state insurance departments may impact the statutory capital and surplus of MetLife, Inc.’s U.S. insurance subsidiaries.

The Model Holding Company Act and Regulation include a new requirement that the ultimate controlling person of a U.S. insurer file an annual enterprise risk report with the lead state of the insurer identifying risks likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole. To date, all of the states where MetLife has domestic insurers have enacted a version of the revised Model Holding Company Act, including the enterprise risk reporting requirement. In December 2014, the NAIC adopted amendments to the Model Holding Company Act that would authorize state insurance commissioners to act as global group-wide supervisors for internationally active insurance groups, as well as other insurers who choose to opt in for the group-wide supervision. The amendments create a selection process for the group-wide supervisor, extend confidentiality protection to communications with the group-wide supervisor, and outline the duties of the group-wide supervisor. To date, a number of jurisdictions have adopted laws and regulations enhancing group-wide supervision. The NAIC has concluded its “Solvency Modernization Initiative,” which was designed to review the U.S. financial regulatory system and all aspects of financial regulation affecting insurance companies. Though broad in scope, the NAIC’s Solvency Modernization Initiative focused on: (1) capital requirements; (2) corporate governance and risk management; (3) group supervision; (4) statutory accounting and financial reporting; and (5) reinsurance. In furtherance of this initiative, the NAIC adopted the Corporate Governance Annual Filing Model Act and Regulation at its August 2014 meeting. The new model, which requires insurers to make an annual confidential filing regarding their

corporate governance policies, is expected to become effective in 2016. In addition, in September 2012, the NAIC adopted the Risk Management and Own Risk and Solvency Assessment Model Act (“ORSA”), which has been enacted by our insurance subsidiaries’ domiciliary states. ORSA requires that insurers maintain a risk management framework and conduct an internal own risk and solvency assessment of the insurer’s material risks in normal and stressed environments. The assessment must be documented in a confidential annual summary report, a copy of which must be made available to regulators as required or upon request. MetLife’s first ORSA summary report was submitted on behalf of the enterprise in December 2015.

Table of Contents

In December 2012, the NAIC approved a new valuation manual containing a principles-based approach to life insurance company reserves. Principles-based reserving is designed to better address reserving for products, including the current generation of products for which the current formulaic basis for reserve determination does not work effectively. The principles-based approach will not become effective unless it is enacted into law by a minimum number of state legislatures. Insurance commissioners of certain states (e.g., New York) oppose or do not actively support the principles-based reserve approach.

We cannot predict the capital and reserve impacts or compliance costs, if any, that may result from the above initiatives.

**Surplus and Capital; Risk-Based Capital**

Insurers are required to maintain their capital and surplus at or above minimum levels. Regulators have discretionary authority, in connection with the continued licensing of our U.S. insurance subsidiaries, to limit or prohibit an insurer's sales to policyholders if, in their judgment, the regulators determine that such insurer has not maintained the minimum surplus or capital or that the further transaction of business will be hazardous to policyholders. Most of our U.S. insurance subsidiaries are subject to risk-based capital ("RBC") requirements. RBC is based on a formula calculated by applying factors to various asset, premium, claim, expense and statutory reserve items. The formula takes into account the risk characteristics of the insurer and is calculated on an annual basis. The major categories of risk involved are asset risk, insurance risk, interest rate risk, market risk and business risk. The formula is used as an early warning regulatory tool to identify possible inadequately capitalized insurers for purposes of initiating regulatory action, and not as a means to rank insurers generally. State insurance laws provide insurance regulators the authority to require various actions by, or take various actions against, insurers whose total adjusted capital does not meet or exceed certain RBC levels. As of the date of the most recent annual statutory financial statements filed with insurance regulators, the total adjusted capital of each of our subsidiaries subject to these requirements was in excess of each of those RBC levels. See "Statutory Equity and Income" in Note 16 of the Notes to the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Capital — Statutory Capital and Dividends."

While not required by or filed with insurance regulators, we calculate internally defined combined RBC ratios ("Combined RBC Ratios"), which are determined by dividing the sum of total adjusted capital for MetLife, Inc.'s principal U.S. insurance subsidiaries, excluding American Life Insurance Company ("American Life"), by the sum of company action level RBC for such subsidiaries. We calculate Combined RBC Ratios based on NAIC capital and reserving requirements ("NAIC-Based Combined RBC Ratios"). We also calculate Combined RBC Ratios derived from the statutory-basis financial statements as filed with insurance regulators ("Statement-Based Combined RBC Ratios"), which include additional capital requirements as required by the Department of Financial Services for the Company's New York domiciled insurance subsidiaries.

Our NAIC-Based Combined RBC Ratios were 537% and 437% at December 31, 2015 and 2014, respectively. Our Statement-Based Combined RBC Ratios were 513% and 398% at December 31, 2015 and 2014, respectively. Higher total adjusted capital coupled with lower company action level RBC resulted in an increase of 100 points in the NAIC-Based Combined RBC Ratio at December 31, 2015 as compared to 2014 and contributed to the increase of 115 points in the Statement-Based Combined RBC Ratio at December 31, 2015 as compared to 2014. In addition, the reserve relief from the Department of Financial Services discussed below also contributed to this increase in the Statement-Based Combined RBC Ratio.

Combined statutory net income of MetLife, Inc.'s U.S. insurance subsidiaries, excluding American Life, was \$3.2 billion (see Note 16 of the Notes to the Consolidated Financial Statements) and \$2.3 billion on a statement-basis and NAIC-basis, respectively, for the year ended December 31, 2015. In both cases, statutory net income was the primary driver of the increase in total adjusted capital. In addition, statutory net income on a statement-basis benefited from the release of asset adequacy reserves at MLIC as discussed below. This was partially offset by an increase in reserves at MetLife USA. Also, on February 24, 2016, MetLife, Inc. paid a cash capital contribution of \$1.5 billion to MetLife USA, which is included in MetLife USA statutory capital as of December 31, 2015 and also increased total adjusted capital. This capital contribution was made in contemplation of the proposed Separation. See Note 23 of the Notes to the Consolidated Financial Statements. The additional MetLife USA capital was not required to meet any regulatory



solvency or liquidity targets but rather is intended to support the anticipated standalone ratings of the insurance subsidiaries of the new company. This net increase in total adjusted capital was partially offset by dividends to MetLife, Inc. and unrealized investment losses of \$2.3 billion and \$0.8 billion, respectively, for the year ended December 31, 2015.

Table of Contents

Benefits from the shifting of the investment portfolio to asset classes with lower risk charges resulted in lower company action level RBC. This was coupled with lower market risk charges on variable annuity reserves, since in 2015 reserves were increased sufficiently to cover this market risk charge to RBC.

In addition to the aforementioned drivers of the increase in the NAIC-Based Combined RBC Ratio, the increase in the Statement-Based Combined RBC Ratios of 115 points was driven by Department of Financial Services Special Considerations Letters (each, an “SCL”) in 2015 and 2014, which lowered MLIC’s statement-based statutory capital and surplus at December 31, 2015 and 2014 by \$0.5 billion and \$1.4 billion, respectively, compared to NAIC-based statutory capital and surplus. The 2015 SCL provided meaningful relief to MLIC as compared to the 2014 SCL as it included, among other things, a provision that allowed insurers to seek approval to aggregate the results of their life, annuity and health businesses to satisfy asset adequacy testing requirements. This enabled MLIC to release asset adequacy reserves for long-term care and market value adjusted annuities of \$0.7 billion and \$0.2 billion, respectively, at December 31, 2015 and to avoid an estimated additional \$0.3 billion of reserve strengthening that would have been required at December 31, 2015.

Effective December 31, 2013, the Department of Financial Services discontinued its most recent amendment to Regulation 147 which governed the valuation of life insurance policies. The amendment reflected changes made in 2013 by the NAIC to Actuarial Guideline 38 (which impacts the valuation of universal and variable life policies with secondary guarantees (“ULSG”)). As a result of this action, New York licensed insurers are required to comply with a prior version of the regulation. As of December 31, 2015, statutory reserves on in-force ULSG, net of reinsurance, exceed NAIC requirements by \$103 million for MLIC and \$26 million for MetLife Reinsurance Company of Vermont (“MRV”). The change in the regulation has a minimal reserve impact on new sales of ULSG products.

We are not aware of any NAIC adoptions that would have a material impact on the RBC of our U.S. insurance subsidiaries.

Regulation of Investments

Each of our U.S. insurance subsidiaries is subject to state laws and regulations that require diversification of our investment portfolios and limit the amount of investments in certain asset categories, such as below investment grade fixed income securities, real estate equity, other equity investments, and derivatives. Failure to comply with these laws and regulations would cause investments exceeding regulatory limitations to be treated as non-admitted assets for purposes of measuring surplus and, in some instances, would require divestiture of such non-qualifying investments. We believe that the investments made by each of MetLife, Inc.’s U.S. insurance subsidiaries complied, in all material respects, with such regulations at December 31, 2015.

Regulation as a Non-Bank SIFI

On December 18, 2014, the FSOC designated MetLife, Inc. as a non-bank SIFI subject to regulation by the Federal Reserve and to enhanced supervision and prudential standards. See “— Enhanced Prudential Standards for Non-Bank SIFIs.”

On January 13, 2015, MetLife, Inc. filed an action in the U.S. District Court for the District of Columbia asking the court to review and rescind the FSOC’s designation of MetLife, Inc. as a non-bank SIFI. The court held oral argument on the parties’ cross motions for summary judgment on February 10, 2016. On January 12, 2016, MetLife, Inc. announced its plan to pursue the Separation. See Note 23 of the Notes to the Consolidated Financial Statements. See also “Risk Factors — Regulatory and Legal Risks — Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth — U.S Regulation — Regulation of MetLife, Inc. as a Non-Bank SIFI” regarding the potential impact of the proposed Separation on MetLife, Inc.’s or the new company’s status as a non-bank SIFI.

Regulation of MetLife, Inc. as a non-bank SIFI could materially and adversely affect our business. For example, although the Federal Reserve Board has not yet determined the enhanced capital requirements that will apply to MetLife, those capital requirements may adversely affect our ability to compete with other insurers that are not subject to those requirements, and our ability to issue guarantees could be constrained. In addition, as a non-bank SIFI, MetLife, Inc. needs to obtain Federal Reserve approval before directly or indirectly acquiring, merging or consolidating with a financial company having more than \$10 billion of assets or acquiring 5% or more of any voting class of securities of a bank or bank holding company and, depending on the extent of the combined company’s

liabilities, is subject to additional restrictions regarding its ability to merge. The Federal Reserve also has the right to require any of our insurance companies, or insurance company affiliates, to take prompt action to correct any financial weaknesses.

## Table of Contents

Together with other non-bank SIFIs, MetLife, Inc. is subject to a number of Dodd-Frank requirements including responsibility to pay certain assessments and other charges (i) equal to the total expenses the Federal Reserve Board thinks is necessary for its supervision of bank holding companies and savings and loan holding companies with assets of \$50 billion or more, and non-bank SIFIs, and (ii) in connection with the Financial Research Fund within the U.S. Department of Treasury that funds the Office of Financial Research, an agency established by Dodd-Frank to improve the quality of financial data available to policymakers and facilitate more robust and sophisticated analysis of the financial system.

### Enhanced Prudential Standards for Non-Bank SIFIs

In December 2011, in accordance with Dodd-Frank, the Federal Reserve Board proposed a rule that would have applied a set of prudential standards to non-bank SIFIs, including enhanced RBC requirements, leverage limits, liquidity requirements, single counterparty exposure limits, governance requirements for risk management, stress test requirements, special debt-to-equity limits for certain companies, and early remediation procedures. While the final rule did not apply to non-bank SIFIs, the Federal Reserve Board has indicated that it plans to apply enhanced prudential standards to non-bank SIFIs by rule or order, enabling it to more appropriately tailor the standards to non-bank SIFIs and will provide affected non-bank SIFIs with notice and the opportunity to comment prior to determination of their enhanced prudential standards. Accordingly, the manner in which these proposed standards might apply to MetLife, Inc. remains unclear.

In particular, the Federal Reserve Board has not determined the requirements that will govern the amount and composition of capital that MetLife, Inc. is required to hold. Legislation was signed into law on December 18, 2014 relieving the Federal Reserve Board from certain provisions in Dodd-Frank that it believed constrained its ability to tailor capital rules for insurers that are non-bank SIFIs. See “Risk Factors — Regulatory and Legal Risks — Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth — U.S. Regulation — Regulation of MetLife, Inc. as a Non-Bank SIFI.” On September 30, 2014, the Federal Reserve Board announced that it would begin a quantitative impact study (“QIS”) to evaluate the potential effects of its revised regulatory capital framework on savings and loan holding companies and non-bank financial companies supervised by the Federal Reserve that are substantially engaged in insurance underwriting activity (insurance holding companies). The Federal Reserve Board conducted the QIS in order to enable it to design a capital framework for insurance holding companies it supervises; however, because the QIS was designed prior to the December 18, 2014 statutory change, the Federal Reserve has said the data collected has limitations and that they may seek additional data in the future. MetLife, Inc. voluntarily participated in the QIS.

Stress testing requirements have been implemented, which will, once capital requirements for non-bank SIFIs are determined, require non-bank SIFIs to undergo three stress tests each year: an annual supervisory stress test conducted by the Federal Reserve and two company-run stress tests (an annual test which coincides with the timing of the supervisory stress test, and a mid-cycle test). Companies will be required to take the results of the stress tests into consideration in their annual capital planning and resolution and recovery planning. As a non-bank SIFI, MetLife, Inc.’s competitive position and its ability to pay dividends, repurchase common stock or other securities or engage in other transactions that could affect its capital or need for capital could be adversely affected by any additional capital requirements that might be imposed as a result of the stress testing requirements, as well as enhanced prudential standards, other measures imposed as a result of the enactment of Dodd-Frank and other regulatory initiatives. Non-bank SIFIs are required to submit a resolution plan setting forth how the company could be resolved under the Bankruptcy Code in the event of material financial distress. Resolution plans have to be resubmitted annually and promptly following any event, occurrence, change in conditions or circumstances, or other change that results in, or could reasonably be foreseen to have, a material effect on the resolution plan. A failure to submit a “credible” resolution plan could result in the imposition of a variety of measures, including additional capital, leverage, or liquidity requirements, and forced divestiture of assets or operations. As a non-bank SIFI, MetLife, Inc. will be required to submit a resolution plan by December 31, 2016, unless the Federal Reserve Board and FDIC require a different due date.

In addition, if it were determined that MetLife, Inc. posed a substantial threat to U.S. financial stability, the applicable federal regulators would have the right to require it to take one or more other mitigating actions to reduce that risk, including limiting its ability to merge with or acquire another company, terminating activities, restricting its ability to offer financial products or requiring it to sell assets or off-balance sheet items to unaffiliated entities. Enhanced standards would also permit, but not require, regulators to establish requirements with respect to contingent capital, enhanced public disclosures and short-term debt limits. These standards are described as being more stringent than those otherwise imposed on bank holding companies; however, the Federal Reserve is permitted to apply them on an institution-by-institution basis, depending on its determination of the institution's level of risk.

## Table of Contents

### Orderly Liquidation Authority

Under the provisions of Dodd-Frank relating to the resolution or liquidation of certain types of financial institutions, if MetLife, Inc. or another financial institution were to become insolvent or were in danger of defaulting on its obligations, it could be compelled to undergo liquidation with the FDIC as receiver. For this new regime to be applicable, a number of determinations would have to be made, including that a default by the affected company would have serious adverse effects on financial stability in the U.S. While under this new regime an insurance company would be resolved in accordance with state insurance law, if the FDIC were to be appointed as the receiver for another type of company (including an insurance holding company such as MetLife, Inc.), the liquidation of that company would occur under the provisions of the new liquidation authority, and not under the Bankruptcy Code, which ordinarily governs liquidations. The FDIC's purpose under the liquidation regime is to mitigate the systemic risks the institution's failure poses, which is different from that of a bankruptcy trustee under the Bankruptcy Code. In such a liquidation, the holders of such company's debt could in certain respects be treated differently than under the Bankruptcy Code. As required by Dodd-Frank, the FDIC has established rules relating to the priority of creditors' claims and the potentially dissimilar treatment of similarly situated creditors. These provisions could apply to some financial institutions whose outstanding debt securities we hold in our investment portfolios. Dodd-Frank also provides for the assessment of bank holding companies with assets of \$50 billion or more, non-bank SIFIs, and other financial companies with assets of \$50 billion or more, to cover the costs of liquidating any financial company subject to the new liquidation authority.

### Volcker Rule

Under the Volcker Rule, Dodd-Frank authorizes through rulemaking additional capital requirements and quantitative limits on proprietary trading and sponsoring or investing in funds (hedge funds and private equity funds) that rely on certain exemptions from the Investment Company Act of 1940, as amended (the "Investment Company Act"), by a non-bank SIFI. Regulations defining and governing such requirements and limits on non-bank SIFIs have not been proposed and were not addressed in the final regulations issued on December 10, 2013 implementing the Volcker Rule for insured depository institutions and their affiliates ("Volcker Rule Regulations"). After designation as a non-bank SIFI, a non-bank SIFI will have a two-year period, subject to further extension by the Federal Reserve Board, to conform to any such requirements and limits that may be set forth in final regulations applicable to non-bank SIFIs. Subject to safety and soundness determinations as part of rulemaking that could require additional capital requirements and quantitative limits, Dodd-Frank provides that the exemptions under the Volcker Rule also are available to exempt any additional capital requirements and quantitative limits on non-bank SIFIs. The Volcker Rule Regulations provide an exemption, subject to certain requirements, for trading activities and fund sponsorship and investments by a regulated insurance company and its affiliates solely for the general account or separate account of such insurance company. Until final regulations applicable to non-bank SIFIs have been promulgated, it is unclear whether MetLife, Inc., as a non-bank SIFI, may have to alter any of its future activities to comply.

### ERISA Considerations

We provide products and services to certain employee benefit plans that are subject to ERISA or the Internal Revenue Code of 1986, as amended (the "Code"). As such, our activities are subject to the restrictions imposed by ERISA and the Code, including the requirement under ERISA that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and that fiduciaries may not cause a covered plan to engage in certain prohibited transactions. The applicable provisions of ERISA and the Code are subject to enforcement by the Department of Labor ("DOL"), the Internal Revenue Service and the Pension Benefit Guaranty Corporation. The prohibited transaction rules of ERISA and the Code generally restrict the provision of investment advice to ERISA plans and participants and Individual Retirement Accounts ("IRAs") if the investment recommendation results in fees paid to the individual advisor, his or her firm or their affiliates that vary according to the investment recommendation chosen.

The DOL proposed new regulations in April 2015 that would substantially expand the definition of "investment advice" and thereby broaden the circumstances under which MetLife, in providing investment advice with respect to ERISA plans, plan participants or IRAs, could be deemed a fiduciary under ERISA or the Code. Pursuant to the proposal, any communications with plans, plan participants and IRA holders, including the marketing of products, and marketing of

investment management or advisory services, could be deemed fiduciary investment advice, thus, causing increased exposure to fiduciary liability. The DOL also proposed amendments to its prohibited transaction exemptions, and proposed a new exemption, that would apply more onerous disclosure and contract requirements to, and increase fiduciary requirements and fiduciary liability exposure in respect of, transactions involving ERISA plans, plan participants and IRAs.

30

---

Table of Contents

If the new DOL proposals become final, MetLife may find it necessary to change sales representative and/or broker compensation and may limit the assistance or advice they can provide. Sales to middle income investors would be unlikely to generate fees sufficient to offset the increased cost of providing advice under the rules, if adopted as proposed. Under the rules as proposed, MetLife could reduce its risk of exposure to fiduciary liability by electing not to engage in the concurrent manufacturing and distribution of certain products, including individual annuity products. Further, if the proposed rules apply to welfare benefit plans, they will disrupt settled practices in the marketing and sales of welfare benefit plan insurance products.

In addition, the DOL has issued a number of regulations that increase the level of disclosure that must be provided to plan sponsors and participants. The participant disclosure regulations and the regulations which require service providers to disclose fee and other information to plan sponsors took effect in 2012. In *John Hancock Mutual Life Insurance Company v. Harris Trust and Savings Bank* (1993), the U.S. Supreme Court held that certain assets in excess of amounts necessary to satisfy guaranteed obligations under a participating group annuity general account contract are “plan assets.” Therefore, these assets are subject to certain fiduciary obligations under ERISA, which requires fiduciaries to perform their duties solely in the interest of ERISA plan participants and beneficiaries. On January 5, 2000, the Secretary of Labor issued final regulations indicating, in cases where an insurer has issued a policy backed by the insurer’s general account to or for an employee benefit plan, the extent to which assets of the insurer constitute plan assets for purposes of ERISA and the Code. The regulations apply only with respect to a policy issued by an insurer on or before December 31, 1998 (“Transition Policy”). No person will generally be liable under ERISA or the Code for conduct occurring prior to July 5, 2001, where the basis of a claim is that insurance company general account assets constitute plan assets. An insurer issuing a new policy that is backed by its general account and is issued to or for an employee benefit plan after December 31, 1998 will generally be subject to fiduciary obligations under ERISA, unless the policy is a guaranteed benefit policy.

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

**Consumer Protection Laws**

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

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



Table of Contents

## Regulation of Over-the-Counter Derivatives

Dodd-Frank includes a framework of regulation of the over-the-counter (“OTC”) derivatives markets which requires clearing of certain types of transactions currently traded OTC and imposes additional costs, including new reporting and margin requirements, and will likely impose additional regulation on the Company, including new capital requirements. Our costs of risk mitigation are increasing under Dodd-Frank. For example, Dodd-Frank imposes requirements, including the requirement to pledge initial margin (i) for “OTC-cleared” transactions (OTC derivatives that are cleared and settled through central clearing counterparties) entered into after June 10, 2013, and (ii) for “OTC-bilateral” transactions (OTC derivatives that are bilateral contracts between two counterparties) entered into after the phase-in period; these requirements will be applicable to us in 2020 because the Office of the Comptroller of the Currency (the “OCC”), the Federal Reserve Board, FDIC, Farm Credit Administration and Federal Housing Finance Agency (collectively, the “Prudential Regulators”) and the U.S. Commodity Futures Trading Commission (“CFTC”) adopted final margin requirements for non-centrally cleared derivatives during the fourth quarter of 2015, which are broadly consistent with the requirements published by the Bank of International Settlements and International Organization of Securities. These increased margin requirements, combined with increased capital charges for our counterparties and central clearinghouses to hold non-cash collateral, will require increased holdings of cash and highly liquid securities with lower yields causing a reduction in income. Centralized clearing of certain OTC derivatives exposes us to the risk of a default by a clearing member or clearinghouse with respect to our cleared derivative transactions. We use derivatives to mitigate a wide range of risks in connection with our businesses, including the impact of increased benefit exposures from certain of our annuity products that offer guaranteed benefits. We have always been subject to the risk that hedging and other management procedures might prove ineffective in reducing the risks to which insurance policies expose us or that unanticipated policyholder behavior or mortality, combined with adverse market events, could produce economic losses beyond the scope of the risk management techniques employed. Any such losses could be increased by higher costs of writing derivatives (including customized derivatives) and the reduced availability of customized derivatives that might result from the implementation of Dodd-Frank and comparable international derivatives regulations.

Dodd-Frank also expanded the definition of “swap” and mandated the SEC and CFTC (collectively, the “Commissions”) to study whether “stable value contracts” should be treated as swaps. Pursuant to the new definition and the Commissions’ interpretive regulations, products offered by our insurance subsidiaries other than stable value contracts might also be treated as swaps, even though we believe otherwise. Should such products become regulated as swaps, we cannot predict how the rules would be applied to them or the effect on such products’ profitability or attractiveness to our clients.

## Securities, Broker-Dealer and Investment Adviser Regulation

Some of our subsidiaries and their activities in offering and selling variable insurance products are subject to extensive regulation under the federal securities laws administered by the SEC. These subsidiaries issue variable 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 these registered separate accounts are registered with the SEC under the Securities Act of 1933. Other subsidiaries are registered with the SEC as broker-dealers under the Securities Exchange Act of 1934 (“Exchange Act”), and are members of, and subject to regulation by, FINRA. Further, some of our subsidiaries are registered as investment advisers with the SEC under the Investment Advisers Act of 1940, as amended, and are also registered as investment advisers in various states, as applicable. Certain variable contract separate accounts sponsored by our subsidiaries are exempt from registration, but may be subject to other provisions of the federal securities laws. Federal and state securities regulatory authorities and FINRA from time to time make inquiries and conduct examinations regarding compliance by MetLife, Inc. and its subsidiaries with securities and other laws and regulations. We cooperate with such inquiries and examinations and take corrective action when warranted. Federal and state securities laws and regulations are primarily intended to protect investors in the securities markets and generally grant regulatory agencies broad rulemaking and enforcement powers, including the power to limit or

restrict the conduct of business for failure to comply with such laws and regulations. We may also be subject to similar laws and regulations in the foreign countries in which we provide investment advisory services, offer products similar to those described above, or conduct other activities.

## Table of Contents

### Environmental Considerations

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

### Unclaimed Property

We are subject to the laws and regulations of states and other jurisdictions concerning identification, reporting and escheatment of unclaimed or abandoned funds, and are subject to audit and examination for compliance with these requirements. See Note 21 of the Notes of the Consolidated Financial Statements.

### International Regulation

Regulation of our insurance operations outside of the U.S. includes minimum capital, solvency and operational requirements. The authority of our international operations to conduct business is subject to licensing requirements, permits and approvals, and these authorizations are subject to modification and revocation. Periodic examinations of insurance company books and records, financial reporting requirements, market conduct examinations and policy filing requirements are among the techniques used by regulators to supervise our non-U.S. insurance businesses. We also have investment and pension companies in certain foreign jurisdictions that provide mutual fund, pension and other financial products and services. Those entities are subject to securities, investment, pension and other laws and regulations. In some jurisdictions, some of our insurance products are considered “securities” under local law and may be subject to local securities regulations and oversight by local securities regulators.

Our international operations are exposed to increased political, legal, financial, operational and other risks. See “Risk Factors — Risks Related to Our Business — Our International Operations Face Political, Legal, Operational and Other Risks, Including Exposure to Local and Regional Economic Conditions, That Could Negatively Affect Those Operations or Our Profitability” and “Risk Factors — Regulatory and Legal Risks — Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.” Changes in the laws and regulations that affect our customers and independent sales intermediaries or their operations also may affect our business relationships with them and their ability to purchase or distribute our products. Such actions may negatively affect our business in these jurisdictions. For example, a new tax on assets in Poland became effective on January 1, 2016. This legislation applies to insurers, banks and branches of foreign banks and insurers. We expect this legislation to have a negative impact on our business in Poland, but we do not expect it to have a material impact on our overall business. In addition, a tax reform bill was enacted in Chile on September 29, 2014 which includes, among other things, a gradual increase in the corporate tax rate from 20% to 27%, with a taxpayer election that limits the corporate tax rate to 25% but eliminates the taxable profits fund, an exemption on taxes on corporate income that is reinvested. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Segment Results and Corporate & Other — EMEA” for a discussion of a write-down of deferred policy acquisition costs (“DAC”) and value of business acquired (“VOBA”) associated with our EMEA business and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Segment Results and Corporate & Other — Latin America” for information regarding the impact on our Latin America business of this tax legislation in Chile. Also pending in Chile are changes to its pension system: a bill to create a state-owned pension company was introduced and a Presidential Advisory Committee was created to draft a reform proposal of the pension system. The committee issued a series of recommendations in September 2015, but the reform proposal has not been finalized and may still change further if a bill results from their recommendations. It is premature to predict the impact of such reforms on our pension business in Chile.

Part of our international insurance operations may be subject to assessments, generally based on their proportionate share of business written in the relevant jurisdiction, for certain obligations to policyholders and claimants resulting from the insolvency of insurance companies. See “—Japan.” Annually, many of our international insurance operations are required to conduct an analysis of the sufficiency of all statutory reserves. In most of those cases, a locally qualified actuary must submit an analysis of the likelihood that the reserves make good and sufficient provision for the associated contractual obligations and related expenses of the insurer. Local regulatory and actuarial standards for this vary widely; the required implied certainty of the signing actuary’s opinion varies equally widely.

Table of Contents

We expect the scope and extent of regulation outside of the U.S., as well as regulatory oversight, generally, to continue to increase. The regulatory environment in the countries in which we operate and changes in laws could have a material adverse effect on our results of operations.

Solvency Regimes

Solvency II

Our insurance business throughout the European Economic Area (“EEA”) is subject to Solvency II, which consists of two inter-linked directives: Solvency II and Omnibus II. Solvency II was adopted by European authorities in 2009. It codifies and harmonizes regulation for insurance undertakings established in the European Union (“EU”). It provides a framework for new risk management practices, solvency capital standards and disclosure requirements. Omnibus II, amending Solvency II, was adopted in April 2014. It contains provisions that adapt Solvency II to the new supervisory architecture establishing the European Insurance and Occupational Pensions Authority (“EIOPA”) and includes a package of measures to facilitate the provision of insurance products with long-term guarantees. Both directives became effective on January 1, 2016.

Leading up to Solvency II’s effective date, EIOPA published Interim Guidelines aimed at increasing preparedness of both supervisors and insurers. The Interim Guidelines were applicable since January 1, 2014 and included certain reporting and organizational requirements with which we have complied in accordance with the requirements of our local regulators. Leading up to the effective date of both directives in 2016, the European authorities continued to establish supporting rules and guidance that implemented the legislation. Our operations within the EEA are prepared to comply with such requirements.

Other Solvency Regimes

Our insurance business in Mexico will be impacted by Mexico’s insurance law reform, adopted in February 2013. The reform, which became fully effective on January 1, 2016, envisions a Solvency II-type regulatory framework, instituting changes to reserve and capital requirements and corporate governance and fostering greater transparency. In Chile, the law implementing Solvency II-like regulation is currently in the studies stage. However, the Chilean insurance regulator has already issued two resolutions, one for governance, and the other for risk management and control framework requirements. MetLife Chile has already implemented governance changes and risk policies to comply with these resolutions. In January 2015, the regulator requested an impact study considering the third draft of the regulation for RBC requirements which was submitted in May 2015. In November 2015, the local regulator issued a draft regulation which requires Insurance undertakings to implement a risk appetite framework and produce an “Own Risk and Solvency Assessment.” A fourth impact study will be performed during 2016. The new solvency and supervisory regime is expected to be in force in 2017.

In China, the business of our joint venture (as well as the industry) will be impacted by China Risk Oriented Solvency System (“C-ROSS”), a new risk-based solvency regime. Like Solvency II, C-ROSS focuses on risk management and has three pillars (strengthen quantitative capital requirements, enhance qualitative supervision and establish a governance and market discipline process). China Insurance Regulatory Commission announced on January 26, 2016 that C-ROSS became effective as of January 1, 2016. Beginning in the first quarter of 2016, after one year’s parallel run of both old solvency and C-ROSS calculations, C-ROSS solvency will become the mandated reporting for the industry.

Global Systemically Important Insurers

The IAIS, an association of insurance supervisors and regulators and a member of the Financial Stability Board (“FSB”), and an international entity established to coordinate, develop and promote regulatory, supervisory and other financial sector policies in the interest of financial stability, is participating in the FSB’s initiative to identify and manage global systemically important financial institutions. The IAIS has published a methodology to assess the systemic relevance of global insurers and a framework of policy measures to be applied to G-SIIs and, on this basis, the FSB again so designated MetLife, Inc. The FSB will continue to update the list annually. The IAIS plans to evaluate and, if necessary, update the assessment methodology every three years.

Table of Contents

Current standards call for G-SIIs to be subject to higher loss absorbency requirements (“HLA”). Given the absence of a common global base on which to calculate HLA for insurers, the FSB directed the IAIS to develop basic capital requirements (“BCR”). The first version of the IAIS HLA framework was endorsed by the FSB and the G20 in September and November 2015, respectively. This first version applies specified factors to exposures of BCR components with an emphasis on non-traditional and non-insurance activities. G-SIIs will begin reporting BCR and HLA results to their group-wide supervisors as of June 2016 on a confidential basis to allow for refinement of the BCR and HLA until fully adopted and implemented in 2019. The FSB endorsed the first version of HLA, noting that further revision will be necessary before implementation to reflect ongoing work on the G-SII assessment methodology and the definition of non-traditional and non-insurance activity. In November 2015, the IAIS published consultations for stakeholder comment on both topics. MetLife submitted comments in January 2016. The IAIS plans to incorporate any changes to the assessment methodology in the 2016 G-SII assessment update.

In addition, on December 17, 2014, the IAIS released a first exposure draft of a risk-based global insurance capital standard (“ICS”) which will apply to all internationally active insurance groups, including G-SIIs. A second exposure draft is scheduled to be published for comment in June 2016. The IAIS expects to publish an interim version of the ICS by the end of 2019 for implementation by individual jurisdictions with the further goal of reaching an ultimate ICS at some later date.

The FSB and IAIS propose that national authorities consider additional requirements for G-SIIs, which include preparation of a systemic risk management plan, preparation of a recovery and resolution plan, enhanced liquidity planning and management, more intensive supervision, closer coordination among regulators through global supervisory colleges led by a regulator with group-wide supervisory authority, and a policy bias in favor of separation of non-traditional insurance and non-insurance activities from traditional insurance activities. The IAIS proposals would need to be implemented by legislation or regulation in each applicable jurisdiction, and the impact on MetLife, Inc. of such proposals is uncertain.

Japan

Our operations in Japan are subject to regulation and examination by Japan’s Financial Services Agency (“FSA”). Our operations in Japan are required to file with the FSA annual reports for each fiscal year (ending March 31) which include financial statements. These annual reports are not prepared on a U.S. GAAP basis. Similar to the U.S., Japanese law provides that insurers in Japan must maintain specified solvency standards for the protection of policyholders and to support the financial strength of licensed insurers. As of December 31, 2015, the date of our most recent regulatory filing in Japan, the solvency margin ratio of our Japan operations was in excess of four times the 200% solvency margin ratio that would require corrective action. Most Japanese life insurers maintain a solvency margin ratio well in excess of the legally mandated minimum.

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

Our operations in Japan are subject to assessments to cover obligations to policyholders in the event of insolvency of other insurance companies. Under the Japanese Insurance Business Law, all licensed life insurers in Japan are assessed on an annual basis by the Life Insurance Policyholders Protection Corporation of Japan. These assessments are aggregated across all licensed life insurers in Japan and, in the event of a life insurance company insolvency, are used to satisfy certain obligations to policyholders and claimants of such insolvent company.

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 contractholders.

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. Certain rating agencies assign rating modifiers such as “CreditWatch” or “under review” to indicate their opinion regarding the potential direction of a rating. These ratings modifiers are generally assigned in connection with certain events such as potential mergers, acquisitions, dispositions or material changes in a company’s results, in order for the rating agency to perform its analysis to fully determine the rating implications of the event.

Table of Contents

## Insurer Financial Strength Ratings

The following insurer financial strength ratings represent each rating agency's opinion of MetLife, Inc.'s principal insurance subsidiaries' ability to pay obligations under insurance policies and contracts in accordance with their terms and are not evaluations directed toward the protection of investors in MetLife, Inc.'s securities. 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.

Our insurer financial strength ratings at the date of this filing are indicated in the following table. See "— Rating Agency Actions" below for information relating to the impact on our insurer financial strength ratings of the announcement of the proposed Separation. Additional information about financial strength ratings can be found on the respective websites of the rating agencies.

|   | A.M. Best                              | Fitch  | Moody's                                       | S&P   |
|---|--|--|---|---|
| Ratings Structure                         | "A++ (superior)" to<br>"S (suspended)" | "AAA (exceptionally strong)" to "C (distressed)" | "Aaa (highest quality)" to "C (lowest rated)" | "AAA (extremely strong)" to "SD (Selective Default)" or "D (Default)" |
| American Life Insurance Company           | NR                                     | NR   | A1<br>5th of 21                               | AA-<br>4th of 22  |
| First MetLife Investors Insurance Company | A+<br>2nd of 16                        | NR   | NR  | AA-<br>4th of 22  |
| General American Life Insurance Company   | A+<br>2nd of 16                        | AA-<br>4th of 19                                 | Aa3<br>4th of 21                              | A+<br>5th of 22   |
| MetLife Insurance Company USA             | A+<br>2nd of 16                        | AA-<br>4th of 19                                 | Aa3<br>4th of 21                              | A+<br>5th of 22   |
| Metropolitan Life Insurance Company       | A+<br>2nd of 16                        | AA-<br>4th of 19                                 | Aa3<br>4th of 21                              | AA-<br>4th of 22  |
| MetLife Insurance K.K. (MetLife Japan)    | NR                                     | NR   | NR  | AA-<br>4th of 22  |
| New England Life Insurance Company        | A+<br>2nd of 16                        | AA-<br>4th of 19                                 | Aa3<br>4th of 21                              | AA-<br>4th of 22  |

NR = Not rated

See "Risk Factors — Risks Related to Our Business — A Downgrade or a Potential Downgrade in Our Financial Strength or Credit Ratings Could Result in a Loss of Business and Materially Adversely Affect Our Financial Condition and Results of Operations." See also "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Capital — Rating Agencies" for an in depth description of the impact of a ratings downgrade.

## Rating Agency Actions

In response to the announcement by MetLife, Inc. on January 12, 2016 of its plan to pursue the Separation, the rating agencies in the table above took the following actions:

• On January 14, 2016, A.M. Best placed the insurance financial strength ratings of MetLife, Inc.'s rated primary life/health insurance subsidiaries under review with developing implications.

• On January 13, 2016, Fitch placed the insurance financial strength rating for GALIC and MetLife USA on "Rating Watch Negative." The other ratings remain on stable outlook.

• On January 13, 2016, Moody's placed the insurance financial strength ratings of all of MetLife, Inc.'s rated operating subsidiaries on review for downgrade except American Life which remains on stable outlook.

• On January 13, 2016, S&P downgraded the insurance financial strength rating for GALIC and MetLife USA and revised their outlook from "stable" to "negative." The other ratings remain on stable outlook.

See Note 23 of the Notes to the Consolidated Financial Statements for further details on the proposed Separation.





Table of Contents

Competition

We believe that competition faced by our segments is based on a number of factors, including service, product features, scale, price, financial strength, claims-paying ratings, credit ratings, e-business capabilities and name recognition. We compete globally with a large number of other insurance companies, as well as non-insurance financial services companies, such as banks, broker-dealers and asset managers, for individual consumers, employer and other group customers, as well as agents and other distributors of insurance and investment products. Some of these companies offer a broader array of products, have more competitive pricing or, with respect to other insurance companies, have higher claims paying ability ratings. In the U.S. and Japan, we compete with a large number of domestic and foreign-owned life insurance companies, many of which offer products in categories on which we focus. Elsewhere, we compete with the foreign insurance operations of large U.S. insurers and with global insurance groups and local companies in particular areas in which they are active. Many of our group insurance products are underwritten annually and, accordingly, there is a risk that group purchasers may be able to obtain more favorable terms from competitors rather than renewing coverage with us.

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

Competition for employees in our industry is intense, and we need to be able to attract and retain the highly skilled people with knowledge of our business and industry experience to support our business. We must attract and retain productive sales representatives to sell our insurance, annuities and investment products. Insurance companies compete for sales representatives with demonstrated ability. We compete with other insurance companies for sales representatives primarily on the basis of our financial position, support services and compensation and product features. See “— Segments and Corporate & Other” for information on sales distribution. In selected global markets, we continue to undertake several initiatives to grow our career agency forces, while continuing to enhance the efficiency and production of our sales representatives. These initiatives may not succeed in attracting and retaining productive agents. Sales of individual insurance, annuities and investment products and our results of operations and financial position could be materially adversely affected if we are unsuccessful in attracting and retaining productive agents. Numerous aspects of our business are subject to regulation. Legislative and other changes affecting the regulatory environment can affect our competitive position within the life insurance industry and within the broader financial services industry. See “— Regulation.”

Employees

At December 31, 2015, we had approximately 69,000 employees. We believe that our relations with our employees are satisfactory.

Table of Contents

## Executive Officers

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

| Name                | Age | Position with MetLife and Business Experience   |
|---------------------|-----|---|
| Steven A. Kandarian | 63  | <ul style="list-style-type: none"> <li>Chairman of the Board of MetLife, Inc. (January 2012-present) (Director of MetLife, Inc. since 2011)</li> <li>President and Chief Executive Officer (May 2011-present) of MetLife, Inc.</li> <li>Executive Vice President and Chief Investment Officer of MetLife, Inc. (April 2005-April 2011)</li> </ul>   |
| Ricardo A. Anzaldua | 62  | <ul style="list-style-type: none"> <li>Executive Vice President and General Counsel of MetLife, Inc. (December 2012-present)</li> <li>The Hartford Financial Services Group, Inc., an insurance and financial services company (February 2007-December 2012) <ul style="list-style-type: none"> <li>Associate general counsel and senior vice president, director of commercial and consumer markets law (October 2010-December 2012)</li> <li>Associate general counsel and senior vice president, director of corporate law (February 2007-October 2010); corporate secretary (February 2008-October 2010)</li> </ul> </li> </ul> |
| Steven J. Goulart   | 57  | <ul style="list-style-type: none"> <li>Executive Vice President and Chief Investment Officer of MetLife, Inc. (May 2011-present)</li> <li>Head of the Portfolio Management Unit as Senior Managing Director of MLIC (January 2011-April 2011)</li> <li>Senior Vice President and Treasurer, MetLife, Inc. (July 2009-April 2011)</li> </ul>   |
| John C.R. Hele      | 57  | <ul style="list-style-type: none"> <li>Executive Vice President and Chief Financial Officer of MetLife, Inc. (September 2012-present)</li> <li>Executive vice president, chief financial officer and treasurer, Arch Capital Group Ltd., an insurance and reinsurance company (April 2009-August 2012)</li> </ul>   |
| Frans Hijkoop       | 55  | <ul style="list-style-type: none"> <li>Executive Vice President and Chief Human Resources Officer of MetLife, Inc. (August 2011-present)</li> <li>Chief personnel officer and senior vice president of human resources, American Foods division of PepsiCo Inc., a food and beverage company (January 2008-August 2011)</li> </ul>  |
| Michel Khalaf       | 52  | <ul style="list-style-type: none"> <li>President, EMEA of MetLife, Inc. (November 2011-present)</li> <li>Executive Vice President of MLIC (January 2011-November 2011)</li> <li>Regional President, Middle East, Africa and South Asia, Alico (November 2008-November 2011) (Mr. Khalaf joined MetLife as a result of the acquisition of ALICO)</li> </ul>  |
| Esther Lee          | 57  | <ul style="list-style-type: none"> <li>Executive Vice President and Global Chief Marketing Officer of MetLife, Inc. (January 2015-present)</li> <li>Senior Vice President, Brand Marketing, Advertising and Sponsorships of AT&amp;T, Inc., a communications company (August 2011-December 2014)</li> <li>Senior Vice President, Brand Marketing and Advertising of AT&amp;T, Inc. (June 2009-July 2011)</li> </ul>   |
| Martin J. Lippert   | 56  | <ul style="list-style-type: none"> <li>Executive Vice President and Head of Global Technology and Operations of MetLife, Inc. (November 2011-present)</li> <li>Executive Vice President and Head of Global Technology of MetLife, Inc. (September 2011-November 2011)</li> </ul>  |
| Maria R. Morris     | 53  | <ul style="list-style-type: none"> <li>Executive Vice President and Head of Global Employee Benefits of MetLife, Inc. (November 2011-present)</li> </ul>  |

Edgar Filing: METLIFE INC - Form 10-K

Executive Vice President, Global Operations, Integration of MetLife, Inc.  
(September 2011-November 2011)

Christopher G.  
Townsend

47

- Executive Vice President, Technology and Operations of MetLife, Inc. (January 2008-September 2011)
  - President, Asia of MetLife, Inc. (August 2012-present)
  - Chief executive officer of the Asia Pacific region, Chartis, a unit of AIG, an insurance and financial services company (January 2010-April 2012)
-

## Table of Contents

### Trademarks

We have a worldwide trademark portfolio that we consider important in the marketing of our products and services, including, among others, the trademark “MetLife.” We also have the exclusive global license to use the Peanuts® characters in the area of financial services under an advertising and premium agreement with Peanuts Worldwide, LLC up to December 31, 2019. As a result of the acquisition of American Life and Delaware American Life Insurance Company (“DelAm”) (collectively, “ALICO”), we acquired trademarks of American Life, including the “ALICO” trademark. In addition, as a result of our acquisition of ProVida, we acquired “PROVIDA” and other trademarks. We believe that our rights in our trademarks and under our Peanuts® characters license are well protected.

### Available Information

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

MetLife makes available, free of charge, on its website ([www.metlife.com](http://www.metlife.com)) through the Investor Relations web page, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to all those reports, as soon as reasonably practicable after filing (furnishing) such reports to the SEC. MetLife encourages investors to visit the Investor Relations web page from time to time, where it announces additional financial and other information about it to its investors, including in press releases, public conference calls and webcasts. The information found on MetLife’s website is not incorporated by reference into this Annual Report on Form 10-K or in any other report or document MetLife files with the SEC, and any references to MetLife’s website are intended to be inactive textual references only.

### Item 1A. Risk Factors

#### Economic Environment and Capital Markets-Related Risks

#### If Difficult Conditions in the Global Capital Markets and the Economy Generally Persist, They May Materially Adversely Affect Our Business and Results of Operations

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility and disruptions in financial asset classes or various markets, including global capital markets, can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities are sensitive to changing market factors. Global market factors, including interest rates, credit spreads, equity prices, real estate markets, foreign currency exchange rates, consumer spending, business investment, government spending, the volatility and strength of the capital markets, deflation and inflation, all affect our financial condition, as well as the volume, profitability and results of our business operations, either directly or by virtue of their impact on the business and economic environment generally and on general levels of economic activity, employment and customer behavior specifically. Disruptions in one market or asset class can also spread to other markets or asset classes. Upheavals in the financial markets can also affect our financial condition (including our liquidity and capital levels) as a result of mismatched impacts on the value of our assets and our liabilities. While our diversified business mix and geographically diverse business operations partially mitigate these risks, correlation across regions, countries and global market factors may reduce the benefits of diversification. At times throughout the past several years, volatile conditions have characterized financial markets. Significant market volatility, and government actions taken in response, may exacerbate some of the risks we face. Weakness in the energy and metals and mining sectors and concerns about the political and/or economic stability of countries in regions outside the EU, including China, Ukraine, Russia, Argentina, Brazil, Japan and the Middle East, as well as Puerto Rico, have contributed to global market volatility. Concerns about global economic conditions, capital markets and the solvency of certain EU member states, their banking systems and the financial institutions that have significant direct or indirect exposure to debt issued by these countries or their respective banking systems, have also been a cause of elevated levels of market volatility. This market volatility has affected the performance of various asset classes at various times, and it could continue until there is an ultimate resolution of these sovereign debt and

banking system-related concerns. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Financial and Economic Environment.” Any of these factors could have significant adverse effects on the economy and financial markets generally.

Table of Contents

To the extent these uncertain financial market conditions persist, our revenues and net investment income are likely to remain under pressure. Similarly, sustained periods of low interest rates could cause our profit margins to erode. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate Environment.” Also, in the event of extreme prolonged market events, such as the global credit crisis, we could incur significant capital and/or operating losses due to, among other reasons, losses incurred in our general account and as a result of the impact on us of guarantees, capital maintenance obligations and/or collateral requirements associated with our affiliated reinsurers and other similar arrangements. Even in the absence of a market downturn, we are exposed to substantial risk of loss due to market volatility, which may also increase the cost and limit the availability of the hedging instruments and other protective measures we take to mitigate such risk.

We are a significant writer of variable insurance products and certain other products issued through separate accounts. The account values of these products decrease as a result of declining equity markets. Lower interest rates generally increase account values in the near term, but may result in lower returns in fixed income options in the future.

Decreases in account values reduce fees generated by these products, cause the amortization of DAC to accelerate, could increase the level of insurance liabilities we must carry to support such products issued with any associated guarantees and could require us to provide additional funding to our captive reinsurers.

In an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending, the demand for our financial and insurance products could be adversely affected. Group insurance, in particular, is affected by higher unemployment rates. In addition, we may experience an elevated incidence of claims and lapses or surrenders of policies. Furthermore, our policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Such adverse changes in the economy could negatively affect our earnings and have a material adverse effect on our business, results of operations and financial condition.

Difficult conditions in the global capital markets and the economy may continue to raise the possibility of legislative, judicial, regulatory and other governmental actions. See “— Regulatory and Legal Risks — Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth,” and “— Risks Related to Our Business — Competitive Factors May Adversely Affect Our Market Share and Profitability” below.

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

The global capital and credit markets may be subject to periods of extreme volatility. Disruptions in capital markets could cause our liquidity and credit capacity to be limited.

We need liquidity to pay claims and other operating expenses, interest on our debt and dividends on our capital stock, provide our subsidiaries with cash or collateral, maintain our securities lending activities and replace certain maturing liabilities. Without sufficient liquidity, we could be forced to curtail our operations, and our business and financial results may suffer. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources.”

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

Our liquidity requirements may change if, among other things, we are required to return significant amounts of cash collateral on short notice under securities lending agreements. See “— Investments-Related Risks — Should the Need Arise, We May Have Difficulty Selling Certain Holdings in Our Investment Portfolio or in Our Securities Lending Program

in a Timely Manner and Realizing Full Value Given Their Illiquid Nature” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Securities Lending.”

40

---



## Table of Contents

Disruptions, uncertainty or volatility in the capital and credit markets may also limit our access to capital needed to operate our business, most significantly in our insurance operations. Such market conditions may limit our ability to replace, in a timely manner, maturing liabilities, satisfy regulatory capital requirements, and access the capital necessary to grow our business. See “— Regulatory and Legal Risks — Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.” As a result, we may be forced to delay raising capital, issue different types of securities than we would have otherwise, less effectively deploy such capital, issue shorter tenor securities than we prefer, or bear an unattractive cost of capital, which could decrease our profitability and significantly reduce our financial flexibility. Our results of operations, financial condition, cash flows and statutory capital position could be materially adversely affected by disruptions in the financial markets.

**We Are Exposed to Significant Global Financial and Capital Markets Risks Which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and May Cause Our Net Investment Income to Vary from Period to Period**

We are exposed to significant global financial and capital markets risks, including changes in interest rates, credit spreads, equity, oil and commodity prices, real estate markets, foreign currency exchange rates, market volatility, global economic performance in general, the performance of specific obligors, including governments, included in our investment portfolio and other factors outside our control. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Financial and Economic Environment” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment.”

### **Interest Rate Risk**

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

In a low interest rate environment, we may be forced to reinvest proceeds from investments that have matured or have been prepaid or sold at lower yields, which will reduce our investment margin. Moreover, borrowers may prepay or redeem the fixed income securities and commercial or agricultural mortgage loans in our investment portfolio with greater frequency in order to borrow at lower market rates, thereby exacerbating this risk. Although lowering interest crediting rates can help offset decreases in spreads on some products, 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. See “— Risks Related to Our Business — Guarantees Within Certain of Our Products May Decrease Our Earnings, Increase the Volatility of Our Results, Result in Higher Risk Management Costs and Expose Us to Increased Counterparty Risk.”

Our expectation for future spreads is an important component in the amortization of DAC and VOBA. 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. This could result 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. During periods of sustained lower interest rates, our reserves for policy liabilities may not be sufficient to meet future policy obligations and may need to be strengthened. Accordingly, declining and sustained lower interest rates may materially affect our results of operations, financial position and cash flows and significantly reduce our profitability. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate Environment.”

As a global insurance company, we are also affected by the monetary policies of the Federal Reserve Board and of central banks around the world. Actions resulting from these policies may have an impact on the pricing levels of risk-bearing investments, and may adversely impact the income we earn on our investments or the level of product

sales. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment.”

41

---

Table of Contents

Increases in interest rates could also negatively affect our profitability. In periods of rapidly increasing interest rates, we may not be able to replace, in a timely manner, the investments in our general account with higher yielding investments needed to fund the higher crediting rates necessary to keep interest rate sensitive products competitive. We, therefore, may have to accept a lower credit spread and, thus, lower profitability or face a decline in sales and greater loss of existing contracts and related assets. In addition, policy loans, surrenders and withdrawals may tend to increase as policyholders seek investments with higher perceived returns as interest rates rise. This process may result in cash outflows requiring that we sell investments at a time when the prices of those investments are adversely affected by the increase in interest rates, which may result in realized investment losses. Unanticipated withdrawals, terminations and substantial policy amendments may cause us to accelerate the amortization of DAC and VOBA, which reduces net income and may also cause us to accelerate the amortization of negative VOBA, which increases net income. An increase in interest rates could also have a material adverse effect on the value of our investment portfolio, for example, by decreasing the estimated fair values of the fixed income securities that comprise a substantial portion of our investment portfolio. Finally, an increase in interest rates could result in decreased fee income associated with a decline in the value of variable annuity account balances invested in fixed income funds. However, this increase in interest rates would typically cause any guaranteed living benefits to decline in value. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate Environment.”

We manage interest rate risk as part of our asset and liability management strategies, which include maintaining an investment portfolio with diversified maturities that has a weighted average duration that is approximately equal to the duration of our estimated liability cash flow profile. We also use derivatives to mitigate interest rate risk. 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 interest sensitive liabilities. See “Quantitative and Qualitative Disclosures About Market Risk.”

**Credit Spreads**

Our exposure to credit spreads primarily relates to market price volatility and cash flow variability associated with changes in such spreads. Market price volatility can make it difficult to value certain of our securities if trading becomes less frequent. In such case, valuations may include assumptions or estimates that may have significant period-to-period changes, which could have a material adverse effect on our results of operations or financial condition. If there is a resumption of significant volatility in the markets, it could cause changes in credit spreads and defaults and a lack of pricing transparency which, individually or in tandem, could have a material adverse effect on our results of operations, financial condition, liquidity or cash flows. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Investment Risks.”

**Equity Risk**

Our primary exposure to equity risk relates to the potential for lower earnings associated with certain of our businesses where fee income is earned based upon the estimated fair value of the assets under management. Downturns and volatility in equity markets can have a material adverse effect on the revenues and investment returns from our savings and investment products and services. The retail variable annuity business in particular is highly sensitive to equity markets, and a sustained weakness in the equity markets could decrease revenues and earnings with respect to those products. Furthermore, certain of our variable annuity products offer guaranteed benefits which increase our potential benefit exposure should equity markets decline. We use derivatives and reinsurance to mitigate the impact of such increased potential benefit exposures. We are also exposed to interest rate and equity risk based upon the discount rate and expected long-term rate of return assumptions associated with our pension and other postretirement benefit obligations. Sustained declines in long-term interest rates or equity returns likely would have a negative effect on the funded status of these plans.

In addition, we invest a portion of our investments in leveraged buy-out funds, hedge funds and other private equity funds. The amount and timing of net investment income from such funds tends to be uneven as a result of the performance of the underlying investments. The timing of distributions from such 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 from these investments can vary

substantially from quarter to quarter. Significant volatility could adversely impact returns and net investment income on these alternative investment classes. In addition, the estimated fair value of such investments may be impacted by downturns or volatility in equity markets. See “Quantitative and Qualitative Disclosures About Market Risk.”

## Table of Contents

### Real Estate Risk

Our primary exposure to real estate risk relates to commercial, agricultural and residential real estate. Our exposure to these risks stems from various factors, including the supply and demand of leasable commercial space, creditworthiness of tenants and partners, capital markets volatility and interest rate fluctuations. Although we manage credit risk and market valuation risk for our commercial, agricultural and residential real estate assets through geographic, property type and product type diversification, and asset allocation, general economic conditions in the commercial, agricultural and residential real estate sectors will continue to influence the performance of these investments. These factors, which are beyond our control, could have a material adverse effect on our results of operations, financial condition, liquidity or cash flows.

### Obligor-Related Risks

Our investment portfolio contains investments in government bonds issued by certain EU member states and of financial institutions that have significant direct or indirect exposure to debt issued by these countries. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment — Selected Country and Sector Investments.” A number of member states are significantly impacted by the economies of their more influential neighbors and financial troubles of one nation can lead to troubles in others. In particular, a number of large European banks hold significant amounts of sovereign and/or financial institution debt of other European nations and could experience difficulties as a result of defaults or declines in the value of such debt. Concerns regarding these difficulties could disrupt the functioning of the financial markets.

Our investment portfolio also contains investments, primarily in revenue bonds issued under the auspices of U.S. states and municipalities, and a limited amount of general obligation bonds of U.S. states and municipalities (collectively, “State and political subdivision securities”). Various U.S. states and municipalities have faced budget deficits and financial difficulties. The financial difficulties of such U.S. states and municipalities could have an adverse impact on our State and political subdivision securities.

### Foreign Currency Exchange Rate Risks

Our primary foreign currency exchange rate risks are described under “— Risks Related to Our Business — Fluctuations in Foreign Currency Exchange Rates Could Negatively Affect Our Profitability.” Changes in foreign currency exchange rates can significantly affect our net investment income in any period, and such changes can be substantial. This risk will increase if a country withdraws from the Euro zone. In such case, the national currency to which such a country may revert will likely be devalued and contracts using the Euro will need to be renegotiated. Any such devaluation and its related consequences for our contracts and investments in any such country could be significant and materially adversely affect our operations and earnings in that country. Any operations we may have in any such withdrawing country could also be materially adversely affected by legal or governmental actions related to conversion from the Euro to a national currency. See “Quantitative and Qualitative Disclosures About Market Risk.”

### Summary

Significant volatility in the markets could cause changes in interest rates, declines in equity prices, and the strengthening or weakening of foreign currencies against the U.S. dollar which, individually or in tandem, could have a material adverse effect on our results of operations, financial condition, liquidity or cash flows through realized investment losses, impairments, increased valuation allowances and changes in unrealized gain or loss positions.

### Regulatory and Legal Risks

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

Our insurance operations and brokerage businesses are subject to a wide variety of insurance and other laws and regulations. See “Business — Regulation,” as supplemented by discussions of regulatory developments in our subsequently filed Quarterly Reports on Form 10-Q under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments.”

Table of Contents

## U.S. Regulation

## Insurance Regulation

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, can sometimes lead to additional expense for the insurer and, thus, could have a material adverse effect on our financial condition and results of operations. For example, like many life insurance companies, we use captive reinsurers to satisfy reserve and capital requirements related to universal life and term life insurance policies. State insurance regulators and the NAIC are investigating the use of affiliated captive reinsurers and offshore entities to reinsure insurance risks and a few states, including New York and California, have imposed a moratorium on new reinsurance transactions between life insurers domiciled in those states and captive reinsurers. See “Business — Regulation — U.S. Regulation — Insurance Regulation — Insurance Regulatory Examinations and Other Activities.” If additional state insurance regulators restrict the use of such captive reinsurers, or if we otherwise are unable to continue to use captive reinsurers in the future, our ability to write certain products and/or our RBC ratios and ability to deploy excess capital, could be adversely affected or we may need to increase prices on those products, which could adversely impact our competitive position and our results of operations. Such restrictions could also affect statutory reserve funding. See “— Risks Related to Our Business — Our Statutory Life Insurance Reserve Financings May Be Subject to Cost Increases and New Financings May Be Subject to Limited Market Capacity.”

## U.S. Federal Regulation Affecting Insurance

Currently, the U.S. federal government does not directly regulate the business of insurance. However, Dodd-Frank established the FIO within the Department of the Treasury, which has the authority to participate in the negotiations of international insurance agreements with foreign regulators for the U.S., as well as to collect information about the insurance industry and recommend prudential standards. On December 12, 2013, the FIO issued a report, mandated by Dodd-Frank, which, among other things, urged the states to modernize and promote greater uniformity in insurance regulation. The report raised the possibility of a greater role for the federal government if states do not achieve greater uniformity in their laws and regulations. We cannot predict whether any such legislation or regulatory changes will be adopted, or what impact they will have on our business, financial condition or results of operations. See “Business — Regulation — U.S. Regulation — Insurance Regulation — Federal Initiatives.”

Federal legislation and administrative policies can significantly and adversely affect insurance companies, including policies regarding financial services regulation, securities regulation, derivatives regulation, pension regulation, health care regulation, privacy, tort reform legislation and taxation. In addition, various forms of direct and indirect federal regulation of insurance have been proposed from time to time, including proposals for the establishment of an optional federal charter for insurance companies.

## Regulation of MetLife, Inc. as a Non-Bank SIFI

On December 18, 2014, the FSOC designated MetLife, Inc. as a non-bank SIFI. As a non-bank SIFI, MetLife, Inc. is subject to regulation by the Federal Reserve and to enhanced supervision and prudential standards. Many of the regulatory requirements that will apply to us have not been specified. In particular, the Federal Reserve Board has not determined the requirements that will govern the amount and composition of capital that MetLife, Inc. is required to hold. On January 12, 2016, MetLife, Inc. announced its plan to pursue the Separation. See Note 23 of the Notes to the Consolidated Financial Statements. No assurance can be given regarding the form that the proposed Separation may take or the specific terms thereof, or that the Separation will in fact occur. Furthermore, there can be no assurance that the new company that would be created in connection with the Separation will not be designated by the FSOC as a non-bank SIFI or that any actions taken in furtherance of this plan will cause the FSOC to revoke its designation of MetLife, Inc. as a non-bank SIFI.

The Federal Reserve Board has indicated that it plans to apply enhanced prudential standards to non-bank SIFIs by rule or order. Accordingly, the manner in which these proposed standards might apply to MetLife, Inc. remains unclear. Regulation of MetLife, Inc. as a non-bank SIFI could materially and adversely affect our business.

If the Federal Reserve Board requires insurers that are non-bank SIFIs to comply with capital standards or regimes (such as the Basel capital rules that were developed for banks) that do not take into account the insurance business model and the differences between banks and insurers, our business and competitive position could be materially and

adversely affected. The capital requirements that apply to us could also constrain our ability to pay dividends, repurchase common stock or other securities or engage in other transactions that could affect our capital. Enhanced capital requirements could adversely affect our ability to compete with other insurers that are not subject to those requirements, and our ability to issue guarantees could be constrained. We could have to raise the price of the products we offer, reduce the amount of risk we take on, or stop offering certain products altogether. Legislation was signed into law on December 18, 2014 relieving the Federal Reserve Board from certain provisions in Dodd-Frank that it believed constrained its ability to tailor capital rules for insurers that are non-bank SIFIs.

Table of Contents

MetLife, Inc. may also be subject to additional prudential standards that the Federal Reserve Board may promulgate for non-bank SIFIs which will likely include leverage limits, liquidity requirements, single counterparty exposure limits, governance requirements for risk management, stress test requirements, special debt-to-equity limits for certain companies, and early remediation procedures. In addition, non-bank SIFIs are required to submit a resolution plan setting forth how the company could be resolved under the Bankruptcy Code in the event of material financial distress. The Federal Reserve Board also has the right to require any of MetLife, Inc.'s insurance companies, or insurance company affiliates, to take prompt action to correct any financial weaknesses. In addition, as a result of our designation as a non-bank SIFI, under the Volcker Rule, we could be subject to the imposition by the Federal Reserve Board of additional capital requirements and quantitative limits on certain of our trading and investment activities. As a non-bank SIFI, we may consider structural and other business alternatives that may be available to us in response to such designation, and we cannot predict the impact that any such alternatives, if implemented, may have on the Company or its security holders. See Note 23 of the Notes to the Consolidated Financial Statements for information on the Company's announcement of its plan to pursue the Separation.

Together with other non-bank SIFIs and certain other large financial companies, MetLife, Inc. can be assessed under Dodd-Frank for any uncovered costs arising in connection with the resolution of a systemically important financial company. In addition, together with other non-bank SIFIs, MetLife, Inc. must pay certain assessments and other charges to offset certain costs incurred by the Federal Reserve Board in fulfilling its oversight role and in connection with the Financial Research Fund within the U.S. Department of Treasury that funds the Office of Financial Research. See "Business — Regulation — U.S. Regulation — Regulation as a Non-Bank SIFI" for additional information regarding regulation of MetLife, Inc. as a non-bank SIFI.

**ERISA Considerations**

We provide products and services to certain employee benefit plans that are subject to ERISA or the Code. As such, our activities are subject to the restrictions imposed by ERISA and the Code, including the requirement under ERISA that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and that fiduciaries may not cause a covered plan to engage in certain prohibited transactions. The prohibited transaction rules of ERISA and the Code generally restrict the provision of investment advice to ERISA plans and participants and IRAs if the investment recommendation results in fees paid to the individual advisor, his or her firm or their affiliates that vary according to the investment recommendation chosen.

The DOL proposed new regulations in April 2015 that would substantially expand the definition of "investment advice" and thereby broaden the circumstances under which MetLife, in providing investment advice with respect to ERISA plans, plan participants or IRAs, could be deemed a fiduciary under ERISA or the Code. The DOL also proposed amendments to its prohibited transaction exemptions, and proposed a new exemption that would apply more onerous disclosure and contract requirements to, and increase fiduciary requirements and fiduciary liability exposure in respect of, transactions involving ERISA plans, plan participants and IRAs. If the new DOL proposals become final, MetLife may find it necessary to change sales representative and/or broker compensation and may limit the assistance or advice they can provide. See "Business — Regulation — U.S. Regulation — ERISA Considerations."

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

**Mortgage and Foreclosure-Related Exposures**

State and federal regulatory and law enforcement authorities have initiated various inquiries and investigations of alleged irregularities in the foreclosure practices of the residential mortgage servicing industry, mortgage origination and mortgage servicing practices. Although we have reached settlements with some regulators relating to our mortgage servicing activities and Federal Housing Administration loan origination, pending or additional inquiries, investigations or examinations may result in further monetary payments or other measures against us. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Mortgage and Foreclosure-Related Exposures."



Table of Contents

## International Regulation

Our international insurance operations are principally regulated by insurance regulatory authorities in the jurisdictions in which they are located or operate. A significant portion of our revenues is generated through operations in foreign jurisdictions, including many countries in early stages of economic and political development. Our international operations may be materially adversely affected by the actions and decisions of foreign authorities and regulators. See “— Risks Related to Our Business — Our International Operations Face Political, Legal, Operational and Other Risks, Including Exposure to Local and Regional Economic Conditions, That Could Negatively Affect Those Operations or Our Profitability.” This may also impact many of our customers and independent sales intermediaries. Changes in the laws and regulations that affect these customers and independent sales intermediaries or their operations also may affect our business relationships with them and their ability to purchase or distribute our products. Accordingly, these changes and actions may negatively affect our business in these jurisdictions. We expect the scope and extent of regulation outside of the U.S., as well as regulatory oversight, generally, to continue to increase. The authority of our international operations to conduct business is subject to licensing requirements, permits and approvals, and these authorizations are subject to modification and revocation. The regulatory environment in the countries in which we operate and changes in laws could have a material adverse effect on our results of operations. See “Business — Regulation — International Regulation.”

## Solvency Regimes

We are subject to Solvency II (adopted in 2009, effective on January 1, 2016) and Omnibus II (amending Solvency II, adopted in 2014, effective on January 1, 2016), two interlinked insurance regulatory directives that provide a framework for new risk management practices, solvency capital standards and disclosure requirements across our business in the European Economic Area, and may be subject to similar solvency regulations in other regions, such as Mexico, Chile and China. See “Business — Regulation — International Regulation — Solvency Regimes.” As requirements are finalized by the regulators, capital requirements might be impacted in a number of jurisdictions. In addition, our legal entity structure throughout Europe may impact our capital requirements, risk management infrastructure and reporting by country.

## Global Systemically Important Insurers

In the wake of the financial crisis, national and international authorities have proposed measures intended to increase the intensity of regulation of large financial institutions, requiring greater coordination among regulators and efforts to harmonize regulatory regimes. For example, the IAIS is participating in the FSB’s initiative to identify and manage global systemically important financial institutions. To this end, the IAIS published a methodology to assess the systemic relevance of global insurers and a framework of policy measures to be applied to G-SIIs and, on this basis, the FSB again so designated MetLife, Inc. While the regulatory standards that would apply to G-SIIs are still being developed, they will include enhanced capital standards and supervision and other additional requirements that would not apply to companies that are not G-SIIs. The IAIS proposals would need to be implemented by legislation or regulation in each applicable jurisdiction, and the impact on MetLife, Inc. of such proposals is uncertain. See “Business — Regulation — International Regulation — Global Systemically Important Insurers.”

## General

From time to time, regulators raise issues during examinations or audits of MetLife, Inc.’s regulated subsidiaries that could, if determined adversely, have a material impact on us. In addition, the interpretations of regulations by regulators may change and statutes may be enacted with retroactive impact, particularly in areas such as accounting or statutory reserve requirements. 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.

The Dodd-Frank Provisions Compelling the Liquidation of Certain Types of Financial Institutions Could Materially and Adversely Affect MetLife, Inc., as Such a Financial Institution and as an Investor in Other Such Financial Institutions, as well as Our Investors

Under provisions of Dodd-Frank, if MetLife, Inc. or another financial institution were to become insolvent or were in danger of defaulting on its obligations and it was determined that such default would have serious effects on financial

stability in the U.S., it could be compelled to undergo liquidation with the FDIC as receiver. While under this new regime an insurance company would be resolved in accordance with state insurance law, if the FDIC were appointed as the receiver for another type of a company (including an insurance holding company such as MetLife, Inc.), liquidation of that company would occur under the provisions of the new liquidation authority, and not under the Bankruptcy Code, which ordinarily governs liquidations. In an FDIC-managed liquidation, holders of a company's debt could be treated differently than under the Bankruptcy Code and similarly-situated creditors could be treated differently. In particular, unsecured creditors and shareholders are intended to bear the losses of the company being liquidated. These provisions could also apply to financial institutions whose debt securities we hold in our investment portfolio and could adversely affect our position as a creditor and the value of our holdings.

Table of Contents

Dodd-Frank also provides for the assessment of charges against certain financial institutions, including non-bank SIFIs and bank holding companies and other financial companies with assets of \$50 billion or more, to cover the costs of liquidating any financial company subject to the new liquidation authority. The liquidation authority could increase our funding costs. See “Business — Regulation — U.S. Regulation — Regulation as a Non-Bank SIFI — Orderly Liquidation Authority.”

Legislative and Regulatory Activity in Health Care and Other Employee Benefits Could Affect our Profitability as a Provider of Life Insurance, Annuities, and Non-Medical Health Insurance Benefit Products

The Affordable Care Act may lead to fundamental changes in the way that employers, including us, provide health care benefits and other forms of compensation to their employees and former employees. In addition to imposing obligations on MetLife as an enterprise, the Affordable Care Act also imposes requirements on us as a provider of non-medical health insurance benefits and as a purchaser of certain of these products. See “Business — U.S. Regulation — Insurance Regulation — Health Care Regulation” for information regarding such requirements, including the effect of assessments related to public healthcare exchanges. The Affordable Care Act or other related regulations or regulatory actions may adversely affect our ability to continue to offer certain non-medical health and dental insurance products in the same manner as we do today and may continue to result in increased and unpredictable costs to provide certain products thereby harming our competitive position.

In addition, we employ a substantial number of employees, including sales agents, in the United States to whom we offer employment-related benefits. We also currently provide benefits to certain of our retirees. These benefits are provided under complex plans that are subject to a variety of regulatory requirements. The Affordable Care Act or related regulations or regulatory actions could adversely affect our ability to attract, retain and motivate our associates. They could also result in increased or unpredictable costs to provide employee benefits, and could harm our competitive position if we are subject to fees, penalties, tax provisions or other limitations in the Affordable Care Act and our competitors are not.

The Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 also includes certain provisions for defined benefit pension plan funding relief. These provisions may impact the likelihood and/or timing of corporate plan sponsors terminating their plans and/or engaging in transactions to partially or fully transfer pension obligations to an insurance company. Consequently, this legislation could indirectly affect the mix of our business, with fewer pension risk transfers and more non-guaranteed funding products, and adversely impact our results of operations.

Changes in U.S. Federal, State Securities and State Insurance 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, some of MetLife, Inc.’s subsidiaries and their activities in offering and selling variable insurance contracts and policies are subject to extensive regulation under these securities laws.

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, and to protect investment advisory or brokerage clients. These laws and regulations generally grant regulatory agencies broad rulemaking and enforcement powers, including the power to limit or restrict the conduct of business for failure to comply with the securities laws and regulations. A number of changes have recently been proposed or adopted to the laws and regulations that govern the conduct of our variable insurance products business and our distributors. The future impact of recently adopted revisions to laws and regulations, as well as revisions that are still in the proposal stage, on the way we conduct our business and the products we sell is unclear. Such impact could adversely affect our operations and profitability, including increasing the regulatory and compliance burden upon us, resulting in increased costs. See “Business — Regulation — U.S. Regulation — ERISA Considerations” and “Business — Regulation — U.S. Regulation — Securities, Broker-Dealer and Investment Advisory Regulation.” We also may be subject to similar laws and regulations in the foreign countries in which we offer products or conduct other activities similar to those described above. See “Business — Regulation — International Regulation.”

Changes in Tax Laws or Interpretations of Such Laws Could Reduce Our Earnings and Materially Impact Our Operations by Increasing Our Corporate Taxes and Making Some of Our Products Less Attractive to Consumers

Changes in domestic or foreign tax laws or interpretations of such laws could increase our corporate taxes and reduce our earnings. For example, in the third quarter of 2015, MetLife, Inc. recorded a \$792 million after-tax charge, or \$.70 per share, under accounting guidance for the recognition of tax uncertainties as a result of our consideration of recent decisions of the U.S. Court of Appeals for the Second Circuit upholding the disallowance of foreign tax credits claimed by other corporate entities not affiliated with us (in transactions different from ours), based upon a changed interpretation of the proper method of determining that a transaction has economic substance. Additionally, global budget deficits make it likely that governments' need for additional revenue will result in future tax proposals that will increase our effective tax rate. However, it remains difficult to predict the timing and effect that future tax law changes could have on our earnings both in the U.S. and in foreign jurisdictions.

## Table of Contents

Additionally, U.S. tax laws currently afford certain tax treatment to life insurance and annuity products. The Obama Administration and some members of Congress have proposed certain changes to rules applicable to certain of these products and to individual income tax rates in general. 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 by our customers would reduce our income from sales of these products, as well as the asset base upon which we earn investment income and fees, thereby reducing our earnings and potentially affecting the value of our deferred tax assets. Federal budgets have been proposed that would change selected company tax provisions and could adversely impact product affordability and availability. Tax reform proposals have also been made in recent Congresses to modify company tax treatment similar to those in the proposed budgets. These proposals have not advanced.

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

We face a significant risk of litigation and regulatory investigations and actions in the ordinary course of operating our businesses, including the risk of class action lawsuits. Our pending legal and regulatory actions include proceedings specific to us and others generally applicable to business practices in the industries in which we operate. In connection with our insurance operations, plaintiffs' lawyers may bring or are bringing class actions and individual suits alleging, among other things, issues relating to sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, denial or delay of benefits and breaches of fiduciary or other duties to customers. Plaintiffs in class action and other lawsuits against us may seek very large and/or indeterminate amounts, including punitive and treble damages. Due to the vagaries of litigation, the outcome of a litigation matter and the amount or range of potential loss at particular points in time may normally be difficult to ascertain. Uncertainties can include how fact finders will evaluate documentary evidence and the credibility and effectiveness of witness testimony, and how trial and appellate courts will apply the law in the context of the pleadings or evidence presented, whether by motion practice, or at trial or on appeal. Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel will themselves view the relevant evidence and applicable law. Material pending litigation and regulatory matters affecting us and risks to our business presented by these proceedings are discussed in Note 21 of the Notes to the Consolidated Financial Statements. Updates are provided in the notes to our interim condensed consolidated financial statements included in our subsequently filed quarterly reports on Form 10-Q, as well as in Part II, Item 1 ("Legal Proceedings") of those quarterly reports.

A substantial legal liability or a significant federal, state or other regulatory action against us, as well as regulatory inquiries or investigations, could harm our reputation, result in material fines or penalties, result in significant legal costs and otherwise have a material adverse effect on our business, financial condition and results of operations. Even if we ultimately prevail in the litigation, regulatory action or investigation, our ability to attract new customers, retain our current customers and recruit and retain employees could be materially and adversely impacted. Regulatory inquiries and litigation may also cause volatility in the price of stocks of companies in our industry.

Current claims, litigation, unasserted claims probable of assertion, investigations and other proceedings against us could 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. We currently have a market presence in numerous countries and may be subject to additional investigations and lawsuits in these jurisdictions. Increased regulatory scrutiny and any resulting investigations or proceedings in any of the countries where we operate could result in new legal actions and precedents and industry-wide regulations that could adversely affect our business, financial condition and results of operations.

### **Risks Related to Acquisitions, Dispositions or Other Structural Changes**

**We Could Face Difficulties, Unforeseen Liabilities, Asset Impairments or Rating Actions Arising from Business Acquisitions or Integrating and Managing Growth of Such Businesses, Dispositions of Businesses, or Legal Entity Reorganizations**

We have engaged in dispositions and acquisitions of businesses in the past, and expect to continue to do so in the future. See Note 23 of the Notes to the Consolidated Financial Statements for information regarding MetLife, Inc.'s

plan to pursue the Separation. Such activity exposes us to a number of risks arising from (i) potential difficulties achieving projected financial results including the costs and benefits of integration or deconsolidation; (ii) unforeseen liabilities or asset impairments; (iii) the scope and duration of rights to indemnification for losses; (iv) the use of capital which could be used for other purposes; (v) rating agency reactions; (vi) regulatory requirements that could impact our operations or capital requirements; (vii) changes in statutory or U.S. GAAP accounting principles, practices or policies; and (viii) certain other risks specifically arising from activities relating to an initial public offering, spin-off, joint venture or legal entity reorganization, including in connection with the proposed Separation.

## Table of Contents

The valuation and structure for any transaction reflect our financial projections and other qualitative and quantitative factors. Every transaction exposes us to the risk that actual results may materially differ from what we have projected. Factors that can cause our financial projections to vary materially from ultimate experience include, but are not limited to, macroeconomic, business growth, demographic, policyholder behavior, regulatory and political conditions.

### Risks Relating to Acquisitions

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

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

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

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

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

- If the acquired business relies on continued distribution access with another party, we are also exposed to the risk of loss of exclusivity or change in access due to regulatory changes.

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

- In cases where we or an acquired business operates in certain markets through joint ventures, the acquisition may affect the continued success and prospects of the joint venture.

- We may incur significant costs in connection with any acquisition and the related integration. The costs and liabilities actually incurred in connection with an acquisition and subsequent integration process may exceed those anticipated. There could be unforeseen liabilities or asset impairments, including goodwill impairments, which 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 acquisition-related due diligence investigations. Furthermore, even for obligations and liabilities that we do discover during the due diligence process, neither the valuation adjustment nor the contractual protections we negotiate may be sufficient to fully protect us from losses. Although we generally have rights to indemnification for certain losses, our rights are limited by survival periods for bringing claims and limitations on the nature and amount of losses we may recover, and we cannot be certain that indemnification will be, among other things, collectible or sufficient in amount, scope or duration to fully offset any loss we may suffer. For example, we are indemnified under the stock purchase agreement dated as of March 7, 2010, as amended, by and among MetLife, Inc., American International Group, Inc. ("AIG") and ALICO Holdings, LLC (now AM Holdings, LLC), a subsidiary of AIG, for various tax matters, including U.S. federal income taxes attributable to periods during which the ALICO business was included in AIG's consolidated federal income tax return. It is possible, however, that any such indemnification may not be fully collectible. The use of our own funds as consideration in any acquisition would consume capital resources, which could affect our capital plan and render those funds unavailable for other corporate purposes. We

also may not be able to raise sufficient funds to consummate an acquisition if, for example, we are unable to sell our securities or close related bridge credit facilities.



Table of Contents**Risks Relating to Dispositions**

We may separate a business through an outright sale, or by alternate means such as a public offering of shares in an independent, publicly traded company or a spin-off, which would also result in a separate, possibly independent and publicly traded, company. See Note 23 of the Notes to the Consolidated Financial Statements for information on the Company's announcement of its plan to pursue the proposed Separation. Any Separation that might occur will be subject to the satisfaction of various conditions and approvals, including approval of any transaction by the MetLife, Inc. Board of Directors, satisfaction of any applicable requirements of the SEC, and receipt of insurance and other regulatory approvals and other anticipated conditions. No assurance can be given regarding the form that the proposed Separation may take or the specific terms thereof, or that the Separation will in fact occur.

Unanticipated developments could delay, prevent or otherwise adversely affect our ability to effect any disposition transaction. Factors which could affect our ability to consummate such transactions include difficulties in finding buyers and delays or other problems with obtaining required regulatory, tax and other approvals, as well as adverse conditions in the capital and credit markets.

When we dispose of subsidiaries or operations, we may remain liable to the acquiror or to third parties for certain losses or costs arising from the divested business or on other bases. We may also incur a loss on the disposition. In anticipation of any disposition, we may need to restructure our operations, which could disrupt such operations and affect our ability to recruit key personnel needed to operate and grow such business. In addition, the actions of key employees of the business to be divested could adversely affect the success of such disposition as they may be more focused on obtaining employment, or the terms of their employment, than on maximizing the value of the business to be divested. Such restructuring could also adversely affect our internal controls and procedures and impair our relationships with key customers, distributors and suppliers. Any such separation will also decrease the diversification of our sources of revenue and result in a greater percentage of our revenue being derived from non-U.S. sources which may increase our exposure to certain risks. See “— Risks Related to Our Business — Our International Operations Face Political, Legal, Operational and Other Risks, Including Exposure to Local and Regional Economic Conditions, That Could Negatively Affect Those Operations or Our Profitability.”

After any such disposition, shares of our Common Stock will represent an investment in a company different in size and characteristics from the present. These changes may cause some existing shareholders to sell their shares of our Common Stock, which could, if excessive, cause the market price of our Common Stock to decrease. In addition, we may be unable to timely dissolve all contractual relationships with the divested business in the course of the proposed transaction, which may materially adversely affect our ability to realize value from the disposition.

**Risks Relating to Joint Ventures**

We participate in joint ventures in several countries, including China and India. We may enter into joint ventures with other companies or government enterprises in various other international markets, including joint ventures where we may have a lesser degree of control over the business operations, which may expose us to additional operational, financial, legal or compliance risks. We may be dependent on a joint venture counterparty for capital, product distribution, local market knowledge, or other resources. Limits on our ownership levels under local laws or regulations may increase our dependence on joint venture counterparties and subsequent changes to such laws or regulations may impact how we account for our joint venture ownership interests. See “— Risks Related to Our Business — Our International Operations Face Political, Legal, Operational and Other Risks, Including Exposure to Local and Regional Economic Conditions, That Could Negatively Affect Those Operations or Our Profitability.”

A joint venture may require an investment of considerable management, financial and operational resources to establish sufficient infrastructure such as underwriting, actuarial, risk management, compliance or other processes. If we are unable to effectively cooperate with joint venture counterparties, or any joint venture counterparty fails to meet its obligations under the joint venture arrangement, encounters financial difficulty, or elects to alter, modify or terminate the relationship, we may be unable to exercise management control or influence over these joint venture operations and our ability to achieve our objectives and our results of operations may be negatively impacted.

Table of Contents

Risks Relating to Legal Entity Reorganizations

In addition, we may reorganize or consolidate the legal entities through which we conduct business. For example, in November 2014, the Company completed the Mergers. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Other Key Information — Significant Events.” The implementation of legal entity reorganizations is a complex undertaking and involves a number of risks similar to those outlined above that are present in the case of an acquisition, including additional costs and expenses, information technology-related delays and problems, loss of key personnel and distraction of management. Many aspects of these transactions are subject to regulatory approvals from a number of different jurisdictions. We may not obtain needed regulatory approvals in the timeframe anticipated or at all, which could reduce or prevent us from realizing the anticipated benefits of these transactions. These transactions or the related regulatory approvals may entail modifications of certain aspects of our operations, the composition of certain of our investment portfolios, and/or the cost of our derivatives hedging activities, which could result in additional costs or reduce net investment income. Any of these risks, if realized, could result in a material adverse effect on our business, results of operations or financial condition.

Investments-Related Risks

Should the Need Arise, We May Have Difficulty Selling Certain Holdings in Our Investment Portfolio or in Our Securities Lending Program in a Timely Manner and Realizing Full Value Given Their Illiquid Nature

There may be a limited market for certain investments we hold in our investment portfolio, making them relatively illiquid. These include privately-placed fixed maturity securities, mortgage loans, policy loans, leveraged leases, other limited partnership interests, and real estate equity, such as real estate joint ventures and funds. In recent years, even some of our very high quality investments experienced reduced liquidity during periods of market volatility or disruption. If we were forced to sell certain of our investments during periods of market volatility or disruption, market prices may be lower than our carrying value in such investments. This could result in realized losses which could have a material adverse effect on our net income and financial position.

Similarly, we loan blocks of our securities to third parties (primarily brokerage firms and commercial banks) through our securities lending program, including fixed maturity and equity securities, short-term investments and cash equivalents. Under this program, we obtain collateral, usually cash, at the inception of a loan and typically purchase securities with the cash collateral. Upon the return to us of these loaned securities, we must return to the third party the cash collateral we received. If the cash collateral has been invested in securities, we need to sell the securities.

However, in some cases, the maturity of those securities may exceed the term of the related securities on loan and the estimated fair value of the securities we need to sell may fall below the amount of cash received.

If we are required to return significant amounts of cash collateral under our securities lending program or otherwise need significant amounts of cash on short notice and we are forced to sell securities, 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 the event of a forced sale, accounting guidance requires the recognition of a loss for securities in an unrealized loss position and may require the impairment of other securities based on our ability to hold those securities, which would negatively impact our financial condition. In addition, under stressful capital market and economic conditions, liquidity broadly deteriorates, which may further restrict our ability to sell securities. Furthermore, if we decrease the amount of our securities lending activities over time, the amount of net investment income generated by these activities will also likely decline. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Securities Lending.”

Table of Contents

**Our Requirements to Pledge Collateral or Make Payments Related to Declines in Estimated Fair Value of Derivatives Transactions or Specified Assets in Connection with OTC-Cleared and OTC-Bilateral Transactions May Adversely Affect Our Liquidity, Expose Us to Central Clearinghouse and Counterparty Credit Risk, and Increase our Costs of Hedging**

Substantially all of our derivatives transactions require us to pledge collateral related to any decline in the net estimated fair value of such derivatives transactions executed through a specific broker at a clearinghouse or entered into with a specific counterparty on a bilateral basis. Certain derivatives financing transactions require us to pledge collateral or make payments related to declines in the estimated fair value of the specified assets under certain circumstances to central clearinghouses or our counterparties. The amount of collateral we may be required to pledge and the payments we may be required to make under our derivatives transactions may increase under certain circumstances and will increase as a result of the requirement to pledge initial margin for OTC-cleared transactions entered into after June 10, 2013 and for OTC-bilateral transactions entered into after the phase-in period, which would be applicable to us in 2020 as a result of the adoption by the Prudential Regulators and the CFTC of final margin requirements for non-centrally cleared derivatives. Although the final rules allow us to pledge a broad range of non-cash collateral as initial and variation margin, the Prudential Regulators, CFTC, central clearinghouses and counterparties may restrict or eliminate certain types of previously eligible collateral or charge us to pledge such non-cash collateral, which would increase our costs and could adversely affect the liquidity of our investments and the composition of our investment portfolio. See “Business — Regulation — U.S. Regulation — Regulation of Over-the-Counter Derivatives,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Pledged Collateral,” and Note 9 of the Notes to the Consolidated Financial Statements.

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

Fixed maturity and equity securities classified as available-for-sale (“AFS”) securities are reported at their estimated fair value. Unrealized gains or losses on AFS securities are recognized as a component of other comprehensive income (loss) (“OCI”) and are, therefore, excluded from net income. In recent periods, as a result of low interest rates, the unrealized gains on our fixed maturity securities have far exceeded the unrealized losses. However, if interest rates rise, our unrealized gains would decrease and our unrealized losses would increase, perhaps substantially. The accumulated change in estimated fair value of these AFS securities is recognized in net income when the gain or loss is realized upon the sale of the security or in the event that the decline in estimated fair value is determined to be other-than-temporary and an impairment charge to earnings is taken. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Maturity and Equity Securities AFS.”

The occurrence of a major economic downturn, acts of corporate malfeasance, widening credit risk spreads, or other events that adversely affect the issuers or guarantors of securities or the underlying collateral of structured securities could cause the estimated fair value of our fixed maturity securities portfolio and corresponding earnings to decline and cause the default rate of the fixed maturity securities in our investment portfolio to increase. A ratings downgrade affecting issuers or guarantors of particular securities, or similar trends that could worsen the credit quality of issuers, such as the corporate issuers of securities in our investment portfolio, could also have a similar effect. With economic uncertainty, credit quality of issuers or guarantors could be adversely affected. Similarly, a ratings downgrade affecting a security we hold could indicate the credit quality of that security has deteriorated and could increase the capital we must hold to support that security to maintain our RBC levels. Levels of writedowns or impairments are impacted by intent to sell, or our assessment of the likelihood that we will be required to sell, fixed maturity securities, as well as our intent and ability to hold equity securities which have declined in value until recovery. Realized losses or impairments on these securities may have a material adverse effect on our net income in a particular quarterly or annual period.

Table of Contents

**Our Valuation of Securities and Investments and the Determination of the Amount of Allowances and Impairments Taken on Our Investments Are Subjective and Include Methodologies, Estimations and Assumptions Which Are Subject to Differing Interpretations and Market Conditions and, if Changed, Could Materially Adversely Affect Our Results of Operations or Financial Condition**

Fixed maturity, equity, fair value option (“FVO”) and trading securities, as well as short-term investments that are reported at estimated fair value represent the majority of our total cash and investments. We define fair value generally as the price that would be received to sell an asset or paid to transfer a liability. Considerable judgment is often required in interpreting market data to develop estimates of fair value, and the use of different assumptions or valuation methodologies may have a material effect of 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 if trading becomes less frequent and/or market data becomes less observable. In addition, in times of financial market disruption, certain asset classes that were in active markets with significant observable data may become illiquid. In those cases, the valuation process includes inputs that are less observable and require more subjectivity and management judgment. Valuations may result in estimated fair values which vary significantly from the amount at which the investments may ultimately be sold. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported within our consolidated financial statements and the period-to-period changes in estimated fair value could vary significantly. Decreases in the estimated fair value of securities we hold may 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 — Investments” and Notes 1 and 10 of the Notes to the Consolidated Financial Statements. The determination of the amount of allowances and impairments varies by investment type and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. We reflect any changes in allowances and impairments in earnings as such evaluations are revised. However, historical trends may not be indicative of future impairments or allowances. In addition, any such future impairments or allowances could have a materially adverse effect on our earnings and financial position. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Investment Impairments” and Note 8 of the Notes to the Consolidated Financial Statements.

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

Our mortgage loans face default risk and are principally collateralized by commercial, agricultural and residential properties. We establish valuation allowances for estimated impairments, which are based on loan risk characteristics, historical default rates and loss severities, real estate market fundamentals and outlooks, as well as other relevant factors. In addition, substantially all of our mortgage loans held-for-investment have balloon payment maturities. An increase in the default rate of our mortgage loan investments or fluctuations in their performance could have a material adverse effect on our business, results of operations and financial condition.

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

Table of Contents

The Defaults or Deteriorating Credit of Other Financial Institutions Could Adversely Affect Us

We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, central clearinghouses, commercial banks, investment banks, hedge funds and investment funds and other financial 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, derivatives, joint venture, hedge fund and equity investments. Further, potential action by governments and regulatory bodies in response to the financial crisis affecting the global banking system and financial markets, such as investment, nationalization, conservatorship, receivership and other intervention, whether under existing legal authority or any new authority that may be created, or lack of action by governments and central banks, as well as deterioration in the banks' credit standing, could negatively impact these instruments, securities, transactions and investments or limit our ability to trade with them. Any such losses or impairments to the carrying value of these investments or other changes may materially and adversely affect our business and results of operations.

Risks Related to Our Business

Our International Operations Face Political, Legal, Operational and Other Risks, Including Exposure to Local and Regional Economic Conditions, That Could Negatively Affect Those Operations or Our Profitability

Our international operations face political, legal, financial, operational and other risks. These operations may be materially adversely affected by the actions and decisions of foreign authorities and regulators, such as through nationalization or expropriation of assets; the imposition of limits on foreign ownership of local companies which may increase our dependence on joint venture counterparties and/or impact how we account for our joint venture ownership interests; changes in laws (including tax laws and regulations), their application or interpretation; political instability (including any resulting economic or trade sanctions); dividend limitations; price controls; changes in applicable currency; currency exchange controls or other restrictions that prevent us from transferring funds from these operations out of the countries in which they operate or converting local currencies we hold into U.S. dollars or other currencies, as well as other adverse actions by foreign governmental authorities and regulators, such as the retroactive application of new requirements on our current and prior activities or operations and the imposition of regulations limiting our ability to distribute our products. Such actions may negatively affect our business in these jurisdictions and could indirectly affect our business in other jurisdictions as well. Some of our foreign insurance operations are, and are likely to continue to be, in emerging markets where these risks are heightened.

Part of our international insurance operations may be subject to assessments, generally based on their proportionate share of business written in the relevant jurisdiction, for certain obligations to policyholders and claimants resulting from the insolvency of insurance companies. We cannot predict the timing and scope of any assessments that may be made in the future, which may materially affect the results of operations of our international insurance operations in particular quarterly or annual periods. See "Business — Regulation — International Regulation" and "Quantitative and Qualitative Disclosures About Market Risk," as well as "— Regulatory and Legal Risks — Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth."

We have operations in regions where the legal and political systems and regulatory frameworks are subject to instability and disruptions. For example, instability has increased in many parts of the Middle East, as well as China, Argentina, Ukraine and Russia. Lack of legal certainty and stability in these regions exposes our operations there to increased risk of disruption and to adverse or unpredictable actions by regulators and may make it more difficult for us to enforce our contracts, which may negatively impact our business in these regions.

Table of Contents

We have market presence in numerous countries and increased exposure to risks posed by local and regional economic conditions. China, Europe and Japan continue to experience overall sluggish economic performance, with concerns over low inflation. We face substantial exposure to the Japanese economy given our operations there. Unfavorable economic conditions in Japan, as well as in China and Europe, could adversely impact the demand for our products, negatively impact earnings, adversely affect the performance of our investments or result in impairments, all of which could have a material adverse effect on our business, results of operations and financial condition. See “— Economic Environment and Capital Markets-Related Risks — If Difficult Conditions in the Global Capital Markets and the Economy Generally Persist, They May Materially Adversely Affect Our Business and Results of Operations.” Certain EU member states, including Portugal, Ireland, Italy, Greece and Spain (“Europe’s perimeter region”) have been particularly affected by the sluggish economy, resulting in increased national debts and depressed economic activity. We have significant operations and investments in certain of these countries, including Europe’s perimeter region, which could be adversely affected by economic developments such as higher taxes, growing inflation, deflation, decreasing government spending, rising unemployment and currency instability. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment,” “— Fluctuations in Foreign Currency Exchange Rates Could Negatively Affect Our Profitability,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Financial and Economic Environment.”

Furthermore, 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. We are continuing to expand our international operations in certain markets where we operate and in selected new markets. This may require considerable management time, as well as start-up expenses for market development before any significant revenues and earnings are generated. The prospects of our business also may be materially and adversely affected if we are not able to manage the growth of such international operations successfully. There can be no assurance that we will be successful in managing such future growth. Further, operations in new foreign markets may achieve low margins or may be unprofitable, and expansion in existing markets may be affected by local political, 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.

#### Fluctuations in Foreign Currency Exchange Rates Could Negatively Affect Our Profitability

We are exposed to risks associated with fluctuations in foreign currency exchange rates against the U.S. dollar resulting from our holdings of non-U.S. dollar denominated investments, investments in foreign subsidiaries, net income from foreign operations and issuance of non-U.S. dollar denominated instruments, including guaranteed interest contracts and funding agreements. In general, the weakening of foreign currencies versus the U.S. dollar will adversely affect the estimated fair value of our non-U.S. dollar denominated investments, our investments in foreign subsidiaries, and our net income from foreign operations. In addition, 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 currency exchange rate risk is exacerbated by our investments in these emerging markets. See “Quantitative and Qualitative Disclosures About Market Risk.”

In addition, certain of our life and annuity products are exposed to foreign exchange rate risk. Payments under these contracts, depending on the circumstances, may be required to be made in different currencies and may not be the legal tender in the country whose law governs the particular product. Changes in exchange rate movements and the imposition of capital controls may also directly impact the liability valuation that may not be entirely hedged. If the currency upon which expected future payments are made strengthens, the liability valuation may increase, which may result in a reduction of net income.

Historically, we have matched substantially all of our foreign currency denominated liabilities in our foreign subsidiaries with investments denominated in their respective foreign currency, which limits the effect of currency exchange rate fluctuations on local operating results; however, fluctuations in such rates affect the translation of these results into our U.S. dollar basis consolidated financial statements. Although we take certain actions to address this risk, including entering into foreign currency derivatives, foreign currency exchange rate fluctuations 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. Our reported results could also be adversely affected if the economy of one or more of our foreign subsidiaries is determined to be “highly inflationary,” generally defined by a cumulative inflation rate of approximately 100% or more over a three-year period.

Table of Contents

We face substantial exposure to risks associated with fluctuations in the yen/U.S. dollar exchange rate because we have substantial operations in Japan and a significant portion of our premiums and investment income in Japan are received in yen. Most claims and expenses associated with our operations in Japan are also paid in yen and we primarily purchase yen-denominated assets to support yen-denominated policy liabilities. These and other yen-denominated financial statement items are, however, translated into U.S. dollars for financial reporting purposes. Accordingly, fluctuations in the yen/U.S. dollar exchange rate can have a significant effect on our reported financial position and results of operations. Our Japan operation does assume some currency exposure by backing a portion of surplus and yen-denominated liabilities with U.S. dollar assets. Although this represents risk to our Japan operation, this activity reduces yen exposure at the enterprise level. Additionally, our Japan operation sells U.S. dollar and Australian dollar life and annuity products to Japanese customers. We may experience elevated levels of early policy terminations when the Japanese yen weakens against these currencies. While the cost of early policy terminations is offset by surrender charges, foreign exchange rate fluctuations will impact both our sales volumes and the amount of business we have in-force.

Due to our significant international operations, during periods when any foreign currency in which we derive our revenues weakens (strengthens), translating amounts expressed in that currency into U.S. dollars causes fewer (more) U.S. dollars to be reported. Any unrealized foreign currency translation adjustments (“FCTA”) are reported in accumulated other comprehensive income (loss) (“AOCI”). The weakening of a foreign currency relative to the U.S. dollar will generally adversely affect the value of investments in U.S. dollar terms and reduce the level of reserves denominated in that currency.

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

We rely on our credit facilities as a potential source of liquidity. The availability of these facilities could be critical to our credit and financial strength ratings and our ability to meet our obligations as they come due in a market when alternative sources of credit are tight. These credit facilities contain certain administrative, reporting, legal and financial covenants, including a requirement to maintain a specified minimum consolidated net worth. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity and Capital Sources — Global Funding Sources — Credit and Committed Facilities” and Note 12 of the Notes to the Consolidated Financial Statements.

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

**We May Need to Fund Deficiencies in Our Closed Block; Assets Allocated to the Closed Block Benefit Only the Holders of Closed Block Policies**

MLIC’s plan of reorganization, as amended, established in connection with its demutualization (the “Plan of Reorganization”), required that we establish and operate an accounting mechanism, known as a closed block, to ensure that the reasonable dividend expectations of policyholders who own individual participating whole life insurance policies of MLIC in force at the time of the demutualization are met. We allocated assets to the closed block in an amount that will produce cash flows which, together with anticipated revenue from the policies included in the closed block, are reasonably expected to be sufficient to support obligations and liabilities relating to these policies, including, but not limited to, provisions for the payment of claims and certain expenses and tax, and to provide for the continuation of the policyholder dividend scales in effect for 1999, if the experience underlying such scales continues, and for appropriate adjustments in such scales if the experience changes. The closed block assets, the cash flows generated by the closed block assets and the anticipated revenue from the policies included in the closed block may not be sufficient to provide for the benefits guaranteed under these policies. If they are not, we must fund the shortfall. Even if they are sufficient, we may choose, for competitive reasons, to support policyholder dividend payments with



our general account funds.

The closed block assets, the cash flows generated by the closed block assets and the anticipated revenues from the policies in the closed block will benefit only the holders of the policies in the closed block. In addition, to the extent that these amounts are greater than the amounts estimated at the time the closed block was funded, dividends payable in respect of the policies included in the closed block may be greater than they would be in the absence of a closed block. Any excess earnings will be available for distribution over time only to closed block policyholders. See Note 7 of the Notes to the Consolidated Financial Statements.

56

---

Table of Contents

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

Financial strength ratings are published by various Nationally Recognized Statistical Rating Organizations (“NRSROs”) and similar entities not formally recognized as NRSROs. They indicate the NRSROs’ opinion regarding an insurance company’s ability to meet contractholder and policyholder obligations, and are important to maintaining public confidence in our products and our competitive position. See “Business — Company Ratings” for additional information regarding our financial strength ratings.

Downgrades in our financial strength ratings or changes to our rating outlooks 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 post additional collateral under certain of our financing and derivative transactions;
- requiring us to reduce prices for many of our products and services to remain competitive; and
- adversely affecting our ability to obtain reinsurance at reasonable prices or at all.

In addition to the financial strength ratings of our insurance subsidiaries, various NRSROs also publish credit ratings for MetLife, Inc. and several of its subsidiaries. Credit ratings indicate the NRSROs’ opinion regarding a debt issuer’s ability to meet the terms of debt obligations in a timely manner and are important factors in our overall funding profile and ability to access certain types of liquidity. Downgrades in our credit ratings or changes to our rating outlooks could have a material adverse effect on our financial condition and results of operations in many ways, including limiting our access to capital markets, potentially increasing the cost of debt, and requiring us to post collateral. See Note 9 of the Notes to the Consolidated Financial Statements for information regarding the impact of a one-notch downgrade with respect to derivative transactions with credit rating downgrade triggers and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Pledged Collateral” for further information on the impact of a one-notch downgrade. See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Capital — Rating Agencies.”

In view of the difficulties experienced by many financial institutions as a result of the financial crisis and ensuing global recession, including our competitors in the insurance industry, we believe it is possible that the NRSROs will continue to heighten the level of scrutiny that they apply to insurance companies, will continue to increase the frequency and scope of their credit reviews, will continue to request additional information from the companies that they rate, and may adjust upward the capital and other requirements employed in the models for maintenance of certain ratings levels. Our ratings could be downgraded at any time and without notice by any NRSRO.

**Reinsurance May Not Be Available, Affordable or Adequate to Protect Us Against Losses**

As part of our overall risk management strategy, we purchase reinsurance for certain risks underwritten by our various business segments. While reinsurance agreements generally bind the reinsurer for the life of the business reinsured at generally fixed pricing, market conditions beyond our control determine the availability and cost of the reinsurance protection for new business. In certain circumstances, the price of reinsurance for business already reinsured may also increase. For example, for some of our group businesses under which the policies and related reinsurance are subject to periodic (typically annual) renewal, prices may increase at any renewal. Also, for most of our traditional life reinsurance agreements, it is common for the reinsurer to have a right to increase reinsurance rates on in-force business if there is a systematic deterioration of mortality in the market as a whole. Any decrease in the amount of reinsurance will increase our risk of loss and any increase in the cost of reinsurance will, absent a decrease in the amount of reinsurance, reduce our earnings. Accordingly, we may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect our ability to write future business or result in the assumption of more risk with respect to those policies we issue. See “Business — Reinsurance Activity” and “— If the Counterparties to Our Reinsurance or Indemnification Arrangements or to the Derivatives We Use to Hedge Our Business Risks Default or Fail to Perform, We May Be Exposed to Risks We

Had Sought to Mitigate, Which Could Materially Adversely Affect Our Financial Condition and Results of Operations.”

57

---

## Table of Contents

### If the Counterparties to Our Reinsurance or Indemnification Arrangements or to the Derivatives We Use to Hedge Our Business Risks Default or Fail to Perform, We May Be Exposed to Risks We Had Sought to Mitigate, Which Could Materially Adversely Affect Our Financial Condition and Results of Operations

We use reinsurance, indemnification and derivatives to mitigate our risks in various circumstances. In general, reinsurance, indemnification and derivatives do 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, indemnitors, counterparties and central clearinghouses. A reinsurer's, indemnitor's, counterparty's or central clearinghouse's insolvency, inability or unwillingness to make payments under the terms of reinsurance agreements, indemnity agreements or derivatives agreements with us or inability or unwillingness to return collateral could have a material adverse effect on our financial condition and results of operations, including our liquidity. See "Business — Reinsurance Activity." In addition, we use derivatives to hedge various business risks. We enter into a variety of derivatives, including options, forwards, interest rate, credit default and currency swaps with a number of counterparties on a bilateral basis for uncleared OTC derivatives and with clearing brokers and central clearinghouses for OTC-cleared derivatives. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Derivatives." If our counterparties, clearing brokers or central clearinghouses fail or refuse to honor their obligations under these derivatives, our hedges of the related risk will be ineffective. This risk is more pronounced in light of the stresses suffered by financial institutions over the past few years. Such failure could have a material adverse effect on our financial condition and results of operations.

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

Our earnings significantly depend upon the extent to which our actual claims experience is consistent with the assumptions we use in setting prices for our products and establishing liabilities for future policy benefits and claims. Such amounts are established based on estimates by actuaries of how much we will need to pay for future benefits and claims. 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 uncertainty associated with the determination of liabilities for future policy benefits and claims, we cannot determine precisely the amounts which we will ultimately pay to settle our liabilities. Such amounts may vary from the estimated amounts, particularly when those payments may not occur until well into the future. We evaluate our liabilities periodically based on accounting requirements, which change from time to time, the assumptions used to establish the liabilities, as well as our actual experience. 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. See "Business — Policyholder Liabilities" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Policyholder Liabilities."

### Catastrophes May Adversely Impact Liabilities for Policyholder Claims and Reinsurance Availability

Our insurance operations are exposed to the risk of catastrophic events. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Most catastrophes are restricted to small geographic areas; however, hurricanes, earthquakes, tsunamis and man-made catastrophes may produce significant damage or loss of life or property damage in larger areas, especially those that are heavily populated. Claims resulting from 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. In addition, catastrophic events could harm the financial condition of issuers of obligations we hold in our investment portfolio, resulting in impairments to these obligations, and the financial condition of our reinsurers, thereby increasing the probability of default on reinsurance recoveries. Large-scale catastrophes may also reduce the overall level of economic activity in affected countries which could hurt our business and the value of our investments or our ability to write new business. It is possible that increases in the value, caused by the effects of inflation or other factors, and geographic concentration of insured lives or property, could increase the severity of claims we receive from future catastrophic events.



Table of Contents

Our life insurance operations are exposed to the risk of catastrophic mortality, such as a pandemic or other event that causes a large number of deaths. Significant influenza pandemics have occurred three times in the last century; however, the likelihood, timing, and severity of a future pandemic cannot be predicted. A significant pandemic could have a major impact on the global economy or the economies of particular countries or regions, including travel, trade, tourism, the health system, food supply, consumption, overall economic output and, eventually, on the financial markets. In addition, a pandemic that affected our employees or the employees of our distributors or of other companies with which we do business could disrupt our business operations. The effectiveness of external parties, including governmental and non-governmental organizations, in combating the spread and severity of such a pandemic could have a material impact on the losses experienced by us. In our group insurance operations, a localized event that affects the workplace of one or more of our group insurance customers could cause a significant loss due to mortality or morbidity claims. These events could cause a material adverse effect on our results of operations in any period and, depending on their severity, could also materially and adversely affect our financial condition.

Our property & casualty businesses have experienced, and will likely in the future experience, catastrophe losses that may have a material adverse impact on their business, results of operations and financial condition. Although we make every effort to limit our exposure to catastrophic risks through volatility management and reinsurance programs, these efforts do not eliminate all risk. Catastrophes can be caused by various events, including hurricanes, windstorms, earthquakes, hail, tornadoes, explosions, severe winter weather (including snow, freezing water, ice storms and blizzards), fires and man-made events such as terrorist attacks. Historically, most of our property & casualty catastrophe-related claims have related to homeowners coverages. However, catastrophes may also affect other property & casualty coverages. Due to their nature, we cannot predict the incidence, timing and severity of catastrophes. In addition, changing climate conditions, primarily rising global temperatures, may increase the frequency and severity of natural catastrophes such as hurricanes, tornadoes and floods.

We have hurricane exposure in coastal sections of the northeastern U.S. (including lower New York, New Jersey, Connecticut, Rhode Island and Massachusetts), the south Atlantic states (including Virginia, North Carolina, South Carolina, Georgia and Florida) and the Gulf Coast (including Alabama, Mississippi, Louisiana and Texas). We also have some earthquake exposure, primarily along the New Madrid fault line in the central U.S. and in the Pacific Northwest.

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

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

While in the past five years, the aggregate assessments levied against MetLife have not been material, it is possible that a large catastrophic event could render such guaranty funds inadequate and we may be called upon to contribute

additional amounts, which may have a material impact on our financial condition or results of operations in a particular period. We have established liabilities for guaranty fund assessments that we consider adequate, but additional liabilities may be necessary. See Note 21 of the Notes to the Consolidated Financial Statements. Our ability to manage this risk and the profitability of our property & casualty and life insurance businesses depends in part on our ability to obtain catastrophe reinsurance, which may not be available at commercially acceptable rates in the future. See “— Reinsurance May Not Be Available, Affordable or Adequate to Protect Us Against Losses.”

## Table of Contents

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

We currently utilize capital markets solutions to finance a portion of our statutory reserve requirements for several products, including, but not limited to, our level premium term life subject to the NAIC Model Regulation Valuation of Life Insurance Policies (commonly referred to as XXX), and ULSG subject to NAIC Actuarial Guideline 38 (commonly referred to as AXXX), as well as MLIC's closed block. While we have financing facilities in place for certain previously written business, certain of these facilities are subject to cost increases upon the occurrence of specified ratings downgrades of MetLife or are subject to periodic re-pricing. Any resulting cost increases could negatively impact our financial results.

Future capacity for these statutory reserve funding structures in the marketplace is not guaranteed. Currently, state insurance regulators and the NAIC are investigating the use of captive reinsurers and offshore entities to reinsure insurance risks. See “— Regulatory and Legal Risks — Our Insurance and Brokerage Businesses are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.” Insurance regulators in a few states, including New York and California, have imposed a moratorium on new reinsurance transactions between life insurers domiciled in those states and captive reinsurers. If additional state insurance regulators determine to restrict the use of captive reinsurers for purposes of funding reserve requirements or capacity in the capital markets otherwise becomes unavailable for a prolonged period of time, thereby hindering our ability to obtain funding for these new structures, our ability to write additional business in a cost effective manner may be impacted.

### Competitive Factors May Adversely Affect Our Market Share and Profitability

We believe competition amongst insurance companies 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 globally with a large number of other insurance companies, as well as non-insurance financial services companies, such as banks, broker-dealers and asset managers, for individual consumers, employers and other group customers and agents and other distributors of insurance and investment products. Some of these companies offer a broader array of products, have more competitive pricing or, with respect to other insurance companies, have higher claims paying ability ratings. Some may also have greater financial resources with which to compete. In some circumstances, national banks that sell annuity products of life insurers may also have pre-existing customer bases for financial services products. Additionally, many of our group insurance products are underwritten annually. There is a risk that group purchasers may be able to obtain more favorable terms from competitors than they could renewing coverage with us. These competitive pressures may adversely affect the persistency of these and other products, as well as our ability to sell our products in the future. Furthermore, the investment management and securities brokerage businesses have relatively few barriers to entry and continually attract new entrants. See “Business — Competition.”

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

In addition, since numerous aspects of our business are subject to regulation, legislative and other changes affecting the regulatory environment for our business may have, over time, the effect of supporting or burdening some aspects of the financial services industry more than others. This can affect our competitive position within the life insurance industry and within the broader financial services industry. See “Business — Regulation,” “— Regulatory and Legal Risks — Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth,” and “— Regulatory and Legal Risks — Changes in U.S. Federal, State Securities and State Insurance Laws and Regulations May Affect Our Operations and Our Profitability.”



**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**

We perform our goodwill impairment testing using the fair value approach, which requires the use of estimates and judgment, at the “reporting unit” level. A reporting unit is the operating segment or a business one level below the operating segment under certain circumstances.

60

---

Table of Contents

The estimated fair value of the reporting unit is impacted by the performance of the business, which may be adversely impacted by prolonged market declines. If it is determined that the goodwill has been impaired, we must write down the goodwill by the amount of the impairment, with a corresponding charge to net income. Such writedowns could have an adverse effect on our results of operations or financial position. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Goodwill” and Notes 1 and 11 of the Notes to the Consolidated Financial Statements.

Long-lived assets, including assets such as real estate, also require impairment testing. This testing is done to determine whether changes in circumstances indicate that we will be unable to recover the carrying amount of the asset group. Such writedowns could have a material adverse effect on our results of operations or financial position. Deferred income tax represents the tax effect of the differences between the book and tax bases of assets and liabilities. Deferred tax assets are assessed periodically by management to determine if they are realizable. Factors in management’s determination include the performance of the business including the ability to generate future taxable income. If, based on available information, it is more likely than not that the deferred income tax asset will not be realized then a valuation allowance must be established with a corresponding charge to net income. Such charges could have a material adverse effect on our results of operations or financial position. In addition, changes in the corporate tax rates could affect the value of our deferred tax assets and may require a write-off of some of those assets. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Income Taxes.”

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

We incur significant costs in connection with acquiring new and renewal insurance business. Costs that are related directly to the successful acquisition of new and renewal insurance business are deferred and referred to as DAC. Bonus amounts credited to certain policyholders, either immediately upon receiving a deposit or as excess interest credits for a period of time, are deferred and referred to as DSI. VOBA represents the excess of book value over the estimated fair value of acquired insurance, annuity, and investment-type contracts in-force at the acquisition date. The estimated fair value of the acquired liabilities is based on actuarially determined projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns, nonperformance risk adjustment and other factors. DAC, DSI and VOBA related to fixed and variable universal life and deferred annuity contracts are amortized in proportion to actual and expected future gross profits and for most participating contracts in proportion to actual and expected future gross margins. The amount of future gross profit or margin is dependent principally on investment returns in excess of the amounts credited to policyholders, mortality, morbidity, persistency, interest crediting rates, dividends paid to policyholders, expenses to administer the business, creditworthiness of reinsurance counterparties and certain economic variables, such as inflation. Of these factors, we anticipate that investment returns are most likely to impact the rate of amortization of DAC for the aforementioned contracts.

If actual gross profits or margins are less than originally expected, then the amortization of such costs would be accelerated in the period the actual experience is known and would result in a charge to income. Significant or sustained equity market declines could result in an acceleration of amortization of DAC, DSI and 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 — Industry Trends — Impact of a Sustained Low Interest Rate Environment” for a discussion of how significantly lower spreads may cause us to accelerate amortization, thereby reducing net income in the affected reporting period.

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 Note 1 of the Notes to the Consolidated Financial Statements for further consideration of DAC and VOBA.

**Guarantees Within Certain of Our Products May Decrease Our Earnings, Increase the Volatility of Our Results, Result in Higher Risk Management Costs and Expose Us to Increased Counterparty Risk**

Certain of our variable annuity products include guaranteed benefits, including guaranteed minimum death benefits (“GMDBs”), guaranteed minimum withdrawal benefits (“GMWBs”), guaranteed minimum accumulation benefits (“GMABs”), and guaranteed minimum income benefits (“GMIBs”). These guarantees are designed to protect policyholders against significant downturns in equity markets and interest rates. Any such 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 our liabilities associated with those products. An increase in these liabilities would result in a decrease in our net income.

Table of Contents

We use hedging and other risk management strategies to mitigate the liability exposure and the volatility of net income associated with these liabilities. These strategies involve the use of reinsurance and derivatives, which may not be completely effective. For example, in the event that reinsurers, derivative counterparties or central clearinghouses are unable or unwilling to pay, we remain liable for the guaranteed benefits. See “— If the Counterparties to Our Reinsurance or Indemnification Arrangements or to the Derivatives We Use to Hedge Our Business Risks Default or Fail to Perform, We May Be Exposed to Risks We Had Sought to Mitigate, Which Could Materially Adversely Affect Our Financial Condition and Results of Operations.”

In addition, hedging instruments may not effectively offset the costs of guarantees or may otherwise be insufficient in relation to our obligations. Furthermore, we are subject to the risk that changes in policyholder behavior or mortality, combined with adverse market events, produce economic losses not addressed by the risk management techniques employed. These, individually or collectively, may have a material adverse effect on our results of operations, including net income, financial condition or liquidity. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Policyholder Liabilities — Variable Annuity Guarantees” and Note 1 of the Notes to the Consolidated Financial Statements for further consideration of the risks associated with guaranteed benefits.

**Capital-Related Risks**

**Regulatory Restrictions and Uncertainty and Restrictions Under the Terms of Certain of Our Securities May Prevent Us from Repurchasing Our Stock and Paying Dividends at the Level We Wish**

The declaration and payment of dividends is subject to the discretion of our Board of Directors, and will depend on our financial condition, results of operations, cash requirements, future prospects, regulatory restrictions on the payment of dividends by MetLife, Inc.’s insurance subsidiaries and other factors deemed relevant by the Board. There is no requirement or assurance that we will declare and pay any dividends. In addition, as a result of MetLife, Inc.’s designation as a non-bank SIFI, we may be subject to restrictions arising from Federal Reserve regulation, including capital planning and stress testing requirements. The capital requirements that will apply to non-bank SIFIs are unclear. Furthermore, if additional capital requirements are imposed on MetLife, Inc. as a G-SII, its ability to pay dividends could be reduced by any such additional capital requirements that might be imposed. See “— Regulatory and Legal Risks — Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.” In addition, our ability to pay dividends on our common stock and repurchase our common stock is subject to restrictions arising from the terms of our preferred stock, junior subordinated debentures and trust securities, so called “dividend stopper” provisions, in situations where we may be experiencing financial stress. For purposes of this discussion, “junior subordinated debentures” are deemed to include MetLife’s Fixed-to-Floating Exchangeable Surplus Trust Securities, which are exchangeable for junior subordinated debentures, and which contain terms with the same substantive effects in this discussion as the terms of MetLife, Inc.’s junior subordinated debentures. In addition, our ability to pay dividends on our preferred stock and interest on our junior subordinated debentures is also restricted by the terms of those securities.

**Regulatory Restrictions**

The Federal Reserve Board is required under Dodd-Frank to adopt enhanced prudential standards, including heightened capital and stress testing requirements, for non-bank SIFIs. While stress testing requirements have been adopted, they will not be effective until rules relating to capital requirements are implemented. Although the Federal Reserve Board has indicated that it intends to apply enhanced prudential standards to non-bank SIFIs by rule or order, it has not yet done so. Therefore, the manner in which these proposed standards might apply to MetLife, Inc., as a non-bank SIFI, remains unclear. See “Business — Regulation — U.S. Regulation — Regulation as a Non-Bank SIFI.” See also “Business — Regulation — International Regulation — Global Systemically Important Insurers” regarding potential restrictions on MetLife, Inc. as a G-SII. It is possible that these requirements, or any others adopted, could restrict our ability to pay dividends, repurchase our common stock or other securities or engage in other transactions that could affect our capital. Furthermore, as a non-bank SIFI, MetLife, Inc. will be subject to stress testing conducted by the Federal Reserve, and our ability to pay dividends and repurchase our stock will be dependent on demonstrating the robustness of our capital planning and projection processes, as well as our ability to maintain our capital levels above regulatory minimum levels under stress scenarios. In addition, MetLife, Inc. may not be able to pay dividends if it does not

receive sufficient funds from its operating subsidiaries, which are themselves subject to separate regulatory restrictions on their ability to pay dividends. See “— As A Holding Company, MetLife, Inc. Depends on the Ability of Its Subsidiaries to Pay Dividends, a Major Component of Holding Company Free Cash Flow.”

## Table of Contents

### “Dividend Stopper” Provisions in Our Preferred Stock and Junior Subordinated Debentures

Certain terms of our preferred stock and our junior subordinated debentures may prevent us from purchasing our common stock or paying dividends on our common stock in certain circumstances. Moreover, MetLife, Inc. is a party to certain replacement capital covenants which limit its ability to eliminate these restrictions through the repayment, redemption or purchase of preferred stock or junior subordinated debentures by requiring MetLife, subject to certain limitations, to receive cash proceeds during a specified period from the sale of specified replacement securities prior to any repayment, redemption or purchase. See Note 14 of the Notes to the Consolidated Financial Statements for a description of such covenants in effect with respect to junior subordinated debentures.

Under our preferred stock, if we have not paid the full dividends on our preferred stock for a dividend period, we may not repurchase or pay dividends on our common stock for that period. Under our junior subordinated debentures, if we have not paid in full the accrued interest through the most recent interest payment date on our junior subordinated debentures, we may not repurchase or pay dividends on our common stock or other capital stock (including the preferred stock), subject to certain exceptions.

### Trigger Events for the Restrictions on the Payment of Dividends on Our Preferred Stock and Restrictions on the Payment of Interest on Our Junior Subordinated Debentures

In addition, the preferred stock and the junior subordinated debentures contain provisions that would automatically suspend the payment of preferred stock dividends and junior subordinated debenture interest payments if MetLife, Inc. fails to meet certain tests (“Trigger Events”) at specified times, although in such cases MetLife would be permitted to make the payments if it were able to utilize the “Alternative Payment Mechanism” described below. As a result of the suspension of these payments, the “dividend stopper” provisions would come into effect. A “Trigger Event” would occur if the RBC ratio of MetLife’s largest U.S. insurance subsidiaries in the aggregate (as defined in the applicable instrument) were to be less than 175% of the company action level based on the subsidiaries’ prior year annual financial statements filed (generally around March 1) with state insurance commissioners. A “Trigger Event” would also occur if, at the end of a quarter, consolidated GAAP net income for the four-quarter period ending two quarters before such quarter-end is zero or less and adjusted shareholders’ equity (as defined in the applicable instrument), as of such quarter-end and the end of the quarter two quarters before such quarter-end, declined by 10% or more from its level 10 quarters before such quarter-end. The Trigger Event would continue until there is no longer a Trigger Event at the specified time, and adjusted shareholders’ equity is no longer 10% or more below its level at the beginning of each measurement period described above that is associated with a “Trigger Event.”

In order to use the “Alternative Payment Mechanism” referred to above to declare and pay preferred stock dividends or interest on junior subordinated debentures, MetLife must sell common stock during the 90 days preceding the dividend declaration date or sell common stock or certain kinds of warrants to purchase common stock during the 180 days prior to the interest payment date, make dividend or interest payments not in excess of the net proceeds of these sales, and satisfy other specified conditions.

### Dividends on Our Preferred Stock Are Subject to Declaration by Our Board of Directors

In addition to the provisions described above that prevent us from declaring and paying dividends on our preferred stock, dividends on our preferred stock are subject to declaration each quarter by our Board of Directors. If our Board of Directors does not declare dividends on the preferred stock for any quarterly dividend period, the “dividend stopper” provisions in our preferred stock would prevent us from repurchasing or paying dividends on our common stock for that period.

### Optional Deferral of Interest on the Junior Subordinated Debentures

The junior subordinated debentures provide that MetLife may, at its option and provided that certain conditions are met, defer payment of interest without giving rise to an event of default for periods of up to 10 years (although after five years MetLife, Inc. would be obligated to use commercially reasonable efforts to sell equity securities to raise proceeds to pay the interest), with no limitation on the number of deferral periods that MetLife, Inc. may begin so long as all accrued and unpaid interest is paid with respect to prior deferral periods. If MetLife, Inc. were to elect to defer payments of interest, the “dividend stopper” provisions in the junior subordinated debentures would thus prevent MetLife, Inc. from repurchasing or paying dividends on its common stock or other capital stock (including the preferred stock) during the period of deferral, subject to exceptions.

See Note 16 of the Notes to the Consolidated Financial Statements for additional information about these restrictions.

Table of Contents

**As a Holding Company, MetLife, Inc. Depends on the Ability of Its Subsidiaries to Pay Dividends, a Major Component of Holding Company Free Cash Flow**

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

The payment of dividends and other distributions to MetLife, Inc. by its U.S. insurance subsidiaries is regulated by insurance laws and regulations. In general, dividends in excess of prescribed limits require insurance regulatory approval. In addition, insurance regulators may prohibit the payment of dividends or other payments by its insurance subsidiaries to MetLife, Inc. if they determine that the payment could be adverse to our policyholders or contractholders. The payment of dividends and other distributions by insurance companies is also influenced by business conditions and rating agency considerations. See “Business — Regulation — U.S. Regulation — Insurance Regulation” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — MetLife, Inc. — Liquidity and Capital Sources — Dividends from Subsidiaries.” See also “— Regulatory and Legal Risks — Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.” Any payment of interest, dividends, distributions, loans or advances by our foreign subsidiaries and branches to MetLife, Inc. could be subject to taxation, insurance regulatory or other restrictions on dividends or repatriation of earnings under applicable law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdiction in which such foreign subsidiaries operate. See “Business — Regulation — International Regulation” and “— Risk Related to Our Business — Our International Operations Face Political, Legal, Operational and Other Risks, Including Exposure to Local and Regional Economic Conditions, That Could Negatively Affect Those Operations or Our Profitability.”

Dividends from operating subsidiaries are a major component of holding company free cash flow. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP and Other Financial Disclosures.” If MetLife, Inc.’s operating subsidiaries were unable to make expected dividend payments to MetLife, Inc., we may be unable to meet our free cash flow goals and our ability to distribute cash to shareholders could be adversely affected.

**Operational Risks**

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

Our enterprise risk management is designed to mitigate material risks and loss to the Company. We develop and periodically update our risk management policies and procedures to reflect ongoing review of our risks and expect to continue to do so in the future. Nonetheless, our policies and procedures may not be comprehensive and may not identify every risk to which we are exposed. Many of our methods for managing risk and exposures are based upon the use of observed historical market behavior to model or project potential future exposure. Models used by our business are based on assumptions and projections. These models may not operate properly or input and assumptions may be inaccurate. As a result, these methods may not fully predict future exposures, which can be significantly greater than our historical measures indicate. Other risk management methods depend upon the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that is publicly available or otherwise accessible to us. This information may not always be accurate, complete, up-to-date or properly evaluated. In addition, more extensive and perhaps different risk management policies and procedures might have to be implemented under pending regulations. See “Business — Regulation — U.S. Regulation — Regulation as a Non-Bank SIFI,” “Business — Regulation — International Regulation — Global Systemically Important Insurers” and “Quantitative and Qualitative Disclosures About Market Risk.”

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



The continued threat of terrorism, both within the U.S. and abroad, ongoing military and other actions and heightened security measures in response to these types of threats may cause significant volatility in global financial markets and result in loss of life, property damage, additional disruptions to commerce and reduced economic activity. The value of assets in our investment portfolio may be adversely affected by declines in the credit and equity markets and reduced economic activity caused by the continued threat of terrorism. Companies in which we maintain investments may suffer losses as a result of financial, commercial or economic disruptions and such disruptions might affect the ability of those companies to pay interest or principal on their securities or mortgage loans. Terrorist actions also could disrupt our operations centers in the U.S. or abroad and result in higher than anticipated claims under our insurance policies. See “— Economic Environment and Capital Markets-Related Risks — If Difficult Conditions in the Global Capital Markets and the Economy Generally Persist, They May Materially Adversely Affect Our Business and Results of Operations.”

Table of Contents

The Failure in Cyber- or Other Information Security Systems, as well as the Occurrence of Events Unanticipated in Our Disaster Recovery Systems and Management Continuity Planning, Could Result in a Loss or Disclosure of Confidential Information, Damage to Our Reputation and Impairment of Our Ability to Conduct Business Effectively Our business is highly dependent upon the effective operation of our computer systems. We rely on these systems throughout our business for a variety of functions, including processing claims and applications, providing information to customers and distributors, performing actuarial analyses and maintaining financial records. We also retain confidential and proprietary information on our computer systems and we rely on sophisticated technologies to maintain the security of that information. Our computer systems have been, and will likely continue to be, subject to computer viruses or other malicious codes, unauthorized access, cyberattacks or other computer-related penetrations. While, to date, MetLife has not experienced a material breach of cybersecurity, administrative and technical controls and other preventive actions we take to reduce the risk of cyber-incidents and protect our information technology may be insufficient to prevent physical and electronic break-ins, cyber-attacks or other security breaches to our computer systems.

In the event of a disaster such as a natural catastrophe, epidemic, industrial accident, blackout, computer virus, terrorist attack, cyberattack or war, unanticipated problems with our disaster recovery systems could have a material adverse impact on our ability to conduct business and on our results of operations and financial position, particularly if those problems affect our computer-based data processing, transmission, storage and retrieval systems and destroy valuable data. In addition, in the event that a significant number of our managers were unavailable following a disaster, our ability to effectively conduct business could be severely compromised. These interruptions also may interfere with our suppliers' ability to provide goods and services and our employees' ability to perform their job responsibilities.

The failure of our computer systems and/or our disaster recovery plans for any reason could cause significant interruptions in our operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to our customers. Such a failure could harm our reputation, subject us to regulatory sanctions and legal claims, lead to a loss of customers and revenues and otherwise adversely affect our business and financial results. Although we conduct due diligence, negotiate contractual provisions and, in many cases, conduct periodic reviews of our vendors, distributors, and other third-parties that provide operational or information technology services to us to confirm compliance with MetLife's information security standards, the failure of such third-parties' computer systems and/or their disaster recovery plans for any reason might cause significant interruptions in our operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to our customers. Such a failure could harm our reputation, subject us to regulatory sanctions and legal claims, lead to a loss of customers and revenues and otherwise adversely affect our business and financial results. While we maintain cyber liability insurance that provides both third-party liability and first party liability coverages, our insurance may not be sufficient to protect us against all losses. MetLife, Inc. and its subsidiaries maintain a primary cybersecurity and privacy liability insurance policy with a limit of \$15 million, and have additional coverage for cybersecurity and privacy liability available under blended professional liability excess coverage policies with a total limit of \$210 million.

**Our Associates May Take Excessive Risks Which Could Negatively Affect Our Financial Condition and Business**  
As an insurance enterprise, we are in the business of accepting certain risks. The associates who conduct our business, including executive officers and other members of management, sales managers, investment professionals, product managers, sales agents, and other associates, do so in part by making decisions and choices that involve exposing us to risk. These include decisions such as setting underwriting guidelines and standards, product design and pricing, determining what assets to purchase for investment and when to sell them, which business opportunities to pursue, and other decisions. We endeavor, in the design and implementation of our compensation programs and practices, to avoid giving our associates incentives to take excessive risks; however, associates may take such risks regardless of the structure of our compensation programs and practices. Similarly, although we employ controls and procedures designed to monitor associates' business decisions and prevent us from taking excessive risks, and to prevent employee misconduct, these controls and procedures may not be effective. If our associates take excessive risks, the impact of those risks could harm our reputation and have a material adverse effect on our financial condition and business

operations.

65

---

## Table of Contents

### General Risks

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

Under the Plan, we established the MetLife Policyholder Trust to hold the shares of MetLife, Inc. common stock allocated to eligible policyholders not receiving cash or policy credits under the plan. As of February 22, 2016, the Trust held 170,131,613 shares, or 15.5%, of the outstanding shares of MetLife, Inc. common stock. Because of voting provisions of the Trust and the number of shares held by it, the Trust may affect the outcome of matters brought to a stockholder vote. Except on votes regarding certain fundamental corporate actions described below, the trustee will vote all of the shares of common stock held in the Trust in accordance with the recommendations given by MetLife, Inc.'s Board of Directors to its stockholders or, if the Board gives no such recommendations, as directed by the Board. As a result of the voting provisions of the Trust, the Board of Directors may be able to influence the outcome of votes on matters submitted to a vote of stockholders, excluding certain fundamental corporate actions, so long as the Trust holds a substantial number of shares of common stock.

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

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

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

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

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

MetLife, Inc. does not currently have a stockholder rights plan.

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

The MetLife Policyholder Trust Agreement provides that we may terminate the Trust once the percentage of outstanding shares held in the Trust falls to 25%. The winding up of the Trust must commence 90 days after we provide the trustee with notice that the percentage of outstanding shares held in the Trust is 10% or less. In connection with any termination of the Trust, all of the shares of common stock then held in the Trust will need to be distributed to the respective Trust beneficiaries, unless we offer to purchase all or a portion of such Trust shares. In connection with the termination of the Trust and such a distribution, we may incur costs related to regulatory filings, mailings to Trust beneficiaries or others, and costs related to an increase in the number of shareholders, which may include increased mailing and proxy solicitation expenses. After such a distribution, the addition of the respective Trust beneficiaries to our shareholder base with full voting rights may have a significant impact on matters brought to a stockholder vote and other aspects of our corporate governance.

#### 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 (the "FASB"). The impact of accounting pronouncements that have been issued but not yet implemented is disclosed in our reports filed with the SEC. See Note 1 of the Notes to the Consolidated Financial Statements. An assessment of proposed standards is not provided as such proposals are subject to change through the exposure process and official positions of the FASB are determined

only after extensive due process and deliberations. Therefore, the effects on our financial statements cannot be meaningfully assessed. The required adoption of future accounting standards could have a material adverse effect on our financial condition and results of operations, including on our net income.

## Table of Contents

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

We determine our pension and other postretirement benefit plan costs based on our best estimates of future plan experience. These assumptions are reviewed regularly and include discount rates, expected rates of return on plan assets, mortality rates, expected increases in compensation levels and expected medical inflation. Changes in these assumptions may result in increased expenses and reduce our profitability. See Note 18 of the Notes to the Consolidated Financial Statements for details on how changes in these assumptions would affect plan costs.

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

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

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

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. Insurers compete 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 financial services companies for sales representatives primarily on the basis of product features, support services, compensation and financial position. We continue to undertake several initiatives to enhance the efficiency and production of our existing sales force. These initiatives may not 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 highly qualified and productive agents. See “Business — Competition.”

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

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

## Table of Contents

Any person seeking to acquire a controlling interest in us would face various regulatory obstacles, including: applicable state insurance laws and regulations may delay or impede a business combination involving us by prohibiting an entity from acquiring control (generally presumed to exist at direct or indirect ownership of 10% or more of voting stock) of an insurance company domiciled in the United States without the prior approval of the domestic insurance regulator. Many foreign jurisdictions in which we operate have similar regulatory approval requirements.

Dodd-Frank provisions that restrict or impede consolidations, mergers and acquisitions by systemically significant firms. See “Business — Regulation — U.S. Regulation — Regulation as a Non-Bank SIFI — Enhanced Prudential Standards for Non-Bank SIFIs.”

Provisions of the Investment Company Act that require approval by the contract owners of our variable contracts in order to effectuate a change of control of any affiliated investment adviser to a mutual fund underlying our variable contracts.

FINRA approval requirements for a change of control of any FINRA registered broker-dealer that is a direct or indirect subsidiary of MetLife, Inc.

Provisions of the Delaware General Corporation Law may affect the ability of an “interested stockholder” (the owner of 15% or more of the outstanding voting stock of a corporation) to engage in certain business combinations for a period of three years following the time that the stockholder becomes an “interested stockholder.”

In addition, MetLife, Inc.’s certificate of incorporation and by-laws also contain provisions that may delay, deter or prevent a takeover attempt that stockholders might consider in their best interests or may otherwise adversely affect prevailing market prices for MetLife, Inc.’s common stock. These provisions include: a prohibition on the calling of special meetings or action by written consent by stockholders; and advance notice procedures for the nomination of candidates to the Board of Directors and stockholder proposals to be considered at stockholder meetings.

A majority of the combined voting power of the outstanding shares entitled to vote generally in the election of Directors may amend MetLife, Inc.’s certificate of incorporation or by-laws. This may allow shareholders to change the Company’s corporate governance and, therefore, make it more difficult for the Board of Directors to protect shareholders’ interests, e.g., if they are presented with an acquisition proposal that undervalues the Company.

### Item 1B. Unresolved Staff Comments

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

### Item 2. Properties

We lease 420,000 rentable square feet in an office building in Manhattan, New York. The term of that lease commenced in February 2008 and continues until April 2029. In August 2009, we subleased 32,000 rentable square feet of that space to a subtenant, which has met our standards of review with respect to creditworthiness. We also lease 495,000 rentable square feet at 200 Park Avenue, New York (the “MetLife Building”). The term of this lease commenced in December 2015 and continues until September 2027. We also lease additional space at the MetLife Building, which includes MetLife, Inc.’s boardroom. We have retained rights to existing signage for 20 years with optional renewal periods through 2205. Each of these spaces under lease is occupied by all of our segments, as well as Corporate & Other. The Company plans to consolidate its existing New York City offices to the MetLife Building, in phases, beginning in December 2016.

We lease 425,000 rentable square feet in Charlotte, North Carolina, which is predominantly occupied by the Retail segment, as well as Corporate & Other. The term of that lease commenced in April 2013 and continues until September 2026. We leased an additional 30,000 rentable square feet in Charlotte, North Carolina, the term of which commenced in May 2014 and expired on December 31, 2015. We lease 435,000 rentable square feet in two buildings in Cary, North Carolina, which are occupied by Global Technology & Operations, which supports all of our segments, as well as Corporate & Other. The leases for the two buildings commenced in February 2015 and April 2015, and will both continue until April 2030.

In December 2015, we entered into a sale-leaseback of five properties located in the U.S. with an unrelated third party. We own nine buildings in the U.S. that we use in the operation of our business. These buildings contain 2 million rentable square feet and are located in the following states: Florida, Illinois, Missouri, New York, Oklahoma and

Pennsylvania. Our computer center in Rensselaer, New York is not owned in fee but rather is occupied pursuant to a long-term ground lease. In addition to the aforementioned leases in New York and North Carolina, we lease space in 300 other locations throughout the U.S. Including our Long Island City, New York, facility and the lease-backs, these leased facilities consist of 6.5 million rentable square feet. Of these leases, 240 are occupied as sales offices while the balance of the space is utilized for corporate functions supporting business activities. We also own over 95 properties and lease close to 1,000 sites in various locations outside the U.S. We believe that these properties are suitable and adequate for our current and anticipated business operations.



Table of Contents

We arrange for property & casualty coverage on our properties, taking into consideration our risk exposures and the cost and availability of commercial coverages, including deductible loss levels. In connection with the renewal of those coverages, we have arranged \$500 million of property insurance, including coverage for terrorism, on our real estate portfolio through May 1, 2016, its renewal date.

Item 3. Legal Proceedings

See Note 21 of the Notes to the Consolidated Financial Statements.

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents

## Part II

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

## Issuer Common Equity

MetLife, Inc.'s common stock, par value \$0.01 per share, began trading on the New York Stock Exchange ("NYSE") under the symbol "MET" on April 5, 2000.

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

|                    | 2015        |             |             |             |
|--------------------|-------------|-------------|-------------|-------------|
|                    | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
| Common Stock Price |             |             |             |             |
| High               | \$53.91     | \$57.70     | \$57.70     | \$51.69     |
| Low                | \$46.50     | \$50.25     | \$46.07     | \$46.42     |
|                    | 2014        |             |             |             |
|                    | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
| Common Stock Price |             |             |             |             |
| High               | \$54.55     | \$56.55     | \$57.22     | \$56.36     |
| Low                | \$47.06     | \$49.19     | \$51.08     | \$47.71     |

At February 22, 2016, there were 81,298 stockholders of record of our common stock.

The following table presents common stock dividend declaration, record and payment dates, as well as per share and aggregate dividend amounts, for the years ended December 31, 2015 and 2014:

| Declaration Date | Record Date      | Payment Date       | Dividend Per Share | Aggregate (In millions) |
|------------------|------------------|--------------------|--------------------|-------------------------|
| October 27, 2015 | November 6, 2015 | December 11, 2015  | \$0.375            | \$419                   |
| July 7, 2015     | August 7, 2015   | September 11, 2015 | \$0.375            | 420                     |
| April 28, 2015   | May 11, 2015     | June 12, 2015      | \$0.375            | 420                     |
| January 6, 2015  | February 6, 2015 | March 13, 2015     | \$0.350            | 394                     |
|                  |                  |                    |                    | \$1,653                 |
| October 28, 2014 | November 7, 2014 | December 12, 2014  | \$0.350            | \$398                   |
| July 7, 2014     | August 8, 2014   | September 12, 2014 | \$0.350            | 395                     |
| April 22, 2014   | May 9, 2014      | June 13, 2014      | \$0.350            | 395                     |
| January 6, 2014  | February 6, 2014 | March 13, 2014     | \$0.275            | 311                     |
|                  |                  |                    |                    | \$1,499                 |

Table of Contents

The declaration and payment of common stock dividends is subject to the discretion of our Board of Directors, and will depend on MetLife, Inc.'s financial condition, results of operations, cash requirements, future prospects, regulatory restrictions on the payment of dividends by MetLife, Inc.'s insurance subsidiaries and other factors deemed relevant by the Board. The payment of dividends and other distributions by MetLife, Inc. to its security holders may be subject to regulation by the Federal Reserve as a result of MetLife, Inc.'s designation as a non-bank SIFI. See "Business — Regulation — U.S. Regulation — Regulation as a Non-Bank SIFI." Furthermore, if additional capital requirements are imposed on MetLife, Inc. as a G-SII, its ability to pay dividends could be reduced by any such additional capital requirements that might be imposed. See "Business — Regulation — International Regulation — Global Systemically Important Insurers." The payment of dividends is also subject to restrictions under the terms of our preferred stock and junior subordinated debentures in situations where we may be experiencing financial stress. See "Risk Factors — Capital-Related Risks — Regulatory Restrictions and Uncertainty and Restrictions Under the Terms of Certain of Our Securities May Prevent Us from Repurchasing Our Stock and Paying Dividends at the Level We Wish" and Note 16 of the Notes to the Consolidated Financial Statements. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Dividends" and Note 23 of the Notes to the Consolidated Financial Statements for further information regarding preferred and common stock dividends.

See Item 12 for information about our equity compensation plans.

#### Issuer Purchases of Equity Securities

Purchases of common stock made by or on behalf of MetLife, Inc. or its affiliates during the quarter ended December 31, 2015 are set forth below:

| Period                         | (a) Total Number of Shares Purchased (1) | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (2) |
|--------------------------------|--|----------------------------------|--|--|
| October 1 - October 31, 2015   | 3,288,239                                | \$46.63                          | 3,288,239  | \$739,264,822  |
| November 1 - November 30, 2015 | 2,315,355                                | \$50.33                          | 2,315,355  | \$622,723,711  |
| December 1 - December 31, 2015 | 11,412,612                               | \$48.40                          | 11,412,581   | \$70,314,247   |

During the periods October 1 through October 31, 2015, November 1 through November 30, 2015, and December 1 through December 31, 2015, separate account index funds purchased 0 shares, 0 shares and 31 shares, (1) respectively, of common stock on the open market in nondiscretionary transactions. Except for the foregoing, there were no shares of common stock which were repurchased by MetLife, Inc. other than through a publicly announced plan or program.

On December 12, 2014, MetLife, Inc. announced that its Board of Directors authorized \$1.0 billion of common stock repurchases in addition to previously authorized repurchases and, on September 22, 2015, MetLife, Inc. announced that its Board of Directors authorized additional repurchases of \$739 million of its common stock, bringing MetLife, Inc.'s available repurchase authorization under the December 2014 and September 2015 authorizations as of such date to \$1.0 billion. In October 2015, MetLife, Inc. completed all repurchases under the (2) December 2014 authorization. At December 31, 2015, MetLife, Inc. had \$70 million remaining under the September 2015 authorization. In January 2016, MetLife, Inc. completed all remaining repurchases under the September 2015 authorization. For more information on common stock repurchases, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Common Stock Repurchases" and Notes 16 and 23 of the Notes to the Consolidated Financial Statements.

#### Item 6. Selected Financial Data

The following selected financial data has been derived from the Company's audited consolidated financial statements. The statement of operations data for the years ended December 31, 2015, 2014 and 2013, and the balance sheet data at December 31, 2015 and 2014 have been derived from the Company's audited consolidated financial statements included elsewhere herein. The statement of operations data for the years ended December 31, 2012 and 2011, and the balance sheet data at December 31, 2013, 2012 and 2011 have been derived from the Company's audited consolidated financial statements not included herein. The selected financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and related notes included elsewhere herein.

Table of Contents

|   | Years Ended December 31,             |          |          |           |          |
|---|--------------------------------------|----------|----------|-----------|----------|
|   | 2015                                 | 2014     | 2013     | 2012      | 2011     |
|   | (In millions, except per share data) |          |          |           |          |
| <b>Statement of Operations Data</b>   |                                      |          |          |           |          |
| <b>Revenues</b>   |                                      |          |          |           |          |
| Premiums  | \$38,545                             | \$39,067 | \$37,674 | \$37,975  | \$36,361 |
| Universal life and investment-type product policy fees  | 9,507                                | 9,946    | 9,451    | 8,556     | 7,806    |
| Net investment income   | 19,281                               | 21,153   | 22,232   | 21,984    | 19,585   |
| Other revenues  | 1,983                                | 2,030    | 1,920    | 1,906     | 2,532    |
| Net investment gains (losses)   | 597                                  | (197)    | ) 161    | (352)     | ) (867)  |
| Net derivative gains (losses)   | 38                                   | 1,317    | (3,239)  | ) (1,919) | ) 4,824  |
| Total revenues  | 69,951                               | 73,316   | 68,199   | 68,150    | 70,241   |
| <b>Expenses</b>   |                                      |          |          |           |          |
| Policyholder benefits and claims  | 38,714                               | 39,102   | 38,107   | 37,987    | 35,471   |
| Interest credited to policyholder account balances  | 5,610                                | 6,943    | 8,179    | 7,729     | 5,603    |
| Policyholder dividends  | 1,388                                | 1,376    | 1,259    | 1,369     | 1,446    |
| Goodwill impairment   | —                                    | —        | —        | 1,868     | —        |
| Other expenses  | 16,769                               | 17,091   | 16,602   | 17,755    | 18,537   |
| Total expenses  | 62,481                               | 64,512   | 64,147   | 66,708    | 61,057   |
| Income (loss) from continuing operations before provision for income tax  | 7,470                                | 8,804    | 4,052    | 1,442     | 9,184    |
| Provision for income tax expense (benefit)  | 2,148                                | 2,465    | 661      | 128       | 2,793    |
| Income (loss) from continuing operations, net of income tax   | 5,322                                | 6,339    | 3,391    | 1,314     | 6,391    |
| Income (loss) from discontinued operations, net of income tax   | —                                    | (3)      | ) 2      | 48        | 24       |
| Net income (loss)   | 5,322                                | 6,336    | 3,393    | 1,362     | 6,415    |
| Less: Net income (loss) attributable to noncontrolling interests  | 12                                   | 27       | 25       | 38        | (8)      |
| Net income (loss) attributable to MetLife, Inc.   | 5,310                                | 6,309    | 3,368    | 1,324     | 6,423    |
| Less: Preferred stock dividends   | 116                                  | 122      | 122      | 122       | 122      |
| Preferred stock repurchase premium  | 42                                   | —        | —        | —         | 146      |
| Net income (loss) available to MetLife, Inc.'s common shareholders  | \$5,152                              | \$6,187  | \$3,246  | \$1,202   | \$6,155  |
| <b>EPS Data (1)</b>   |                                      |          |          |           |          |
| Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders per common share: |                                      |          |          |           |          |
| Basic   | \$4.61                               | \$5.48   | \$2.94   | \$1.08    | \$5.79   |
| Diluted   | \$4.57                               | \$5.42   | \$2.91   | \$1.08    | \$5.74   |
| Income (loss) from discontinued operations, net of income tax, per common share:  |                                      |          |          |           |          |
| Basic   | \$—                                  | \$—      | \$—      | \$0.04    | \$0.02   |
| Diluted   | \$—                                  | \$—      | \$—      | \$0.04    | \$0.02   |
| Net income (loss) available to MetLife, Inc.'s common shareholders per common share:  |                                      |          |          |           |          |

Edgar Filing: METLIFE INC - Form 10-K

|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| Basic                                    | \$4.61  | \$5.48  | \$2.94  | \$1.12  | \$5.81  |
| Diluted                                  | \$4.57  | \$5.42  | \$2.91  | \$1.12  | \$5.76  |
| Cash dividends declared per common share | \$1.475 | \$1.325 | \$1.010 | \$0.740 | \$0.740 |

72

---

Table of Contents

|  | December 31,             |           |           |           |           |   |
|--|--------------------------|-----------|-----------|-----------|-----------|---|
|  | 2015                     | 2014      | 2013      | 2012      | 2011      |   |
|  | (In millions)            |           |           |           |           |   |
| <b>Balance Sheet Data</b>                                      |                          |           |           |           |           |   |
| Separate account assets  | \$301,598                | \$316,994 | \$317,201 | \$235,393 | \$203,023 |   |
| Total assets   | \$877,933                | \$902,337 | \$885,296 | \$836,781 | \$796,226 |   |
| Policyholder liabilities and other policy-related balances (2) | \$411,359                | \$417,141 | \$418,487 | \$438,191 | \$421,267 |   |
| Short-term debt  | \$100                    | \$100     | \$175     | \$100     | \$686     |   |
| Long-term debt   | \$18,023                 | \$16,286  | \$18,653  | \$19,062  | \$23,692  |   |
| Collateral financing arrangements                              | \$4,139                  | \$4,196   | \$4,196   | \$4,196   | \$4,647   |   |
| Junior subordinated debt securities                            | \$3,194                  | \$3,193   | \$3,193   | \$3,192   | \$3,192   |   |
| Separate account liabilities                                   | \$301,598                | \$316,994 | \$317,201 | \$235,393 | \$203,023 |   |
| Accumulated other comprehensive income (loss)                  | \$4,771                  | \$10,649  | \$5,104   | \$11,397  | \$6,083   |   |
| Total MetLife, Inc.'s stockholders' equity                     | \$67,949                 | \$72,053  | \$61,553  | \$64,453  | \$57,519  |   |
| Noncontrolling interests                                       | \$470                    | \$507     | \$543     | \$384     | \$370     |   |
|  | Years Ended December 31, |           |           |           |           |   |
|  | 2015                     | 2014      | 2013      | 2012      | 2011      |   |
| <b>Other Data (3)</b>  |                          |           |           |           |           |   |
| Return on MetLife, Inc.'s common stockholders' equity          | 7.5                      | % 9.4     | % 5.4     | % 2.0     | % 12.2    | % |

For the year ended December 31, 2012, all shares related to the assumed issuance of shares in settlement of the (1) applicable stock purchase contracts relating to previously issued common equity units have been excluded from the calculation of diluted earnings per common share, as these assumed shares are anti-dilutive.

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

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

Table of Contents

|  |            |
|--|------------|
| Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations  |            |
| Index to Management's Discussion and Analysis of Financial Condition and Results of Operations |            |
|  | Page       |
| <u>Forward-Looking Statements and Other Financial Information</u>                              | <u>75</u>  |
| <u>Executive Summary</u>   | <u>76</u>  |
| <u>Industry Trends</u>   | <u>79</u>  |
| <u>Summary of Critical Accounting Estimates</u>  | <u>85</u>  |
| <u>Economic Capital</u>  | <u>94</u>  |
| <u>Acquisitions and Dispositions</u>   | <u>94</u>  |
| <u>Results of Operations</u>   | <u>95</u>  |
| <u>Effects of Inflation</u>  | <u>120</u> |
| <u>Investments</u>   | <u>121</u> |
| <u>Derivatives</u>   | <u>139</u> |
| <u>Off-Balance Sheet Arrangements</u>  | <u>142</u> |
| <u>Insolvency Assessments</u>  | <u>143</u> |
| <u>Policyholder Liabilities</u>  | <u>143</u> |
| <u>Liquidity and Capital Resources</u>   | <u>151</u> |
| <u>Adoption of New Accounting Pronouncements</u>   | <u>173</u> |
| <u>Future Adoption of New Accounting Pronouncements</u>  | <u>173</u> |
| <u>Non-GAAP and Other Financial Disclosures</u>  | <u>173</u> |
| <u>Subsequent Events</u>   | <u>177</u> |



Table of Contents

Forward-Looking Statements and Other Financial Information

For purposes of this discussion, “MetLife,” the “Company,” “we,” “our” and “us” refer to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliates. Following this summary is a discussion addressing the consolidated results of operations and financial condition of the Company for the periods indicated. This discussion should be read in conjunction with “Note Regarding Forward-Looking Statements,” “Risk Factors,” “Selected Financial Data,” “Quantitative and Qualitative Disclosures About Market Risk” and the Company’s consolidated financial statements included elsewhere herein.

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

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

## Table of Contents

### Executive Summary

#### Overview

MetLife is a global provider of life insurance, annuities, employee benefits and asset management. MetLife is organized into six segments, reflecting three broad geographic regions: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the “Americas”); Asia; and EMEA. In addition, the Company reports certain of its results of operations in Corporate & Other. See “Business — Segments and Corporate & Other” and Note 2 of the Notes to the Consolidated Financial Statements for further information on the Company’s segments and Corporate & Other. See also “— Other Key Information — Significant Events” for information on the Company’s announcement of its plan to pursue the Separation. Management continues to evaluate the Company’s segment performance and allocated resources and may adjust related measurements in the future to better reflect segment profitability.

#### Current Year Highlights

Overall sales growth declined from 2014 levels; however, we experienced sales growth across various products within our regions during the year ended December 31, 2015, as compared to 2014. In particular, we had higher sales of retail annuity and accident & health products. A number of factors in 2015, however, offset the benefits of such sales growth, including (i) a tax charge and a related charge for interest on uncertain tax positions recorded under accounting guidance for the recognition of tax uncertainties, (ii) a decline in investment yields as a result of the sustained low interest rate environment and lower returns on other limited partnership interests, (iii) less favorable underwriting results driven by unfavorable claims experience in our property & casualty business, and (iv) a decrease in earnings as a result of our annual review of actuarial assumptions.

The following represents the segments’ contributions to total income (loss) from continuing operations, net of income tax, and total operating earnings for the year ended December 31, 2015:

---

(1) Excludes Corporate & Other.

(2) See “— Results of Operations — Consolidated Results” and “— Non-GAAP and Other Financial Disclosures” for reconciliations and definitions of non-GAAP financial measures.

Table of Contents

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

Consolidated Results - Highlights

Income (loss) from continuing operations, net of income tax, down \$1.0 billion:

Operating earnings available to common shareholders down \$1.1 billion

Net derivative gains (losses) unfavorable by \$1.3 billion (\$831 million, net of income tax) driven by unfavorable changes in market and other risks in embedded derivatives, as well as changes in interest rates

Net investment gains (losses) favorable by \$794 million (\$516 million, net of income tax) primarily driven by a 2014 loss on the disposition of MetLife Assurance Limited (“MAL”)

Includes a one-time tax benefit in Japan of \$174 million in 2015

(1) See “— Results of Operations — Consolidated Results” and “— Non-GAAP and Other Financial Disclosures” for reconciliations and definitions of non-GAAP financial measures.

Consolidated Results - Operating Highlights

Operating earnings available to common shareholders down \$1.1 billion:

Results of operations impacted by: (i) lower investment yields; (ii) less favorable underwriting; (iii) unfavorable impact from annual reviews of assumptions; (iv) higher net investment income from portfolio growth; and (v) additional items described below.

Our 2015 results also included the following:

- \$557 million tax charge and a \$362 million (\$235 million, net of income tax) charge for interest on uncertain tax positions recorded under accounting guidance for the recognition of tax uncertainties related to the U.S. tax treatment of taxes paid by a wholly-owned United Kingdom (“U.K.”) investment subsidiary of MLIC
- \$183 million of tax benefits related to (i) restructuring in Chile; (ii) a change in tax rate in Japan; (iii) the repatriation of earnings from Japan; and (iv) the devaluation of the peso in Argentina

Our 2014 results also included the following:

- \$104 million, net of income tax, of favorable reserve adjustments related to disability premium waivers in the retail life business
- \$117 million, net of income tax, increase in the litigation reserve related to asbestos
- Charge of \$57 million, net of income tax, related to delayed settlement interest on unclaimed funds held by state governments in the retail life business
- Charges totaling \$57 million, net of income tax, related to a settlement of a licensing matter with the Department of Financial Services and the District Attorney, New York County
- Net tax charge of \$9 million related to: (i) charge related to a tax reform bill in Chile; and (ii) benefit related to the filing of the Company’s U.S. federal tax return

For a more in-depth discussion of our consolidated results, see “— Results of Operations — Consolidated Results” and “— Results of Operations — Consolidated Results — Operating.”



Table of Contents

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

Consolidated Results Highlights

Income (loss) from continuing operations, net of income tax, up \$2.9 billion:

Net derivative gains (losses) favorable by \$4.6 billion (\$3.0 billion, net of income tax) driven by changes in interest rates and foreign currency exchange rates

Annual assumption reviews related to reserves and DAC favorable by \$262 million (\$174 million, net of income tax)

Net investment gains (losses) unfavorable by \$358 million (\$233 million, net of income tax) primarily driven by a loss on the disposition of MAL

(1) See “— Results of Operations — Consolidated Results” and “— Non-GAAP and Other Financial Disclosures” for reconciliations and definitions of non-GAAP financial measures.

Consolidated Results - Operating Highlights

Operating earnings available to common shareholders up \$299 million:

Results of operations impacted by: (i) higher net investment income from portfolio growth; (ii) higher asset-based fee income; (iii) lower interest credited expense; (iv) unfavorable mortality, morbidity and claims experience; (v) lower investment yields; and (vi) additional items described below.

Fourth quarter 2013 acquisition of ProVida favorable by \$166 million, net of income tax (excluding impact of tax reform charge in Chile)

Our 2014 results also included the following:

- A \$58 million non-tax deductible charge related to PPACA
- Additional items presented in “—Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014 — Consolidated Results — Operating Highlights” above

Our 2013 results also included the following:

- A \$101 million, net of income tax, increase in the litigation reserve related to asbestos
- A \$57 million, net of income tax, reserve strengthening in Australia

For a more in-depth discussion of our consolidated results, see “— Results of Operations — Consolidated Results” and “— Results of Operations — Consolidated Results — Operating.”

Consolidated Company Outlook

As part of an enterprise-wide strategic initiative, we announced that, by 2016, we expected to increase our operating return on common stockholders' equity (“operating ROE”), excluding AOCI, other than FCTA, driven by higher operating earnings. In 2016, we expect our operating ROE, excluding AOCI other than FCTA, to be approximately 11%.

When making projections, we must rely on the accuracy of our assumptions about future economic and business conditions, which can be affected by known and unknown risks and other uncertainties. Our assumptions have been and will continue to be impacted by (i) MetLife, Inc.'s plan to pursue the Separation, (ii) regulatory uncertainty regarding capital requirements applicable to us, as a non-bank SIFI, which, among other things, impacted the level of our share repurchases, (iii) lower investment margins (primarily in the U.S.) as a result of the sustained low interest rate environment, (iv) lower than anticipated merger and acquisition activity, and (v) the impact on our foreign operations of the strengthening of the U.S. dollar.



## Table of Contents

We will need to take the above-referenced factors into account when formulating further assumptions. Due to the fact that the Separation is a significant restructuring of our business, we will not be able to further expand our outlook until we have further clarity on the nature of the Separation. The Separation is consistent with our “Accelerating Value” strategic initiative, giving greater weight to our commitments to maximize shareholder value and, subject to Board approval, regulatory constraints and acquisition opportunities, pay out our free cash flow to shareholders.

### Other Key Information

#### Basis of Presentation

Certain international subsidiaries have a fiscal year cutoff of November 30<sup>th</sup>. Accordingly, the Company’s consolidated financial statements reflect the assets and liabilities of such subsidiaries as of November 30, 2015 and 2014 and the operating results of such subsidiaries for the years ended November 30, 2015, 2014 and 2013. The Company is in the process of converting to calendar year reporting for these subsidiaries. These conversions are expected to be substantially complete in the first quarter of 2016. The impact of the conversions on our financial statements to date has been de minimis and, therefore, has been reported in net income in the quarter of conversion.

#### Significant Events

On January 12, 2016, the Company announced its plan to pursue the Separation. The Company is currently evaluating structural alternatives for the proposed Separation, including a public offering of shares in an independent, publicly traded company, a spin-off, or a sale. The completion of a public offering would depend on, among other things, the SEC filing and review process, as well as market conditions. Any Separation that might occur will be subject to the satisfaction of various conditions and approvals, including approval of any transaction by the MetLife, Inc. Board of Directors, satisfaction of any applicable requirements of the SEC, and receipt of insurance and other regulatory approvals and other anticipated conditions.

In November 2014, MICC, a wholly-owned subsidiary of MetLife, Inc., re-domesticated from Connecticut to Delaware, changed its name to MetLife Insurance Company USA and merged with its subsidiary, MLI-USA, and its affiliate, MLIIC, each a U.S. insurance company that issued variable annuity products in addition to other products, and Exeter, a former offshore, captive reinsurance subsidiary of MetLife, Inc. and affiliate of MICC that mainly reinsured guarantees associated with variable annuity products. The surviving entity of the Mergers was MetLife USA. The Mergers have provided increased transparency relative to our capital allocation and variable annuity risk management. See “Business — Regulation — U.S. Regulation — Insurance Regulation — Insurance Regulatory Examinations and Other Activities” and “— Liquidity and Capital Resources — The Company — Capital — Affiliated Captive Reinsurance Transactions” for information on our use of captive reinsurers.

In October 2013, MetLife, Inc. completed its acquisition of ProVida, the largest private pension fund administrator in Chile based on assets under management and number of pension fund contributors. The acquisition of ProVida supports the Company’s growth strategy in emerging markets and further strengthens the Company’s overall position in Chile. See Note 3 of the Notes to the Consolidated Financial Statements.

#### Industry Trends

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

#### Financial and Economic Environment

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility and disruptions in global capital markets, particular markets, or financial asset classes can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities are sensitive to changing market factors. Global market factors, including interest rates, credit spreads, equity, oil and commodity prices, real estate markets, foreign currency exchange rates, consumer spending, business investment, government spending, the volatility and strength of the capital markets, deflation and inflation, all affect the business and economic environment and, ultimately, the amount and profitability of our business. Disruptions in one market or asset class can also spread to other markets or asset classes. Upheavals in the financial markets can also affect our business through their effects on general levels of economic activity, employment and customer behavior. See “Risk Factors — Economic Environment and Capital Markets-Related Risks — We Are Exposed to Significant Global Financial and Capital Markets Risks Which May Adversely Affect Our Results of Operations,

Financial Condition and Liquidity, and May Cause Our Net Investment Income to Vary from Period to Period,” and “Risk Factors — Economic Environment and Capital Markets-Related Risks — If Difficult Conditions in the Global Capital Markets and the Economy Generally Persist, They May Materially Adversely Affect Our Business and Results of Operations.”



Table of Contents

Weakness in the energy and metals and mining sectors and concerns about the political and/or economic stability of countries in regions outside the EU, including China, Ukraine, Russia, Argentina, Brazil, Japan and the Middle East, as well as Puerto Rico, have contributed to global market volatility. See “— Investments — Current Environment — Selected Country and Sector Investments.” Concerns about global economic conditions, capital markets and the solvency of certain EU member states and Europe’s perimeter region, their banking systems and the financial institutions that have significant direct or indirect exposure to debt issued by these countries or their respective banking systems, have also been a cause of elevated levels of market volatility. See “— Investments — Current Environment” for information regarding our exposure to obligations of European governments, European private obligors and Europe’s perimeter region. Contributing to such volatility are concerns that such countries could default on their obligations, have to restructure their outstanding debt, or that financial institutions with significant holdings of sovereign or private debt of such countries, including Europe’s perimeter region, could experience financial stress, any of which could have significant adverse effects on the European and global economies and on financial markets, generally. While economic conditions in certain of these countries, including Europe’s perimeter region seem to be stabilizing or improving, there is still concern that any support measures could affect the Euro exchange rate and have uncertain impacts on interest rates and risk markets.

In an effort to further stabilize the European financial crisis, in December 2015, the European Central Bank (“ECB”) extended its quantitative easing program until at least March 2017. These measures have included cutting interest rates to negative levels, providing inexpensive financing facilities designed to incentivize banks to extend loans, buying private sector asset-backed securities and covered bonds and extending its asset purchase program to include €60 billion per month of ECB purchases of local and regional debt, as well as sovereign debt on secondary markets. Such actions are intended to lessen the risk of deflation, lower borrowing costs in the Euro zone and encourage corporations to issue more asset-backed securities.

We face substantial exposure to the Japanese economy given our operations there. Structural weaknesses and debt sustainability have yet to be addressed effectively. Going forward, Japan’s structural and demographic challenges may continue to limit its potential growth unless reforms that boost productivity are put into place. Japan’s high public sector debt levels are mitigated by low refinancing risks and its nominal yields on government debt have remained at a lower level than that of any other developed country. However, frequent changes in government have prevented policy makers from implementing fiscal reform measures to put public finances on a sustainable path. To avert deflation and to achieve sustainable economic growth, the government and the Bank of Japan have implemented a coordinated strategy which includes the imposition of a negative rate on commercial bank deposits, increased government bond purchases at longer maturities and tax reform, including the lowering of the Japanese corporate tax rate by approximately 2% and the delay until 2017 of an increase in the consumption tax to 10%. As a result of the decrease in the corporate tax rate, the Company recorded a one-time benefit of \$174 million in the second quarter of 2015, which included an increase in Asia’s operating earnings of \$61 million. This tax law change favorably affected our annual effective tax rate for 2015 by approximately 0.3% as compared to 2014.

#### Impact of a Sustained Low Interest Rate Environment

As a global insurance company, we are affected by the monetary policy of central banks around the world, as well as the monetary policy of the Federal Reserve Board in the United States. The Federal Reserve Board has taken a number of actions in recent years to spur economic activity, including asset purchases and keeping interest rates low. However, in October 2014, the Federal Reserve Board’s Federal Open Market Committee (“FOMC”), citing strength in the economy and substantial improvement in the outlook for labor market conditions, decided to conclude the asset purchase program. In December 2015, the FOMC increased the federal funds rate for the first time in 10 years and held it steady at its January 2016 meeting. Further increases in the federal funds rate in the future may affect interest rates and risk markets in the U.S. and other developed and emerging economies. See “— Financial and Economic Environment” for information regarding accommodative and other policy measures pursued by the ECB and the Bank of Japan. However, we cannot predict with certainty the effect of these programs and policies on interest rates or the impact on the pricing levels of risk-bearing investments at this time. See “— Investments — Current Environment.” In periods of declining interest rates, we may have to invest insurance cash flows and reinvest the cash flows we received as interest or return of principal on our investments in lower yielding instruments. Moreover, borrowers may

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

Table of Contents

Our expectations regarding future margins are an important component impacting the amortization of certain intangible assets such as DAC and VOBA. Significantly lower margins may cause us to accelerate the amortization, thereby reducing net income in the affected reporting period. Additionally, lower margins may also impact the recoverability of intangible assets such as goodwill, require the establishment of additional liabilities or trigger loss recognition events on certain policyholder liabilities. We review this long-term margin assumption, along with other assumptions, as part of our annual assumption review.

**Mitigating Actions**

The Company continues to be proactive in its investment and interest crediting rate strategies, as well as its product design and product mix. To mitigate the risk of unfavorable consequences from the low interest rate environment in the U.S., the Company applies disciplined asset/liability management (“ALM”) strategies, including the use of derivatives, primarily interest rate swaps, floors and swaptions. A significant portion of these derivatives were entered into prior to the onset of the current low U.S. interest rate environment. In some cases, the Company has entered into offsetting positions as part of its overall ALM strategy and to reduce volatility in net income. Lowering interest crediting rates on some products, or adjusting the dividend scale on traditional products, can help offset decreases in investment margins on some products. Our ability to lower interest crediting rates could be limited by competition, requirements to obtain regulatory approval, or contractual guarantees of minimum rates and may not match the timing or magnitude of changes in asset yields. As a result, our margins could decrease or potentially become negative. We are able to limit or close certain products to new sales in order to manage exposures. Business actions, such as shifting the sales focus to less interest rate sensitive products, can also mitigate this risk. In addition, the Company is well diversified across product, distribution, and geography. Certain of our non-U.S. businesses, reported within our Latin America and EMEA segments, which accounted for approximately 15% of our operating earnings in 2015, are not significantly interest rate or market sensitive; in particular, they do not have any direct sensitivity to U.S. interest rates. The Company’s primary exposure within these segments is insurance risk. We expect our non-U.S. businesses to grow faster than our U.S. businesses and, over time, to become a larger percentage of our total business. As a result of the foregoing, the Company expects to be able to substantially mitigate the negative impact of a sustained low interest rate environment in the U.S. on the Company’s profitability. Based on a near to intermediate term analysis of a sustained lower interest rate environment in the U.S., the Company anticipates operating earnings will continue to increase, although at a slower growth rate.

**Low Interest Rate Scenario**

In formulating its insurance contract assumptions, the Company uses projections that it makes regarding interest rates. Included in these assumptions is the projection that the 10-year Treasury rate will rise from 2.27% at December 31, 2015 to 4.50% in 11 years, by 2026 and that 10-year yields will reach 2.78%, 3.07% and 3.21% by December 31, 2016, 2017 and 2018, respectively. Also included is the projection that the three-month LIBOR rate will move from 0.61% at December 31, 2015 to 1.32%, 1.81% and 1.76% by December 31, 2016, 2017 and 2018, respectively. However, due to the significant decline in the 10-year U.S. Treasury rate below 2.00% subsequent to December 2015, we have revised the hypothetical low interest rate scenario on our 2016, 2017 and 2018 operating earnings for the total Company, as well as each segment and Corporate & Other, that would be significantly affected by changes in LIBOR and U.S. interest rates, but without the effect of the proposed Separation (described in further detail in Note 23 of the Notes to the Consolidated Financial Statements). The revised low interest rate scenario reflects a decrease in the assumed constant 10-Year U.S. Treasury rate from 2.00% to 1.50% with the corresponding consensus of interest rate views and credit spreads (the “Low Interest Rate Scenario”).

The following summarizes the impact of the Low Interest Rate Scenario. In addition, we have included disclosure on the potential impact on 2016, 2017 and 2018 net income using the same Low Interest Rate Scenario on the mark-to-market of derivative positions that do not qualify as accounting hedges.

Table of Contents

Below is a summary of the rates we used for the Low Interest Rate Scenario versus our business plan through 2018. These rates represent the most relevant short-term and long-term rates for our business plan.

|                       | Years Ended December 31, |          |          |          |          |          |          |          |
|-----------------------|--------------------------|----------|----------|----------|----------|----------|----------|----------|
|                       | 2015                     |          | 2016     |          | 2017     |          | 2018     |          |
|                       | Low                      |          | Low      |          | Low      |          | Low      |          |
|                       | Interest                 | Business | Interest | Business | Interest | Business | Interest | Business |
|                       | Rate                     | Plan     | Rate     | Plan     | Rate     | Plan     | Rate     | Plan     |
|                       | Scenario                 |          | Scenario |          | Scenario |          | Scenario |          |
| Three-month LIBOR     | 0.24%                    | 0.61%    | 0.24%    | 1.32%    | 0.24%    | 1.81%    | 0.24%    | 1.76%    |
| 10-year U.S. Treasury | 1.50%                    | 2.27%    | 1.50%    | 2.78%    | 1.50%    | 3.07%    | 1.50%    | 3.21%    |

The Low Interest Rate Scenario assumes three-month LIBOR to be 0.24% and the 10-year U.S. Treasury rate to be 1.50% at December 31, 2015 and remain constant at those levels until December 31, 2018. We make similar assumptions for interest rates at other maturities, and hold this interest rate curve constant through December 31, 2018. In addition, in the Interest Rate Scenario, we assume credit spreads remain constant from December 2015 through the end of 2018 as compared to our business plan which assumes rising credit spreads through 2016 and thereafter remaining constant through the end of 2018. Further, we also include the impact of low interest rates on our pension and postretirement plan expenses. We allocate this impact across our segments and it is included in the segment discussion below. The discount rate used to value these plans is tied to high quality corporate bond yields. Accordingly, an extended low interest rate environment will result in increased pension and other postretirement benefit liabilities. However, these liabilities are offset by corresponding returns on the fixed income portfolio of pension and other postretirement benefit plan assets resulting in an overall decrease in expense.

Hypothetical Impact to Operating Earnings

Based on the above assumptions, we estimate an unfavorable combined long-term and short-term interest rate impact on our consolidated operating earnings from the Low Interest Rate Scenario of approximately \$65 million in 2016, \$210 million 2017 and \$375 million in 2018. Under the Low Interest Rate Scenario, our long-term businesses are negatively impacted by the larger gap between new money yields and the yield on assets rolling off the portfolio. However, there are positive offsets under the Low Interest Rate Scenario as short-term rates are much lower than the business plan rates and the yield curve is steeper than that of the business plan. For example, our securities lending business performs better than our business plan because it is driven by the slope of the yield curve rather than by the level of interest rates. In addition, derivative income is higher primarily due to our receiver swaps where we receive a fixed rate and pay a floating rate.

In addition to its impact on operating earnings, we estimated the effect of the Low Interest Rate Scenario on the mark-to-market of our derivative positions that do not qualify as accounting hedges. We applied the Low Interest Rate Scenario to these derivatives and compared the impact to that from interest rates in our business plan. We hold a significant position in long duration receive-fixed interest rate swaps to hedge reinvestment risk. These swaps are most sensitive to the 30-year and 10-year swap rates and we recognize gains as rates drop and recognize losses as rates rise. This estimated impact on the derivative mark-to-market does not include that of our VA program derivatives as the impact of low interest rates in the freestanding derivatives would be largely offset by the mark-to-market in net derivative gains (losses) for the related embedded derivative.

Hypothetical Impact to Our Mark-to-Market Derivative Positions

Based on these additional assumptions, we estimate the combined long-term and short-term interest rate impact of the Low Interest Rate Scenario on the mark-to-market of our derivative positions that do not qualify as accounting hedges to be an increase in net income of \$530 million and \$40 million in 2016 and 2017, respectively, and a decrease in net income of \$90 million in 2018. See “— Results of Operations — Consolidated Results” for information regarding our actual gains and losses on the Company’s non-VA program derivatives due to interest rate changes (U.S. dollar and non-U.S. dollar denominated instruments) which are included in net income.

Segments and Corporate & Other

The following discussion summarizes the impact of the above Low Interest Rate Scenario on the operating earnings of our segments, as well as Corporate & Other. See also “— Policyholder Liabilities — Policyholder Account Balances” for information regarding the account values subject to minimum guaranteed crediting rates.

Table of Contents

## Retail

**Life & Other** – Our interest rate sensitive products include traditional life, universal life, and retained asset accounts. Because the majority of our traditional life insurance business is participating, we can largely offset lower investment returns on assets backing our traditional life products through adjustments to the applicable dividend scale. In our universal life products, we manage interest rate risk through a combination of product design features and ALM strategies, including the use of hedges such as interest rate swaps and floors. While we have the ability to lower crediting rates on certain in-force universal life policies to mitigate margin compression, such actions would be partially offset by increases in our liabilities related to policies with secondary guarantees. Our retained asset accounts have minimum interest crediting rate guarantees which range from 0.5% to 4.0%, all of which are currently at their respective minimum interest crediting rates. While we expect to experience margin compression as we reinvest at lower rates, the interest rate derivatives held in this portfolio will partially mitigate this risk.

**Annuities** – The impact on operating earnings from margin compression is concentrated in our deferred annuities where there are minimum interest rate guarantees. Under the Low Interest Rate Scenario, we assume that a larger percentage of customers will maintain their funds with us to take advantage of the attractive minimum guaranteed crediting rates and we expect to experience margin compression as we reinvest cash flows at lower interest rates. Partially offsetting this margin compression, we assume we will lower crediting rates on contractual reset dates for the portion of business that is not currently at minimum crediting rates. Additionally, we have various derivative positions, primarily interest rate floors, to partially mitigate this risk.

Reinvestment risk is defined for this purpose as the amount of reinvestment in 2016, 2017 and 2018 that would impact operating earnings due to reinvesting cash flows in the Low Interest Rate Scenario. For the deferred annuities business, \$2.1 billion, \$2.1 billion, and \$0.4 billion in 2016, 2017, and 2018, respectively, of the asset base will be subject to reinvestment risk on an average asset base of \$36.7 billion, \$37.5 billion and \$38.2 billion in 2016, 2017 and 2018, respectively.

We estimate an unfavorable combined long-term and short-term interest rate impact on the operating earnings of our Retail segment from the Low Interest Rate Scenario of \$10 million, \$65 million and \$165 million in 2016, 2017 and 2018, respectively.

## Group, Voluntary &amp; Worksite Benefits

**Group** – In general, most of our group life insurance products in this segment are renewable term insurance and, therefore, have significant repricing flexibility. Interest rate risk arises mainly from minimum interest rate guarantees on retained asset accounts. These accounts have minimum interest crediting rate guarantees which range from 0.5% to 3.0%. All of these account balances are currently at their respective minimum interest crediting rates and we would expect to experience margin compression as we reinvest at lower interest rates. We have used interest rate floors to partially mitigate the risks of a sustained U.S. low interest rate environment. We also have exposure to interest rate risk in this business arising from our group disability policy claim reserves. For these products, lower reinvestment rates cannot be offset by a reduction in liability crediting rates for established claim reserves. Group disability policies are generally renewable term policies. Rates may be adjusted on in-force policies at renewal based on the retrospective experience rating and current interest rate assumptions. We review the discount rate assumptions and other assumptions associated with our long-term disability claim reserves no less frequently than annually. Our most recent review at the end of 2015 resulted in no change to the applicable discount rates.

**Voluntary & Worksite** – We have exposure to interest rate risk in this business arising mainly from our long-term care policy reserves. For these products, lower reinvestment rates cannot be offset by a reduction in liability crediting rates for established claim reserves. Long-term care policies are guaranteed renewable, and rates may be adjusted on a class basis with regulatory approval to reflect emerging experience. Our long-term care block is closed to new business. The Company makes use of derivative instruments to more closely match asset and liability duration and immunize the portfolio against changes in interest rates. Reinvestment risk is defined for this purpose as the amount of reinvestment in 2016, 2017 and 2018 that would impact operating earnings due to reinvesting cash flows in the Low Interest Rate Scenario. For the long-term care portfolio, \$1.8 billion, \$1.7 billion and \$1.5 billion of the asset base in 2016, 2017 and 2018, respectively, will be subject to reinvestment risk on an average asset base of \$10.5 billion, \$11.2 billion and \$11.8 billion in 2016, 2017 and 2018, respectively.

We estimate a favorable combined long-term and short-term interest rate impact on the operating earnings of our Group, Voluntary & Worksite Benefits segment from the Low Interest Rate Scenario of \$5 million in 2016 and an unfavorable impact of \$10 million and \$45 million 2017 and 2018, respectively.

Table of Contents

## Corporate Benefit Funding

This segment contains both short and long duration products consisting of capital market products, pension risk transfers, structured settlements, and other benefit funding products. The majority of short duration products are managed on a floating rate basis, which mitigates the impact of the low interest rate environment in the U.S. The long duration products have very predictable cash flows and we have matched these cash flows through our ALM strategies. We also use interest rate swaps to help protect income in this segment against a low interest rate environment in the U.S. Based on the cash flow estimates, only a small component is subject to reinvestment risk. Reinvestment risk is defined for this purpose as the amount of reinvestment in 2016, 2017 and 2018 that would impact operating earnings due to reinvesting cash flows in the Low Interest Rate Scenario. For the long duration business, \$0.6 billion of the asset base in 2016 will be subject to reinvestment risk on an average asset base of \$60.6 billion. In 2017 and 2018, none of the asset base will be subject to reinvestment risk on an average asset base of \$63.9 billion and \$66.5 billion, respectively.

We estimate an unfavorable combined long-term and short-term interest rate impact on operating earnings on our Corporate Benefit Funding segment from the Low Interest Rate Scenario of \$5 million, \$30 million and \$45 million in 2016, 2017 and 2018, respectively.

## Asia

Our Asia segment has a portion of its investments in U.S. dollar denominated assets.

Life & Other – Our Japan business offers traditional life insurance and accident & health products. To the extent the Japan life insurance portfolio is U.S. interest rate and LIBOR sensitive and we are unable to lower crediting rates to the customer, operating earnings will decline. We manage interest rate risk on our life products through a combination of product design features and ALM strategies.

Annuities – We sell annuities in Asia which are predominantly single premium products with crediting rates set at the time of issue. This allows us to tightly manage product ALM, cash flows and net spreads, thus maintaining profitability.

We estimate an unfavorable combined long-term and short-term interest rate impact on the operating earnings of our Asia segment from the Low Interest Rate Scenario of \$25 million, \$50 million and \$60 million in 2016, 2017 and 2018, respectively.

## Corporate &amp; Other

Corporate & Other contains the surplus portfolios for the enterprise, the portfolios used to fund the capital needs of the Company and various reinsurance agreements. The surplus portfolios are subject to reinvestment risk; however, lower net investment income is significantly offset by lower interest expense on both fixed and variable rate debt. Under a lower interest rate environment, fixed rate debt is assumed to be either paid off when it matures or refinanced at a lower interest rate resulting in lower overall interest expense. Variable rate debt is indexed to the three-month LIBOR, which results in lower interest expense incurred.

We estimate an unfavorable combined long-term and short-term interest rate impact on the operating earnings of Corporate & Other from the Low Interest Rate Scenario of \$30 million, \$55 million and \$60 million in 2016, 2017 and 2018, respectively.

## Competitive Pressures

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



the perspective of some customers and certain distributors. We believe the Company is well positioned to compete in this environment.

84

---

Table of Contents

## Regulatory Developments

In the U.S., our life insurance companies are regulated primarily at the state level, with some products and services also subject to federal regulation. As life insurers introduce new and often more complex products, regulators refine capital requirements and introduce new reserving standards for the life insurance industry. Regulations recently adopted or currently under review can potentially impact the statutory reserve and capital requirements of the industry. In addition, regulators have undertaken market and sales practices reviews of several markets or products, including equity-indexed annuities, variable annuities and group products, as well as reviews of the utilization of affiliated captive reinsurers and offshore entities to reinsure insurance risks.

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

## Mortgage and Foreclosure-Related Exposures

MetLife no longer engages in the origination, sale and servicing of forward and reverse residential mortgage loans. See Note 21 of the Notes to the Consolidated Financial Statements for further information regarding our mortgage and foreclosure-related exposures.

Notwithstanding MetLife Bank’s exit from the origination and servicing businesses, MLHL remains obligated to repurchase loans or compensate for losses upon demand due to alleged defects by MetLife Bank or its predecessor servicers in past servicing of the loans and material representations made in connection with MetLife Bank’s sale of the loans. Reserves for representation and warranty repurchases and indemnifications were \$72 million and \$85 million at December 31, 2015 and 2014, respectively. Reserves for estimated future losses due to alleged deficiencies on loans originated and sold, as well as servicing of the loans including servicing acquired, are estimated based on unresolved claims and projected losses under investor servicing contracts where MetLife Bank’s past actions or inactions are likely to result in missing certain stipulated investor timelines. Reserves for servicing defects were \$31 million and \$38 million at December 31, 2015 and 2014, respectively. Management is satisfied that adequate provision has been made in the Company’s consolidated financial statements for those representation and warranty obligations that are currently probable and reasonably estimable.

## Summary of Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements. For a discussion of our significant accounting policies, see Note 1 of the Notes to the Consolidated Financial Statements.

The most critical estimates include those used in determining:

- (i) liabilities for future policy benefits and the accounting for reinsurance;
- (ii) capitalization and amortization of DAC and the establishment and amortization of VOBA;
- (iii) estimated fair values of investments in the absence of quoted market values;
- (iv) investment impairments;
- (v) estimated fair values of freestanding derivatives and the recognition and estimated fair value of embedded derivatives requiring bifurcation;
- (vi) measurement of goodwill and related impairment;
- (vii) measurement of employee benefit plan liabilities;
- (viii) measurement of income taxes and the valuation of deferred tax assets; and

(xi) liabilities for litigation and regulatory matters.

85

---

Table of Contents

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

**Liability for Future Policy Benefits**

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

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

Liabilities for unpaid claims are estimated based upon our historical experience and other actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation.

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

We regularly review our estimates of liabilities for future policy benefits and compare them with our actual experience. Differences between actual experience and the assumptions used in pricing these policies and guarantees, as well as in the establishment of the related liabilities, result in variances in profit and could result in losses.

See Note 4 of the Notes to the Consolidated Financial Statements for additional information on our liability for future policy benefits.

**Reinsurance**

Accounting for reinsurance requires extensive use of assumptions and estimates, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. We periodically review actual and anticipated experience compared to the aforementioned assumptions used to establish assets and liabilities relating to ceded and assumed reinsurance and evaluate the financial strength of counterparties to our reinsurance agreements using criteria similar to that evaluated in our security impairment process. See “— Investment Impairments.” Additionally, for each of our reinsurance agreements, we determine whether the agreement provides indemnification against loss or liability relating to insurance risk, in accordance with applicable accounting standards. We review all contractual features, including those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims. If we determine that a reinsurance agreement does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk, we record the agreement using the deposit method of accounting.

See Note 6 of the Notes to the Consolidated Financial Statements for additional information on our reinsurance programs.

86

---

Table of Contents

## Deferred Policy Acquisition Costs and Value of Business Acquired

We incur significant costs in connection with acquiring new and renewal insurance business. Costs that relate directly to the successful acquisition or renewal of insurance contracts are deferred as DAC. In addition to commissions, certain direct-response advertising expenses and other direct costs, deferrable costs include the portion of an employee's total compensation and benefits related to time spent selling, underwriting or processing the issuance of new and renewal insurance business only with respect to actual policies acquired or renewed. We utilize various techniques to estimate the portion of an employee's time spent on qualifying acquisition activities that result in actual sales, including surveys, interviews, representative time studies and other methods. These estimates include assumptions that are reviewed and updated on a periodic basis or more frequently to reflect significant changes in processes or distribution methods.

VOBA represents the excess of book value over the estimated fair value of acquired insurance, annuity, and investment-type contracts in force at the acquisition date. For certain acquired blocks of business, the estimated fair value of the in-force contract obligations exceeded the book value of assumed in-force insurance policy liabilities, resulting in negative VOBA, which is presented separately from VOBA as an additional insurance liability included in other policy-related balances. The estimated fair value of the acquired liabilities is based on projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns, nonperformance risk adjustment and other factors. Actual experience on the purchased business may vary from these projections. The recovery of DAC and VOBA is dependent upon the future profitability of the related business.

Separate account rates of return on variable universal life contracts and variable deferred annuity contracts affect in-force account balances on such contracts each reporting period, which can result in significant fluctuations in amortization of DAC and VOBA. Our practice to determine the impact of gross profits resulting from returns on separate accounts assumes that long-term appreciation in equity markets is not changed by short-term market fluctuations, but is only changed when sustained interim deviations are expected. We monitor these events and only change the assumption when our long-term expectation changes. The effect of an increase (decrease) by 100 basis points in the assumed future rate of return is reasonably likely to result in a decrease (increase) in the DAC and VOBA amortization with an offset to our unearned revenue liability which nets to approximately \$200 million. We use a mean reversion approach to separate account returns where the mean reversion period is five years with a long-term separate account return after the five-year reversion period is over. The current long-term rate of return assumption for the variable universal life contracts and variable deferred annuity contracts is 7.25%.

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

Our most significant assumption updates resulting in a change to expected future gross margins and profits and the amortization of DAC and VOBA are due to revisions to expected future investment returns, expenses, in-force or persistency assumptions and policyholder dividends on participating traditional life contracts, variable and universal life contracts and annuity contracts. We expect these assumptions to be the ones most reasonably likely to cause significant changes in the future. Changes in these assumptions can be offsetting and we are unable to predict their movement or offsetting impact over time.

Table of Contents

At December 31, 2015, 2014 and 2013, DAC and VOBA for the Company was \$24.1 billion, \$24.4 billion and \$26.7 billion, respectively. Amortization of DAC and VOBA associated with the variable and universal life and the annuity contracts was significantly impacted by movements in equity markets. The following illustrates the effect on DAC and VOBA of changing each of the respective assumptions, as well as updating estimated gross margins or profits with actual gross margins or profits during the years ended December 31, 2015, 2014 and 2013. Increases (decreases) in DAC and VOBA balances, as presented below, resulted in a corresponding decrease (increase) in amortization.

|   | Years Ended December 31, |         |         |
|---|--------------------------|---------|---------|
|   | 2015                     | 2014    | 2013    |
|   | (In millions)            |         |         |
| General account investment return                           | \$(72                    | ) \$(45 | ) \$(66 |
| Separate account investment return                          | (31                      | ) 43    | 157     |
| Net investment gains (losses)/Net derivative gains (losses) | (9                       | ) (42   | ) 195   |
| Guaranteed minimum income benefits                          | (125                     | ) (63   | ) 337   |
| Expense   | (93                      | ) 24    | 36      |
| In-force/Persistency  | 220                      | 94      | 72      |
| Policyholder dividends and other                            | (39                      | ) (74   | ) 8     |
| Total   | \$(149                   | ) \$(63 | ) \$739 |

The following represent significant items contributing to the changes to DAC and VOBA amortization in 2015:

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

Actual gross profits decreased as a result of an increase in liabilities associated with guarantee obligations on variable annuities, resulting in a decrease of DAC and VOBA amortization of \$338 million, excluding the impact from our nonperformance risk and risk margins, which are described below. Mark-to-market changes on the freestanding derivatives hedging such guarantee obligations resulted in an increase in DAC and VOBA amortization of \$114 million.

The Company's nonperformance risk adjustment decreased the valuation of guaranteed liabilities, increased actual gross profits and increased DAC and VOBA amortization by \$17 million. This was partially offset by the lower risk margins, which increased the guarantee liability valuations, decreased actual gross profits and decreased DAC and VOBA amortization by \$10 million.

The remainder of the impact increased DAC and VOBA amortization by \$226 million and was attributable to 2015 investment activities, methodology refinement, and assumption updates.

• The change in GMIBs resulted in an increase to DAC amortization of \$125 million mostly attributable to hedge gains. Better than expected persistency and updates in persistency assumptions caused an increase in actual and expected future gross profits resulting in a net decrease in DAC and VOBA amortization of \$220 million.

Table of Contents

The following represent significant items contributing to the changes to DAC and VOBA amortization in 2014:

The increase in equity markets during the year increased separate account balances, which led to higher actual and expected future gross profits on variable universal life contracts and variable deferred annuity contracts resulting in a decrease of \$43 million in DAC and VOBA amortization.

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

Actual gross profits decreased as a result of an increase in liabilities associated with guarantee obligations on variable annuities, resulting in a decrease of DAC and VOBA amortization of \$118 million, excluding the impact from our nonperformance risk and risk margins, which are described below. This decrease in actual gross profits was more than offset by freestanding net derivative gains associated with the hedging of such guarantee obligations, which resulted in an increase in DAC and VOBA amortization of \$219 million.

The widening of the Company's nonperformance risk adjustment decreased the valuation of guaranteed liabilities, increased actual gross profits and increased DAC and VOBA amortization by \$44 million. This was more than offset by the higher risk margins, which increased the guarantee liability valuations, decreased actual gross profits and decreased DAC and VOBA amortization by \$53 million.

The remainder of the impact of net investment gains (losses), which decreased DAC and VOBA amortization by \$50 million, was primarily attributable to 2014 investment activities.

• The change in current and future projected GMIBs liability resulted in an increase to DAC amortization of \$63 million.

• Better than expected persistency and changes in assumptions regarding persistency caused an increase in actual and expected future gross profits resulting in a net decrease in DAC and VOBA amortization of \$94 million.

The following represent significant items contributing to the changes to DAC and VOBA amortization in 2013:

The increase in equity markets during the year increased separate account balances, which led to higher actual and expected future gross profits on variable universal life contracts and variable deferred annuity contracts resulting in a decrease of \$157 million in DAC and VOBA amortization.

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

Actual gross profits increased as a result of a decrease in liabilities associated with guarantee obligations on variable annuities, resulting in an increase of DAC and VOBA amortization of \$1.1 billion, excluding the impact from our nonperformance risk and risk margins, which are described below. This increase in actual gross profits was more than offset by freestanding derivative losses associated with the hedging of such guarantee obligations, which resulted in a decrease in DAC and VOBA amortization of \$1.2 billion.

The tightening of our nonperformance risk adjustment increased the valuation of guarantee liabilities, decreased actual gross profits and decreased DAC and VOBA amortization by \$94 million. This was partially offset by lower risk margins, which decreased the guarantee liability valuations, increased actual gross profits and increased DAC and VOBA amortization by \$60 million.

The remainder of the impact of net investment gains (losses), which decreased DAC and VOBA amortization by \$72 million, was primarily attributable to 2013 investment activities.

• The hedging and reinsurance losses associated with the insurance liabilities of the GMIBs decreased actual gross profits and decreased DAC and VOBA amortization by \$349 million.

Our DAC and VOBA balance is also impacted by unrealized investment gains (losses) and the amount of amortization which would have been recognized if such gains and losses had been realized. The decrease in unrealized investment gains (losses) increased the DAC and VOBA balance by \$638 million in 2015, while the change in unrealized investment gains decreased the DAC and VOBA balance by \$702 million and increased the DAC and VOBA balance by \$1.3 billion in 2014 and 2013, respectively. See Notes 5 and 8 of the Notes to the Consolidated Financial Statements for information regarding the DAC and VOBA offset to unrealized investment losses.



## Table of Contents

### Estimated Fair Value of Investments

In determining the estimated fair value of our investments, fair values are based on unadjusted quoted prices for identical investments in active markets that are readily and regularly obtainable. When such quoted prices are not available, fair values are based on quoted prices in markets that are not active, quoted prices for similar but not identical investments, or other observable inputs. If these inputs are not available, or observable inputs are not determinable, unobservable inputs and/or adjustments to observable inputs requiring management judgment are used to determine the estimated fair value of investments.

The methodologies, assumptions and inputs utilized are described in Note 10 of the Notes to the Consolidated Financial Statements.

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

### Investment Impairments

One of the significant estimates related to AFS securities is our impairment evaluation. The assessment of whether an other-than-temporary impairment (“OTTI”) occurred is based on our case-by-case evaluation of the underlying reasons for the decline in estimated fair value on a security-by-security basis. Our review of each fixed maturity and equity security for OTTI includes an analysis of gross unrealized losses by three categories of severity and/or age of gross unrealized loss. An extended and severe unrealized loss position on a fixed maturity security may not have any impact on the ability of the issuer to service all scheduled interest and principal payments. Accordingly, such an unrealized loss position may not impact our evaluation of recoverability of all contractual cash flows or the ability to recover an amount at least equal to its amortized cost based on the present value of the expected future cash flows to be collected. In contrast, for certain equity securities, greater weight and consideration are given to a decline in estimated fair value and the likelihood such estimated fair value decline will recover.

Additionally, we consider a wide range of factors about the security issuer and use our best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in our evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Factors we consider in the OTTI evaluation process are described in Note 8 of the Notes to the Consolidated Financial Statements.

The determination of the amount of allowances and impairments on the remaining invested asset classes is highly subjective 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.

See Notes 1 and 8 of the Notes to the Consolidated Financial Statements for additional information relating to our determination of the amount of allowances and impairments.

### Derivatives

The determination of the estimated fair value of freestanding derivatives, when quoted market values are not available, is based on market standard valuation methodologies and inputs that management believes are consistent with what other market participants would use when pricing the instruments. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk, nonperformance risk, volatility, liquidity and changes in estimates and assumptions used in the pricing models. See Note 10 of the Notes to the Consolidated Financial Statements for additional details on significant inputs into the OTC derivative pricing models and credit risk adjustment.

Table of Contents

We issue variable annuity products with guaranteed minimum benefits, some of which are embedded derivatives measured at estimated fair value separately from the host variable annuity product, with changes in estimated fair value reported in net derivative gains (losses). The estimated fair values of these embedded derivatives are determined based on the present value of projected future benefits minus the present value of projected future fees. The projections of future benefits and future fees require capital market and actuarial assumptions, including expectations concerning policyholder behavior. A risk neutral valuation methodology is used under which the cash flows from the guarantees are projected under multiple capital market scenarios using observable risk-free rates. The valuation of these embedded derivatives also includes an adjustment for our nonperformance risk and risk margins for non-capital market inputs. The nonperformance risk adjustment, which is captured as a spread over the risk-free rate in determining the discount rate to discount the cash flows of the liability, is determined by taking into consideration publicly available information relating to spreads in the secondary market for MetLife, Inc.'s debt, including related credit default swaps. These observable spreads are then adjusted, as necessary, to reflect the priority of these liabilities and the claims paying ability of the issuing insurance subsidiaries compared to MetLife, Inc. Risk margins are established to capture the non-capital market risks of the instrument which represent the additional compensation a market participant would require to assume the risks related to the uncertainties in certain actuarial assumptions. The establishment of risk margins requires the use of significant management judgment, including assumptions of the amount and cost of capital needed to cover the guarantees.

The table below illustrates the impact that a range of reasonably likely variances in credit spreads would have on our consolidated balance sheet, excluding the effect of income tax, related to the embedded derivative valuation on certain variable annuity products measured at estimated fair value. However, these estimated effects do not take into account potential changes in other variables, such as equity price levels and market volatility, which can also contribute significantly to changes in carrying values. Therefore, the table does not necessarily reflect the ultimate impact on the consolidated financial statement under the credit spread variance scenarios presented below.

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

|                                    | Changes in Balance Sheet Carrying Value At December 31, 2015 |              |
|------------------------------------|--|--------------|
|                                    | Policyholder Account Balances                                | DAC and VOBA |
|                                    | (In millions)  |              |
| 100% increase in our credit spread | \$549  | \$(111 )     |
| As reported                        | \$946  | \$(64 )      |
| 50% decrease in our credit spread  | \$1,165  | \$(37 )      |

The accounting for derivatives is complex and interpretations of accounting standards continue to evolve in practice. If it is determined that hedge accounting designations were not appropriately applied, reported net income could be materially affected. Assessments of hedge effectiveness and measurements of ineffectiveness of hedging relationships are also subject to interpretations and estimations and different interpretations or estimates may have a material effect on the amount reported in net income.

Variable annuities with guaranteed minimum benefits may be more costly than expected in volatile or declining equity markets. Market conditions including, but not limited to, changes in interest rates, equity indices, market volatility and foreign currency exchange rates, changes in our nonperformance risk, variations in actuarial assumptions regarding policyholder behavior, mortality and risk margins related to non-capital market inputs, may result in significant fluctuations in the estimated fair value of the guarantees that could materially affect net income. If interpretations change, there is a risk that features previously not bifurcated may require bifurcation and reporting at estimated fair value in the consolidated financial statements and respective changes in estimated fair value could materially affect net income.



Table of Contents

Additionally, we ceded the risk associated with certain of the variable annuities with guaranteed minimum benefits described in the preceding paragraphs. The value of the embedded derivatives on the ceded risk is determined using a methodology consistent with that described previously for the guarantees directly written by us with the exception of the input for nonperformance risk that reflects the credit of the reinsurer. Because certain of the direct guarantees do not meet the definition of an embedded derivative and, thus are not accounted for at fair value, significant fluctuations in net income may occur since the change in fair value of the embedded derivative on the ceded risk is being recorded in net income without a corresponding and offsetting change in fair value of the direct guarantee.

See Note 9 of the Notes to the Consolidated Financial Statements for additional information on our derivatives and hedging programs.

**Goodwill**

Goodwill is tested for impairment at least annually or more frequently if events or circumstances, such as adverse changes in the business climate, indicate that there may be justification for conducting an interim test.

For purposes of goodwill impairment testing, if the carrying value of a reporting unit exceeds its estimated fair value, the implied fair value of the reporting unit goodwill is compared to the carrying value of that goodwill to measure the amount of impairment loss, if any. In such instances, the implied fair value of the goodwill is determined in the same manner as the amount of goodwill that would be determined in a business acquisition. The Company tests goodwill for impairment by either performing a qualitative assessment or a two-step quantitative test. The qualitative assessment is an assessment of historical information and relevant events and circumstances to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. The Company may elect not to perform the qualitative assessment for some or all of its reporting units and instead perform a two-step quantitative impairment test. In performing the two-step quantitative impairment test, the Company may use a market multiple valuation approach and a discounted cash flow valuation approach. For reporting units which are particularly sensitive to market assumptions, the Company may use additional valuation methodologies to estimate the reporting units' fair values. The key inputs, judgments and assumptions necessary in determining estimated fair value of the reporting units include projected operating earnings, current book value, the level of economic capital required to support the mix of business, long-term growth rates, comparative market multiples, control premium, the account value of in-force business, projections of new and renewal business, as well as margins on such business, the level of interest rates, credit spreads, equity market levels, and the discount rate that we believe is appropriate for the respective reporting unit.

During the 2015, 2014 and 2013 annual goodwill impairment tests, we concluded that the fair values of all reporting units were in excess of their carrying values and, therefore, goodwill was not impaired.

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

See Note 11 of the Notes to the Consolidated Financial Statements for additional information on our goodwill.

**Employee Benefit Plans**

Certain subsidiaries of MetLife, Inc. sponsor and/or administer various plans that provide defined benefit pension and other postretirement benefits covering eligible employees and sales representatives. The calculation of the obligations and expenses associated with these plans requires an extensive use of assumptions such as the discount rate, expected rate of return on plan assets, rate of future compensation increases and healthcare cost trend rates, as well as assumptions regarding participant demographics such as rate and age of retirements, withdrawal rates and mortality. In consultation with external actuarial firms, we determine these assumptions based upon a variety of factors such as historical experience of the plan and its assets, currently available market and industry data, and expected benefit payout streams.



Table of Contents

We determine the expected rate of return on plan assets based upon an approach that considers inflation, real return, term premium, credit spreads, equity risk premium and capital appreciation, as well as expenses, expected asset manager performance, asset weights and the effect of rebalancing. Given the amount of plan assets as of December 31, 2014 the beginning of the measurement year, if we had assumed an expected rate of return for both our pension and other postretirement benefit plans that was 100 basis points higher or 100 basis points lower than the rates we assumed, the change in our net periodic benefit costs would have been a decrease of \$103 million and an increase of \$103 million, respectively, in 2015. This considers only changes in our assumed long-term rate of return given the level and mix of invested assets at the beginning of the year, without consideration of possible changes in any of the other assumptions described above that could ultimately accompany any changes in our assumed long-term rate of return.

We determine the discount rates used to value the pension and postretirement obligations, based upon rates commensurate with current yields on high quality corporate bonds. Given our pension and postretirement obligations as of December 31, 2014, the beginning of the measurement year, if we had assumed a discount rate for both our pension and postretirement benefit plans that was 100 basis points higher or 100 basis points lower than the rates we assumed, the change in our net periodic benefit costs would have been a decrease of \$133 million and an increase of \$155 million, respectively, in 2015. This considers only changes in our assumed discount rates without consideration of possible changes in any of the other assumptions described above that could ultimately accompany any changes in our assumed discount rate. The assumptions used may differ materially from actual results due to, among other factors, changing market and economic conditions and changes in participant demographics. These differences may have a significant effect on the Company's consolidated financial statements and liquidity.

See Note 18 of the Notes to the Consolidated Financial Statements for additional discussion of assumptions used in measuring liabilities relating to our employee benefit plans.

Income Taxes

We provide for federal, state and foreign income taxes currently payable, as well as those deferred due to temporary differences between the financial reporting and tax bases of assets and liabilities. Our accounting for income taxes represents our best estimate of various events and transactions. Tax laws are often complex and may be subject to differing interpretations by the taxpayer and the relevant governmental taxing authorities. In establishing a provision for income tax expense, we must make judgments and interpretations about the application of inherently complex tax laws. We must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions, both domestic and foreign.

In establishing a liability for unrecognized tax benefits, assumptions may be made in determining whether, and to what extent, a tax position may be sustained. Once established, unrecognized tax benefits are adjusted when there is more information available or when events occur requiring a change.

Valuation allowances are established against deferred tax assets when management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Significant judgment is required in determining whether valuation allowances should be established, as well as the amount of such allowances. See Note 1 of the Notes to the Consolidated Financial Statements for additional information relating to our determination of such valuation allowances.

We may be required to change our provision for income taxes when estimates used in determining valuation allowances on deferred tax assets significantly change, or when receipt of new information indicates the need for adjustment in valuation allowances. Additionally, future events, such as changes in tax laws, tax regulations, or interpretations of such laws or regulations, could have an impact on the provision for income tax and the effective tax rate. Any such changes could significantly affect the amounts reported in the financial statements in the year these changes occur.

See Notes 1 and 19 of the Notes to the Consolidated Financial Statements for additional information on our income taxes.

## Table of Contents

### Litigation Contingencies

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

See Note 21 of the Notes to the Consolidated Financial Statements for additional information regarding our assessment of litigation contingencies.

### Economic Capital

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

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

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

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

### Acquisitions and Dispositions

In 2014, the life insurance joint venture in Vietnam among MetLife, Inc. (through MetLife Limited), Joint Stock Commercial Bank for Investment & Development of Vietnam and Bank for Investment & Development of Vietnam Insurance Joint Stock Corporation was established. Operations of the joint venture (BIDV MetLife Life Insurance Limited Liability Company) commenced in 2014.

In 2014, MetLife, Inc. and Malaysia's AMMB Holdings Bhd ("AMMB") completed the formation of their strategic partnership, in which each holds approximately 50% of both AmMetLife Insurance Berhad and AmMetTakaful Berhad, each of which became parties to exclusive 20-year distribution agreements with AMMB bank affiliates.

See Note 3 of the Notes to the Consolidated Financial Statements for information regarding the Company's acquisitions and dispositions.



Table of Contents

## Results of Operations

## Consolidated Results

Business Overview. Overall sales declined from 2014 levels; however, sales experience was positive across various products within our regions for the year ended December 31, 2015 as compared to 2014. The introduction of new variable annuity products in late 2014 and early 2015, as well as pricing actions and our continued focus on our enhanced underwriting programs, all contributed to higher sales in our Retail segment. For our Group, Voluntary & Worksite Benefits segment, 2015 sales were slightly higher, as improved sales of voluntary products were largely offset by lower sales of our core group products as a result of increased competition. Despite the decline in funding ratios for defined benefit pension plans of S&P 500 companies, we experienced an increase in sales of pension risk transfers. However, more competitive pricing in the market drove a decrease in structured settlement annuity sales. Total sales for our Latin America segment decreased primarily due to the impact of a large contract in Mexico in 2014. Excluding this contract, sales for the region increased due to organic growth in several countries. Sales in our EMEA segment improved, while sales in our Asia segment declined slightly.

|  | Years Ended December 31, |          |          |   |
|--|--------------------------|----------|----------|---|
|  | 2015                     | 2014     | 2013     |   |
|  | (In millions)            |          |          |   |
| Revenues   |                          |          |          |   |
| Premiums   | \$38,545                 | \$39,067 | \$37,674 |   |
| Universal life and investment-type product policy fees                   | 9,507                    | 9,946    | 9,451    |   |
| Net investment income  | 19,281                   | 21,153   | 22,232   |   |
| Other revenues   | 1,983                    | 2,030    | 1,920    |   |
| Net investment gains (losses)  | 597                      | (197     | ) 161    |   |
| Net derivative gains (losses)  | 38                       | 1,317    | (3,239   | ) |
| Total revenues   | 69,951                   | 73,316   | 68,199   |   |
| Expenses   |                          |          |          |   |
| Policyholder benefits and claims and policyholder dividends              | 40,102                   | 40,478   | 39,366   |   |
| Interest credited to policyholder account balances                       | 5,610                    | 6,943    | 8,179    |   |
| Capitalization of DAC  | (3,837                   | ) (4,183 | ) (4,786 | ) |
| Amortization of DAC and VOBA   | 3,936                    | 4,132    | 3,550    |   |
| Amortization of negative VOBA  | (361                     | ) (442   | ) (579   | ) |
| Interest expense on debt   | 1,208                    | 1,216    | 1,282    |   |
| Other expenses   | 15,823                   | 16,368   | 17,135   |   |
| Total expenses   | 62,481                   | 64,512   | 64,147   |   |
| Income (loss) from continuing operations before provision for income tax | 7,470                    | 8,804    | 4,052    |   |
| Provision for income tax expense (benefit)                               | 2,148                    | 2,465    | 661      |   |
| Income (loss) from continuing operations, net of income tax              | 5,322                    | 6,339    | 3,391    |   |
| Income (loss) from discontinued operations, net of income tax            | —                        | (3       | ) 2      |   |
| Net income (loss)  | 5,322                    | 6,336    | 3,393    |   |
| Less: Net income (loss) attributable to noncontrolling interests         | 12                       | 27       | 25       |   |
| Net income (loss) attributable to MetLife, Inc.                          | 5,310                    | 6,309    | 3,368    |   |
| Less: Preferred stock dividends  | 116                      | 122      | 122      |   |
| Preferred stock repurchase premium                                       | 42                       | —        | —        |   |
| Net income (loss) available to MetLife, Inc.'s common shareholders       | \$5,152                  | \$6,187  | \$3,246  |   |

Table of Contents

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

During the year ended December 31, 2015, income (loss) from continuing operations, before provision for income tax, decreased \$1.3 billion (\$1.0 billion, net of income tax) from 2014 primarily due to an unfavorable change in operating earnings, driven by the aforementioned tax charge and related charge for interest on uncertain tax positions, and an unfavorable change in net derivative gains (losses), partially offset by a favorable change in net investment gains (losses).

**Management of Investment Portfolio and Hedging Market Risks with Derivatives.** We manage our investment portfolio using disciplined ALM principles, focusing on cash flow and duration to support our current and future liabilities. Our intent is to match the timing and amount of liability cash outflows with invested assets that have cash inflows of comparable timing and amount, while optimizing risk-adjusted net investment income and risk-adjusted total return. Our investment portfolio is heavily weighted toward fixed income investments, with over 80% of our portfolio invested in fixed maturity securities and mortgage loans. These securities and loans have varying maturities and other characteristics which cause them to be generally well suited for matching the cash flow and duration of insurance liabilities. We also use derivatives as an integral part of our management of the investment portfolio to hedge certain risks, including changes in interest rates, foreign currency exchange rates, credit spreads and equity market levels. In addition, our general account investment portfolio includes, within FVO and trading securities, contractholder-directed unit-linked investments supporting unit-linked variable annuity type liabilities, which do not qualify as separate account assets. The returns on these contractholder-directed unit-linked investments, which can vary significantly from period to period, include changes in estimated fair value subsequent to purchase, inure to contractholders and are offset in earnings by a corresponding change in policyholder account balances through interest credited to policyholder account balances.

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

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

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

Table of Contents

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

|   | Years Ended December 31, |         |
|---|--------------------------|---------|
|   | 2015                     | 2014    |
|   | (In millions)            |         |
| Non-VA program derivatives                            |                          |         |
| Interest rate   | \$171                    | \$927   |
| Foreign currency exchange rate                        | 397                      | (25 )   |
| Credit  | 10                       | 89      |
| Equity  | (172 )                   | (62 )   |
| Non-VA embedded derivatives                           | 38                       | (99 )   |
| Total non-VA program derivatives                      | 444                      | 830     |
| VA program derivatives                                |                          |         |
| Market risks in embedded derivatives                  | 511                      | 31      |
| Nonperformance risk on embedded derivatives           | 163                      | 13      |
| Other risks in embedded derivatives                   | (951 )                   | (266 )  |
| Total embedded derivatives                            | (277 )                   | (222 )  |
| Freestanding derivatives hedging embedded derivatives | (129 )                   | 709     |
| Total VA program derivatives                          | (406 )                   | 487     |
| Net derivative gains (losses)                         | \$38                     | \$1,317 |

The unfavorable change in net derivative gains (losses) on non-VA program derivatives was \$386 million (\$251 million, net of income tax). This was primarily due to long-term interest rates decreasing less in 2015 than in 2014, unfavorably impacting receive-fixed interest rate swaptions and interest rate swaps primarily hedging long duration liability portfolios.

These unfavorable changes were partially offset by the strengthening of the U.S. dollar relative to other key currencies favorably impacting foreign currency forwards and futures that primarily hedge foreign denominated fixed maturity securities. In addition, a change in the value of the underlying assets favorably impacted non-VA embedded derivatives related to funds withheld on a certain reinsurance agreement. Because certain of these hedging strategies are not designated or do not qualify as accounting hedges, the changes in the estimated fair value of these freestanding derivatives are recognized in net derivative gains (losses) without an offsetting gain or loss recognized in earnings for the item being hedged.

The unfavorable change in net derivative gains (losses) on VA program derivatives was \$893 million (\$580 million, net of income tax). This was due to an unfavorable change of \$685 million (\$445 million, net of income tax) in other risks in embedded derivatives and an unfavorable change of \$358 million (\$233 million, net of income tax) in market risks in embedded derivatives, net of the impact of freestanding derivatives hedging those risks, partially offset by a favorable change of \$150 million (\$98 million, net of income tax) related to the change in the nonperformance risk adjustment on embedded derivatives. Other risks relate primarily to the impact of policyholder behavior and other non-market risks that generally cannot be hedged.

The foregoing \$685 million (\$445 million, net of income tax) unfavorable change in other risks in embedded derivatives reflected:

- Refinements in the valuation model, which resulted in an unfavorable year over year change in the valuation of the embedded derivatives.

- The cross effect of capital markets changes, which resulted in an unfavorable year over year change in the valuation of the embedded derivatives.

- A combination of other factors, including reserve changes influenced by benefit features and policyholder behavior, as well as FCTA, which resulted in an unfavorable year over year change in the valuation of embedded derivatives.



Table of Contents

The foregoing \$358 million (\$233 million, net of income tax) unfavorable change was comprised of an \$838 million (\$545 million, net of income tax) unfavorable change in freestanding derivatives hedging market risks in embedded derivatives, which was partially offset by a \$480 million (\$312 million, net of income tax) favorable change in market risks in embedded derivatives.

The primary changes in market factors are summarized as follows:

Long-term interest rates decreased less in 2015 than in 2014, contributing to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives. For example, the 30-year U.S. swap rate decreased by 3% in 2015 and 31% in 2014.

Key equity index levels decreased in 2015 and increased in 2014, contributing to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives. For example, the S&P 500 Index decreased by 1% in 2015 and increased by 11% in 2014.

Changes in foreign currency exchange rates contributed to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives related to the assumed reinsurance of certain variable annuity products from the Company's former operating joint venture in Japan. For example, the Japanese yen strengthened against the euro by 10% in 2015 as compared with a weakening of less than 1% against the euro in 2014.

The aforementioned \$150 million (\$98 million, net of income tax) favorable change in the nonperformance risk adjustment on embedded derivatives was due to a favorable change of \$148 million, before income tax, related to changes in our own credit spread and a favorable change of \$2 million, before income tax, as a result of changes in capital market inputs, such as long-term interest rates and key equity index levels, on the variable annuity guarantees. When equity index levels decrease in isolation, the variable annuity guarantees become more valuable to policyholders, which results in an increase in the undiscounted embedded derivative liability. Discounting this unfavorable change by the risk adjusted rate yields a smaller loss than by discounting at the risk-free rate, thus creating a gain from including an adjustment for nonperformance risk.

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

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

**Net Investment Gains (Losses).** The favorable change in net investment gains (losses) of \$794 million (\$516 million, net of income tax) primarily reflects a loss in 2014 on the disposition of MAL and higher net gains on sales of real estate in 2015, partially offset by lower net gains on sales and disposals of fixed maturity securities in 2015. For further information on MAL, see Note 3 of the Notes to the Consolidated Financial Statements.

**Actuarial Assumption Review.** Results for 2015 include a \$313 million (\$203 million, net of income tax) charge associated with our annual assumption review related to reserves and DAC, of which a \$3 million loss (\$2 million, net of income tax) was recognized in net derivative gains (losses). Of the \$313 million charge, \$60 million (\$39 million, net of income tax) was related to DAC and \$253 million (\$164 million, net of income tax) was associated with reserves.

The \$3 million loss recognized in net derivative gains (losses) associated with our annual assumption review was included within the other risks in embedded derivatives caption in the table above.

Table of Contents

As a result of our annual assumption review, changes were made to economic, policyholder behavior, mortality and other assumptions. The most significant impacts were in the Retail Life and Annuity blocks of business and are summarized as follows:

- Changes in economic assumptions resulted in an increase of DAC and reserves, resulting in a net charge of \$122 million (\$79 million, net of income tax).

- Changes in policyholder behavior and mortality assumptions resulted in reserve increases, offset by favorable DAC, resulting in a net charge of \$91 million (\$59 million, net of income tax).

The remaining updates resulted in an increase in reserves, coupled with unfavorable DAC, resulting in a charge of \$100 million (\$65 million, net of income tax). The most notable update was related to our projection of closed block results.

Results for 2014 include a \$161 million (\$105 million, net of income tax) benefit associated with our annual assumption review related to reserves and DAC, of which \$137 million (\$89 million, net of income tax) was recognized in net derivative gains (losses). Of the \$161 million benefit, \$82 million (\$53 million, net of income tax) was related to DAC and \$79 million (\$52 million, net of income tax) was associated with reserves.

Taxes. Income tax expense for the year ended December 31, 2015 was \$2.1 billion, or 29% of income (loss) from continuing operations before provision for income tax, compared with \$2.5 billion, or 28% of income (loss) from continuing operations before provision for income tax, for the year ended December 31, 2014. The Company's 2015 effective tax rate differs from the U.S. statutory rate of 35% primarily due to non-taxable investment income, tax credits for low income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate. Our 2015 results include one-time tax charges of \$681 million, of which \$557 million was recorded under accounting guidance for the recognition of tax uncertainties, \$88 million was related to foreign exchange-related gains on investments in Argentina and \$36 million was the result of a deferred tax liability true-up in Japan. These charges were partially offset by one-time tax benefits of \$174 million in Japan related to a change in tax rate, \$61 million related to restructuring in Chile, \$57 million related to the repatriation of earnings from Japan and \$31 million related to the devaluation of the peso in Argentina. The Company's 2014 effective tax rate was different from the U.S. statutory rate of 35% primarily due to non-taxable investment income, tax credits for low income housing, foreign earnings taxed at lower rates than the U.S. statutory rate, and the tax effects of the MAL divestiture. The 2014 period also includes a \$54 million tax charge related to tax reform in Chile, a \$45 million tax charge related to the repatriation of earnings from Japan and an \$18 million tax charge related to a portion of the aforementioned settlement of a licensing matter which was not deductible for income tax purposes, partially offset by a \$32 million one-time tax benefit related to the filing of the Company's U.S. federal tax return.

Operating Earnings. As more fully described in “— Non-GAAP and Other Financial Disclosures,” we use operating earnings, which does not equate to income (loss) from continuing operations, net of income tax, as determined in accordance with GAAP, to analyze our performance, evaluate segment performance, and allocate resources. We believe that the presentation of operating earnings and operating earnings available to common shareholders, as we measure it for management purposes, enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of the business. Operating earnings and operating earnings available to common shareholders should not be viewed as substitutes for income (loss) from continuing operations, net of income tax, and net income (loss) available to MetLife, Inc.'s common shareholders, respectively. Operating earnings available to common shareholders decreased \$1.1 billion, net of income tax, to \$5.5 billion, net of income tax, for the year ended December 31, 2015 from \$6.6 billion, net of income tax, for the year ended December 31, 2014.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

During the year ended December 31, 2014, income (loss) from continuing operations, before provision for income tax, increased \$4.8 billion (\$2.9 billion, net of income tax) from 2013 primarily driven by a favorable change in net derivative gains (losses), partially offset by an unfavorable change in net investment gains (losses). Income (loss) from continuing operations, before provision for income tax also reflects a \$262 million (\$174 million, net of income tax) favorable change as a result of our annual assumption reviews related to reserves and DAC.



Table of Contents

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

|   | Years Ended December 31, |           |
|---|--------------------------|-----------|
|   | 2014                     | 2013      |
|   | (In millions)            |           |
| Non-VA program derivatives                            |                          |           |
| Interest rate   | \$927                    | \$(1,609) |
| Foreign currency exchange rate                        | (25)                     | (1,225)   |
| Credit  | 89                       | 187       |
| Equity  | (62)                     | (61)      |
| Non-VA embedded derivatives                           | (99)                     | 123       |
| Total non-VA program derivatives                      | 830                      | (2,585)   |
| VA program derivatives                                |                          |           |
| Market risks in embedded derivatives                  | 31                       | 6,101     |
| Nonperformance risk on embedded derivatives           | 13                       | (952)     |
| Other risks in embedded derivatives                   | (266)                    | (169)     |
| Total embedded derivatives                            | (222)                    | 4,980     |
| Freestanding derivatives hedging embedded derivatives | 709                      | (5,634)   |
| Total VA program derivatives                          | 487                      | (654)     |
| Net derivative gains (losses)                         | \$1,317                  | \$(3,239) |

The favorable change in net derivative gains (losses) on non-VA program derivatives was \$3.4 billion (\$2.2 billion, net of income tax). This was primarily due to long-term interest rates decreasing in 2014 and increasing in 2013, favorably impacting receive-fixed interest rate swaps and interest rate swaptions. These freestanding derivatives were primarily hedging long duration liability portfolios. The strengthening of the U.S. dollar relative to other key currencies, as well as the Japanese yen weakening less against the U.S. dollar in 2014 versus 2013, favorably impacted foreign currency swaps and forwards that primarily hedge foreign denominated fixed maturity securities. Because certain of these hedging strategies are not designated or do not qualify as accounting hedges, the changes in the estimated fair value of these freestanding derivatives are recognized in net derivative gains (losses) without an offsetting gain or loss recognized in earnings for the item being hedged.

The favorable change in net derivative gains (losses) on VA program derivatives was \$1.1 billion (\$742 million, net of income tax). This was due to a favorable change of \$965 million (\$627 million, net of income tax) related to the change in the nonperformance risk adjustment on embedded derivatives and a favorable change of \$273 million (\$178 million, net of income tax) on market risks in embedded derivatives, net of the impact of freestanding derivatives hedging those risks, partially offset by an unfavorable change of \$97 million (\$63 million, net of income tax) on other risks in embedded derivatives. Other risks relate primarily to the impact of policyholder behavior and other non-market risks that generally cannot be hedged.

The aforementioned \$965 million (\$627 million, net of income tax) favorable change in the nonperformance risk adjustment was due to a favorable change of \$629 million, before income tax, as a result of changes in capital market inputs, such as long-term interest rates and key equity index levels, on the variable annuity guarantees, as well as a favorable change of \$336 million, before income tax, related to changes in our own credit spread.

The foregoing \$273 million (\$178 million, net of income tax) favorable change was comprised of a \$6.3 billion (\$4.1 billion, net of income tax) favorable change in freestanding derivatives hedging market risks in embedded derivatives, which was largely offset by a \$6.1 billion (\$3.9 billion, net of income tax) unfavorable change in market risks in embedded derivatives.





Table of Contents

The primary changes in market factors are summarized as follows:

Long-term interest rates decreased in 2014 and increased in 2013, contributing to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives. For example, the 30-year U.S. swap rate decreased by 31% in 2014 and increased by 40% in 2013.

Key equity index levels increased less in 2014 than in 2013, contributing to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives. For example, the S&P 500 increased by 11% in 2014 and increased by 30% in 2013.

Changes in foreign currency exchange rates contributed to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives. For example, the U.S. dollar strengthened against the Japanese yen by 14% in 2014 as compared with 22% in 2013.

The foregoing \$97 million (\$63 million, net of income tax) unfavorable change in other risks in embedded derivatives was primarily due to an increase in the risk margin adjustment caused by higher policyholder behavior risks, along with updates to the actuarial assumptions, partially offset by favorable changes in all other risk factors.

Net Investment Gains (Losses). The unfavorable change in net investment gains (losses) of \$358 million (\$233 million, net of income tax) primarily reflects a 2014 loss on the disposition of MAL, partially offset by 2014 gains on sales of real estate and real estate joint ventures.

Actuarial Assumption Review. Our 2014 results include a \$161 million (\$105 million, net of income tax) benefit associated with our annual assumption review related to reserves and DAC, of which \$137 million (\$89 million, net of income tax) was recognized in net derivative gains (losses). Of the \$161 million benefit, \$82 million (\$53 million, net of income tax) was related to DAC and \$79 million (\$52 million, net of income tax) was associated with reserves. The \$137 million gain recognized in net derivative gains (losses) associated with our annual assumption review was included within the other risks in embedded derivatives caption in the table above.

As a result of our annual assumption review, changes were made to economic, policyholder behavior, mortality and other assumptions. The most significant impacts were in the Retail Life and Annuity blocks of businesses and are summarized as follows:

- Changes in economic assumptions resulted in a decrease in reserves, offset by unfavorable DAC, resulting in a net benefit of \$229 million (\$149 million, net of income tax).

- Changes to policyholder behavior and mortality assumptions resulted in reserve increases, offset by favorable DAC, resulting in a net loss of \$175 million (\$114 million, net of income tax).

The remaining updates resulted in a decrease in reserves, coupled with favorable DAC, resulting in a benefit of \$107 million (\$70 million, net of income tax). The most notable update was related to our projection of closed block results.

Our 2013 results include a \$101 million (\$69 million, net of income tax) charge associated with our annual assumption review related to reserves and DAC, of which \$138 million (\$90 million, net of income tax) was recognized in net derivative gains (losses). Of the \$101 million charge, \$228 million (\$150 million, net of income tax) was related to reserves, offset by \$127 million (\$81 million, net of income tax) associated with DAC. The \$138 million loss recorded in net derivative gains (losses) associated with our annual assumption review was included within the other risks in embedded derivatives caption in the table above.

Divested Businesses. Income (loss) from continuing operations, before provision for income tax, related to the divested businesses, excluding net investment gains (losses) and net derivative gains (losses), improved \$156 million to a loss of \$13 million in 2014 from a loss of \$169 million in 2013. Included in this improvement was a decrease in total revenues of \$142 million, before income tax, and a decrease in total expenses of \$298 million, before income tax. The divested businesses include certain MetLife Bank businesses and MAL.

Table of Contents

Taxes. Income tax expense for the year ended December 31, 2014 was \$2.5 billion, or 28% of income (loss) from continuing operations before provision for income tax, compared with \$661 million, or 16% of income (loss) from continuing operations before provision for income tax, for the year ended December 31, 2013. The Company's 2014 and 2013 effective tax rates differed from the U.S. statutory rate of 35% primarily due to non-taxable investment income, tax credits for low income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate. The Company's 2013 effective tax rate also reflected tax benefits in Japan related to the 2012 branch restructuring and the estimated reversal of temporary differences. Our 2014 results include a \$38 million tax charge related to a portion of the aforementioned settlement of a licensing matter, and the PPACA fee, both of which were not deductible for income tax purposes, as well as a \$54 million tax charge related to tax reform in Chile and a \$45 million tax charge related to the repatriation of earnings from Japan. These charges were partially offset by a \$32 million one-time tax benefit related to the filing of the Company's U.S. federal tax return. In addition, in 2013, the Company received an income tax refund from the Japanese tax authority and recorded a \$119 million reduction to income tax expense.

Operating Earnings. Operating earnings available to common shareholders increased \$299 million, net of income tax, to \$6.6 billion, net of income tax, for the year ended December 31, 2014 from \$6.3 billion, net of income tax, in 2013. Reconciliation of income (loss) from continuing operations, net of income tax, to operating earnings available to common shareholders

Year Ended December 31, 2015

|   | Retail        | Group,<br>Voluntary<br>& Worksite<br>Benefits | Corporate<br>Benefit<br>Funding | Latin<br>America | Asia    | EMEA  | Corporate<br>& Other | Total    |
|---|---------------|---|---------------------------------|------------------|---------|-------|----------------------|----------|
|   | (In millions) |   |                                 |                  |         |       |                      |          |
| Income (loss) from continuing operations, net of income tax | \$1,972       | \$ 893  | \$ 1,544                        | \$386            | \$1,807 | \$288 | \$(1,568 )           | \$5,322  |
| Less: Net investment gains (losses)                         | 35            | (33 )   | 315                             | 82               | 501     | 27    | (330 )               | 597      |
| Less: Net derivative gains (losses)                         | (159 )        | 177   | 17                              | (135 )           | 67      | 40    | 31                   | 38       |
| Less: Other adjustments to continuing operations (1)        | (609 )        | (171 )  | (91 )                           | (72 )            | (120 )  | 3     | (31 )                | (1,091 ) |
| Less: Provision for income tax (expense) benefit            | 257           | 9   | (84 )                           | (62 )            | (21 )   | (22 ) | 101                  | 178      |
| Operating earnings  | \$2,448       | \$ 911  | \$ 1,387                        | \$573            | \$1,380 | \$240 | (1,339 )             | 5,600    |
| Less: Preferred stock dividends                             |               |   |                                 |                  |         |       | 116                  | 116      |
| Operating earnings available to common shareholders         |               |   |                                 |                  |         |       | \$(1,455 )           | \$5,484  |

Year Ended December 31, 2014

|   | Retail        | Group,<br>Voluntary<br>& Worksite<br>Benefits | Corporate<br>Benefit<br>Funding | Latin<br>America | Asia    | EMEA  | Corporate<br>& Other | Total    |
|---|---------------|---|---------------------------------|------------------|---------|-------|----------------------|----------|
|   | (In millions) |   |                                 |                  |         |       |                      |          |
| Income (loss) from continuing operations, net of income tax | \$2,744       | \$ 1,086                                      | \$ 1,318                        | \$344            | \$1,200 | \$330 | \$(683 )             | \$6,339  |
| Less: Net investment gains (losses)                         | (7 )          | (39 )   | (432 )                          | 30               | 512     | (17 ) | (244 )               | (197 )   |
| Less: Net derivative gains (losses)                         | 564           | 525   | 352                             | (60 )            | (532 )  | 114   | 354                  | 1,317    |
|   | (671 )        | (167 )  | (112 )                          | (242 )           | (122 )  | 36    | (98 )                | (1,376 ) |

Edgar Filing: METLIFE INC - Form 10-K

|  |         |        |          |       |         |       |          |         |  |
|--|---------|--------|----------|-------|---------|-------|----------|---------|--|
| Less: Other adjustments to continuing operations (1) |         |        |          |       |         |       |          |         |  |
| Less: Provision for income tax (expense) benefit     | 42      | (111 ) | 52       | 48    | 35      | (88 ) | (65 )    | (87 )   |  |
| Operating earnings                                   | \$2,816 | \$ 878 | \$ 1,458 | \$568 | \$1,307 | \$285 | (630 )   | 6,682   |  |
| Less: Preferred stock dividends                      |         |        |          |       |         |       | 122      | 122     |  |
| Operating earnings available to common shareholders  |         |        |          |       |         |       | \$(752 ) | \$6,560 |  |

102

---

Table of Contents

Year Ended December 31, 2013

|   | Retail        | Group,<br>Voluntary<br>&<br>Worksite<br>Benefits | Corporate<br>Benefit<br>Funding | Latin<br>America | Asia    | EMEA  | Corporate<br>& Other | Total   |
|---|---------------|--|---------------------------------|------------------|---------|-------|----------------------|---------|
|   | (In millions) |  |                                 |                  |         |       |                      |         |
| Income (loss) from continuing operations, net of income tax | \$1,586       | \$383  | \$1,129                         | \$555            | \$597   | \$301 | \$(1,160)            | \$3,391 |
| Less: Net investment gains (losses)                         | 70            | (21)   | (8)                             | 21               | 343     | (16)  | (228)                | 161     |
| Less: Net derivative gains (losses)                         | (724)         | (676)  | (235)                           | (24)             | (1,057) | (6)   | (517)                | (3,239) |
| Less: Other adjustments to continuing operations (1)        | (926)         | (172)  | 87                              | 166              | (435)   | 75    | (392)                | (1,597) |
| Less: Provision for income tax (expense) benefit            | 554           | 304  | 53                              | (71)             | 487     | (33)  | 389                  | 1,683   |
| Operating earnings  | \$2,612       | \$948  | \$1,232                         | \$463            | \$1,259 | \$281 | (412)                | 6,383   |
| Less: Preferred stock dividends                             |               |  |                                 |                  |         |       | 122                  | 122     |
| Operating earnings available to common shareholders         |               |  |                                 |                  |         |       | \$(534)              | \$6,261 |

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

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

Year Ended December 31, 2015

|  | Retail        | Group,<br>Voluntary<br>&<br>Worksite<br>Benefits | Corporate<br>Benefit<br>Funding | Latin<br>America | Asia     | EMEA    | Corporate<br>& Other | Total    |
|--|---------------|--|---------------------------------|------------------|----------|---------|----------------------|----------|
|  | (In millions) |  |                                 |                  |          |         |                      |          |
| Total revenues   | \$20,765      | \$19,420   | \$9,501                         | \$5,055          | \$11,986 | \$2,930 | \$294                | \$69,951 |
| Less: Net investment gains (losses)  | 35            | (33)   | 315                             | 82               | 501      | 27      | (330)                | 597      |
| Less: Net derivative gains (losses)  | (159)         | 177  | 17                              | (135)            | 67       | 40      | 31                   | 38       |
| Less: Adjustments related to net investment gains (losses) and net derivative gains (losses) | (2)           | —  | —                               | —                | 12       | (5)     | —                    | 5        |
| Less: Other adjustments to revenues (1)  | (73)          | (171)  | (105)                           | 12               | 147      | 21      | 10                   | (159)    |
| Total operating revenues   | \$20,964      | \$19,447   | \$9,274                         | \$5,096          | \$11,259 | \$2,847 | \$583                | \$69,470 |
| Total expenses   | \$18,094      | \$18,037   | \$7,134                         | \$4,600          | \$9,701  | \$2,599 | \$2,316              | \$62,481 |
| Less: Adjustments related to net investment gains (losses) and net derivative gains (losses) | 11            | —  | —                               | —                | 9        | (5)     | —                    | 15       |

Edgar Filing: METLIFE INC - Form 10-K

|  |               |  |                                 |                  |          |         |                      |          |
|--|---------------|--|---------------------------------|------------------|----------|---------|----------------------|----------|
| Less: Other adjustments to expenses (1)  | 523           | —  | (14 )                           | 84               | 270      | 18      | 41                   | 922      |
| Total operating expenses   | \$17,560      | \$18,037   | \$7,148                         | \$4,516          | \$9,422  | \$2,586 | \$2,275              | \$61,544 |
| Year Ended December 31, 2014   |               |  |                                 |                  |          |         |                      |          |
|  | Retail        | Group,<br>Voluntary<br>&<br>Worksite<br>Benefits | Corporate<br>Benefit<br>Funding | Latin<br>America | Asia     | EMEA    | Corporate<br>& Other | Total    |
|  | (In millions) |  |                                 |                  |          |         |                      |          |
| Total revenues   | \$21,777      | \$19,295   | \$8,901                         | \$5,554          | \$12,613 | \$4,227 | \$949                | \$73,316 |
| Less: Net investment gains (losses)  | (7 )          | (39 )  | (432 )                          | 30               | 512      | (17 )   | (244 )               | (197 )   |
| Less: Net derivative gains (losses)  | 564           | 525  | 352                             | (60 )            | (532 )   | 114     | 354                  | 1,317    |
| Less: Adjustments related to net investment gains (losses) and net derivative gains (losses) | (1 )          | —  | —                               | —                | 11       | 10      | —                    | 20       |
| Less: Other adjustments to revenues (1)  | (79 )         | (167 )   | 17                              | 42               | 371      | 857     | 55                   | 1,096    |
| Total operating revenues   | \$21,300      | \$18,976   | \$8,964                         | \$5,542          | \$12,251 | \$3,263 | \$784                | \$71,080 |
| Total expenses   | \$17,945      | \$17,631   | \$6,864                         | \$5,162          | \$10,866 | \$3,780 | \$2,264              | \$64,512 |
| Less: Adjustments related to net investment gains (losses) and net derivative gains (losses) | 26            | —  | —                               | —                | (3 )     | 12      | —                    | 35       |
| Less: Other adjustments to expenses (1)  | 565           | —  | 129                             | 284              | 507      | 819     | 153                  | 2,457    |
| Total operating expenses   | \$17,354      | \$17,631   | \$6,735                         | \$4,878          | \$10,362 | \$2,949 | \$2,111              | \$62,020 |

Table of Contents

Year Ended December 31, 2013

|  | Retail        | Group,<br>Voluntary<br>&<br>Worksite<br>Benefits | Corporate<br>Benefit<br>Funding | Latin<br>America | Asia      | EMEA     | Corporate<br>& Other | Total     |
|--|---------------|--|---------------------------------|------------------|-----------|----------|----------------------|-----------|
|  | (In millions) |  |                                 |                  |           |          |                      |           |
| Total revenues   | \$ 19,472     | \$ 17,320  | \$ 8,852                        | \$ 5,110         | \$ 13,232 | \$ 3,864 | \$ 349               | \$ 68,199 |
| Less: Net investment gains (losses)  | 70            | (21 )  | (8 )                            | 21               | 343       | (16 )    | (228 )               | 161       |
| Less: Net derivative gains (losses)  | (724 )        | (676 )   | (235 )                          | (24 )            | (1,057 )  | (6 )     | (517 )               | (3,239 )  |
| Less: Adjustments related to net investment gains (losses) and net derivative gains (losses) | (9 )          | —  | —                               | —                | 2         | 14       | —                    | 7         |
| Less: Other adjustments to revenues (1)  | (119 )        | (172 )   | 297                             | 84               | 1,386     | 667      | 111                  | 2,254     |
| Total operating revenues   | \$ 20,254     | \$ 18,189  | \$ 8,798                        | \$ 5,029         | \$ 12,558 | \$ 3,205 | \$ 983               | \$ 69,016 |
| Total expenses   | \$ 17,333     | \$ 16,761  | \$ 7,109                        | \$ 4,401         | \$ 12,557 | \$ 3,479 | \$ 2,507             | \$ 64,147 |
| Less: Adjustments related to net investment gains (losses) and net derivative gains (losses) | (197 )        | —  | —                               | —                | (15 )     | 16       | —                    | (196 )    |
| Less: Other adjustments to expenses (1)  | 995           | —  | 210                             | (82 )            | 1,838     | 590      | 503                  | 4,054     |
| Total operating expenses   | \$ 16,535     | \$ 16,761  | \$ 6,899                        | \$ 4,483         | \$ 10,734 | \$ 2,873 | \$ 2,004             | \$ 60,289 |

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

## Consolidated Results — Operating

|   | Years Ended December 31, |           |           |
|---|--------------------------|-----------|-----------|
|   | 2015                     | 2014      | 2013      |
|   | (In millions)            |           |           |
| Operating revenues  |                          |           |           |
| Premiums  | \$ 38,548                | \$ 39,022 | \$ 37,583 |
| Universal life and investment-type product policy fees      | 9,113                    | 9,541     | 9,085     |
| Net investment income                                       | 19,789                   | 20,484    | 20,394    |
| Other revenues  | 2,020                    | 2,033     | 1,954     |
| Total operating revenues                                    | 69,470                   | 71,080    | 69,016    |
| Operating expenses  |                          |           |           |
| Policyholder benefits and claims and policyholder dividends | 39,565                   | 39,478    | 37,746    |
| Interest credited to policyholder account balances          | 5,334                    | 5,661     | 6,015     |
| Capitalization of DAC                                       | (3,837 )                 | (4,182 )  | (4,786 )  |
| Amortization of DAC and VOBA                                | 3,802                    | 4,027     | 4,083     |
| Amortization of negative VOBA                               | (326 )                   | (396 )    | (524 )    |
| Interest expense on debt                                    | 1,200                    | 1,178     | 1,159     |
| Other expenses  | 15,806                   | 16,254    | 16,596    |
| Total operating expenses                                    | 61,544                   | 62,020    | 60,289    |

Edgar Filing: METLIFE INC - Form 10-K

|   |         |         |         |
|---|---------|---------|---------|
| Provision for income tax expense (benefit)          | 2,326   | 2,378   | 2,344   |
| Operating earnings                                  | 5,600   | 6,682   | 6,383   |
| Less: Preferred stock dividends                     | 116     | 122     | 122     |
| Operating earnings available to common shareholders | \$5,484 | \$6,560 | \$6,261 |

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

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

Overview. The primary drivers of the decrease in operating earnings were lower investment yields, a tax charge and a related charge for interest on uncertain tax positions in 2015, less favorable underwriting results and an unfavorable impact from our annual review of actuarial assumptions, partially offset by higher net investment income from portfolio growth.



Table of Contents

Foreign Currency. Changes in foreign currency exchange rates had a \$303 million negative impact on operating earnings compared to 2014.

Business Growth. We benefited from higher sales and business growth across many of our products. Growth in the investment portfolios of our domestic and Latin America segments generated higher net investment income, which was partially offset by higher surrenders of foreign currency-denominated fixed annuity products in Japan. The changes in business growth discussed above resulted in a \$474 million increase in operating earnings.

Market Factors. Market factors, including the sustained low interest rate environment, continued to impact our investment yields. Excluding the impact of inflation-indexed investments in the Latin America segment, investment yields decreased. Investment yields were negatively impacted by the adverse impact of the sustained low interest rate environment on fixed maturity securities and mortgage loans, as well as by lower returns on other limited partnership interests and our securities lending program. These decreases were partially offset by higher income on currency and interest rate derivatives and higher returns on real estate and real estate joint ventures. The changes in market factors discussed above resulted in a \$545 million decrease in operating earnings.

Underwriting, Actuarial Assumption Review and Other Insurance Adjustments. A \$99 million decrease in underwriting results was primarily due to higher non-catastrophe related claim costs, as well as higher catastrophe-related losses in our property & casualty businesses. On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. These annual updates, which occurred in both 2015 and 2014, resulted in a net operating earnings decrease of \$98 million and were primarily related to unfavorable DAC unlockings in our Retail segment. Refinements to DAC and certain insurance-related liabilities that were recorded in both 2015 and 2014 resulted in a net decrease of \$6 million in operating earnings. The 2014 refinements include favorable reserve adjustments related to disability premium waivers and a charge related to delayed settlement interest on unclaimed funds held by state governments, all in our retail life business.

Expenses. In 2015, other expenses include the aforementioned \$235 million charge for interest on uncertain tax positions. An additional \$101 million increase in expenses was primarily the result of higher employee-related costs and an increase in expenses associated with corporate initiatives and projects, primarily in Asia. These increases were partially offset by a \$117 million accrual in 2014 to increase the litigation reserve related to asbestos, as well as 2014 charges totaling \$57 million related to the aforementioned settlement of a licensing matter.

Taxes. The Company's 2015 and 2014 effective tax rates differed from the U.S. statutory rate of 35%, primarily due to non-taxable investment income, tax credits for low income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate. Our results for 2015 include the aforementioned tax charge of \$557 million recorded under accounting guidance for the recognition of tax uncertainties, partially offset by a \$61 million benefit in Japan related to a tax rate change, a one-time tax benefit of \$60 million related to restructuring in Chile, a \$31 million tax benefit related to the repatriation of earnings from Japan and a \$31 million one-time tax benefit related to the devaluation of the peso in Argentina. In 2014, the Company realized a \$32 million one-time tax benefit related to the filing of the Company's U.S. federal tax return. However, this was more than offset by a \$41 million one-time tax charge related to tax reform in Chile and an \$18 million tax charge related to the aforementioned settlement of a licensing matter which was not deductible for income tax purposes.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

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

Overview. The primary drivers of the increase in operating earnings were higher net investment income from portfolio growth, higher asset-based fee income and a decrease in interest credited expense, partially offset by unfavorable mortality, morbidity and claims experience and the impact of decreasing investment yields on net investment income. Excluding the impact of the aforementioned tax reform charge in Chile, the fourth quarter 2013 acquisition of ProVida increased operating earnings by \$166 million.

Foreign Currency. Changes in foreign currency exchange rates had a \$127 million negative impact on results compared to 2013.

Table of Contents

**Business Growth.** We benefited from strong sales and business growth across many of our products as evidenced by higher asset-based fee income from growth in our businesses abroad. However, we continue to focus on pricing discipline and risk management which resulted in a decrease in sales of our variable annuity products. This decline in sales, in combination with surrenders and withdrawals, resulted in negative net flows, which caused lower average separate account assets and, consequently, lower asset-based fee income in our Retail segment. Excluding the impact of the divested businesses and the acquisition of ProVida, growth in our investment portfolios in the majority of our segments generated higher net investment income. Our property & casualty businesses benefited from an increase in average premium per policy. These positive results were partially offset by an associated increase in DAC amortization. The changes in business growth discussed above resulted in a \$432 million increase in operating earnings.

**Market Factors.** Market factors, including the sustained low interest rate environment, continued to impact our investment yields, as well as our crediting rates. Excluding the results of the divested businesses, the acquisition of ProVida and the impact of inflation-indexed investments in the Latin America segment, investment yields decreased. Certain of our inflation-indexed products are backed by inflation-indexed investments. Changes in inflation cause fluctuations in net investment income with a corresponding fluctuation in policyholder benefits, resulting in a minimal impact to operating earnings. Investment yields were negatively impacted by the adverse impact of the sustained low interest rate environment on fixed maturity securities and mortgage loans yields, lower returns on our hedge funds, as well as increased holdings of lower yielding Japanese government securities in the Japan fixed annuity business. These decreases were partially offset by higher returns on interest rate derivatives, real estate joint ventures and private equity investments. Yields were also favorably impacted by increased sales of foreign currency-denominated fixed annuities in Japan, resulting in an increase in higher yielding foreign currency-denominated fixed maturity securities. The sustained low interest rate environment also resulted in lower interest credited expense as we set interest credited rates lower on both new business and certain in-force business with rate resets that are contractually tied to external indices or contain discretionary rate reset provisions. Our average separate account balances grew with the equity markets driving higher fee income in our annuity business. However, this was partially offset by higher DAC amortization due to the significant prior period equity market increase, as well as higher asset-based commissions and costs associated with our variable annuity GMDBs. The changes in market factors discussed above resulted in a \$170 million decrease in operating earnings.

**Underwriting, Actuarial Assumption Review and Other Insurance Adjustments.** Less favorable mortality and morbidity was driven by our Group, Voluntary & Worksite Benefits segment. In addition, in our property & casualty businesses, catastrophe-related losses increased due to severe storm activity in 2014. Non-catastrophe related claim costs also increased as a result of severe winter weather in 2014. Claims experience in our Latin America segment was also unfavorable. The combined impact of mortality, morbidity and claims experience decreased operating earnings by \$146 million. The combined impact of the 2014 and 2013 annual assumption updates resulted in a \$12 million decrease in operating earnings in 2014 as compared to 2013. In addition to our annual updates, refinements to DAC and certain insurance-related liabilities that were recorded in both years increased operating earnings by \$75 million. Such refinements include favorable reserve adjustments in 2014 related to disability premium waivers and a 2014 charge related to delayed settlement interest on unclaimed funds held by state governments, both in our life business within our Retail segment, as well as a write-down of DAC and VOBA in 2013 related to pension reform in Poland within our EMEA segment. Also, our 2013 results include a reserve strengthening in Australia within our Asia segment of \$57 million, net of reinsurance.

**Expenses.** A \$112 million decrease in expenses was primarily driven by lower employee-related costs. In addition, our 2014 results include charges totaling \$57 million related to the aforementioned settlement of a licensing matter with the Department of Financial Services and the District Attorney, New York County. The PPACA fee reduced operating earnings by \$58 million in 2014. We increased our litigation reserves related to asbestos more in 2014 than in 2013 resulting in a \$16 million decline in operating earnings.

**Taxes.** In 2014, the Company realized a \$32 million tax benefit related to the filing of the Company's U.S. federal tax return, as well as additional tax benefits of \$36 million related to the separate account dividends received deduction and \$58 million primarily related to foreign earnings taxed at rates lower than the U.S. and other tax preference items.

However, this was partially offset by a \$38 million tax charge related to a portion of the aforementioned settlement of a licensing matter and the PPACA fee, both of which were not deductible for income tax purposes.

106

---

Table of Contents

## Segment Results and Corporate &amp; Other

## Retail

Business Overview. Retail annuity sales increased 15% as a result of new variable annuity products introduced in late 2014 and early 2015 and higher indexed annuity sales. Life sales increased 17% driven by increases in our term life products (due to pricing actions) and whole life products (as a result of several large cases, as well as a continued focus on our enhanced underwriting programs). A significant portion of our operating earnings is driven by separate account balances. Most directly, these balances determine asset-based fee income but they also impact DAC amortization and asset-based commissions. Separate account balances are driven by sales, movements in the market, surrenders, withdrawals, benefit payments, transfers and policy charges. Separate account balances have declined due to market performance along with the impact of negative net flows, as benefits, surrenders and withdrawals exceeded sales.

|   | Years Ended December 31, |         |          |
|---|--------------------------|---------|----------|
|   | 2015                     | 2014    | 2013     |
|   | (In millions)            |         |          |
| Operating revenues  |                          |         |          |
| Premiums  | \$7,228                  | \$7,280 | \$6,528  |
| Universal life and investment-type product policy fees      | 4,933                    | 5,074   | 4,912    |
| Net investment income                                       | 7,814                    | 7,887   | 7,796    |
| Other revenues  | 989                      | 1,059   | 1,018    |
| Total operating revenues                                    | 20,964                   | 21,300  | 20,254   |
| Operating expenses  |                          |         |          |
| Policyholder benefits and claims and policyholder dividends | 9,995                    | 9,851   | 9,028    |
| Interest credited to policyholder account balances          | 2,198                    | 2,245   | 2,331    |
| Capitalization of DAC                                       | (1,048                   | ) (969  | ) (1,309 |
| Amortization of DAC and VOBA                                | 1,561                    | 1,515   | 1,384    |
| Interest expense on debt                                    | (1                       | ) 1     | —        |
| Other expenses  | 4,855                    | 4,711   | 5,101    |
| Total operating expenses                                    | 17,560                   | 17,354  | 16,535   |
| Provision for income tax expense (benefit)                  | 956                      | 1,130   | 1,107    |
| Operating earnings  | \$2,448                  | \$2,816 | \$2,612  |

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

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

Business Growth. A \$59 million increase in operating earnings was attributable to business growth. Our life businesses had positive net flows which resulted in higher net investment income. In addition, net investment income increased as a result of a larger invested asset base due to a higher amount of allocated equity as compared to 2014. This favorable impact was partially offset by a related increase in DAC amortization and an increase in interest credited expenses. Declines in broker-dealer revenue also decreased operating earnings. In our property & casualty business, an increase in average premium per policy in both the auto and homeowners businesses improved operating earnings, but was partially offset by a decrease in exposures. In our deferred annuities business, negative net flows decreased average separate account balances and, consequently, lower asset-based fee income, partially offset by lower DAC amortization due to the decrease in our in-force business.

Table of Contents

Market Factors. A \$177 million decrease in operating earnings was attributable to market factors, including equity markets and interest rates. The sustained low interest rate environment resulted in a decline in net investment income on our fixed maturity securities and mortgage loans as proceeds from maturing investments were reinvested at lower yields. This reduction in 2015 income from lower yields was partially offset by a decrease in DAC amortization, as well as lower interest credited expense in our deferred annuities business as a result of declines in average interest credited rates. Lower returns on other limited partnership interests were partially offset by increased prepayment fees and higher returns on real estate and real estate joint ventures. While separate account fund returns were down slightly on a full year basis, the positive returns in the first half of the year drove an increase in our average separate account balances which resulted in a small increase in asset-based fee income, partially offset by higher DAC amortization. In addition, costs associated with our variable annuity GMDBs were lower in 2015.

Underwriting, Actuarial Assumption Review and Other Insurance Adjustments. Less favorable mortality in our universal life business, partially offset by favorable mortality in our traditional life and income annuities businesses resulted in a net decrease of \$12 million in operating earnings. In our property & casualty business, non-catastrophe claim costs increased by \$24 million as a result of higher severities in our auto and homeowners businesses and higher frequencies in our auto business, partially offset by lower frequencies in our homeowners business.

Catastrophe-related losses increased \$16 million mainly due to severe winter weather in 2015. Favorable morbidity experience in our individual disability income business resulted in a \$5 million increase in operating earnings. On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. These annual updates, which occurred in both 2015 and 2014, resulted in a net operating earnings decrease of \$118 million and were primarily related to unfavorable DAC unlockings in the life businesses.

Refinements to DAC and certain insurance-related liabilities that were recorded in both 2015 and 2014 resulted in a decrease in operating earnings of \$18 million, primarily driven by certain 2014 adjustments in our life business, as well as adjustments in our annuities business. The 2014 refinements include favorable reserve adjustments related to disability premium waivers and a charge related to delayed settlement interest on unclaimed funds held by state governments.

Expenses and Taxes. Operating earnings decreased due to an increase in expenses of \$45 million, mainly the result of higher employee-related costs. In 2015, we realized lower tax benefits of \$16 million primarily related to the separate account dividends received deduction.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

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

Business Growth. A \$156 million increase in operating earnings was attributable to business growth. Our life businesses had positive net flows, despite a decline in universal life sales, which resulted in higher net investment income. This favorable impact was partially offset by increases in DAC amortization and interest credited expenses, as well as lower fees, as 2013 benefited from the first year fees received on the now discontinued lifetime secondary guarantees on our universal life products. In our deferred annuities business, the impact of negative net flows contributed to a decrease in asset-based fee income, partially offset by a reduction in interest credited expenses in the general account. Additionally, costs associated with our variable annuity GMDBs were lower. In our property & casualty business, an increase in average premium per policy in both our auto and homeowners businesses contributed to the increase in operating earnings. In addition, we earned more income on a larger invested asset base, which resulted from a higher amount of allocated equity as compared to 2013.

Market Factors. A \$58 million decrease in operating earnings was attributable to market factors, including equity markets and interest rates. Strong equity market performance led to higher asset-based commissions, which were, in part, driven by separate account balances, higher DAC amortization and costs associated with our GMDBs. The more favorable separate account returns in 2013 drove lower DAC amortization in 2013 as compared to 2014 where equity returns were much less favorable. These negative impacts were partially offset by higher asset-based fee income in 2014 due to increased average separate account balances. This positive equity market performance also drove higher net investment income from private equity investments. The sustained low interest rate environment resulted in a decline in net investment income on our fixed maturity securities and mortgage loans as proceeds from maturing investments were reinvested at lower yields. This negative interest rate impact was partially offset by lower interest

credited expense as we reduced interest credited rates on contracts with discretionary rate reset provisions, and lower DAC amortization in our life business. Lower returns in our hedge funds also decreased operating earnings and were partially offset by higher income from real estate joint ventures and increased prepayment fees.

108

---

Table of Contents

Underwriting, Actuarial Assumption Review and Other Insurance Adjustments. Less favorable mortality experience in our variable and universal life business, primarily driven by three large, unreinsured claims, partially offset by favorable experience in the traditional life and immediate annuities businesses, resulted in a \$40 million decrease in operating earnings. In our property & casualty business, non-catastrophe claim costs increased by \$8 million as a result of higher frequencies in our auto business offset by lower frequencies in our homeowners business.

Catastrophe-related losses increased \$5 million as compared to 2013. In addition, favorable morbidity experience in our individual disability income business resulted in a \$6 million increase in operating earnings. The combined impact of the 2014 and 2013 annual assumption updates resulted in a net operating earnings decrease of \$11 million and were primarily related to unfavorable DAC unlockings in the variable annuity business, partially offset by favorable DAC unlockings in our traditional and universal life businesses. Refinements to DAC and certain insurance-related liabilities that were recorded in 2014 and 2013 resulted in a \$7 million increase in operating earnings, which included \$104 million of favorable reserve adjustments in 2014 related to disability premium waivers and a 2014 charge of \$57 million related to delayed settlement interest on unclaimed funds held by state governments, both in our life business.

Expenses and Taxes. Operating earnings increased due to a decline in expenses of \$109 million, mainly the result of lower employee-related costs and the 2013 increase in litigation reserves. In 2014, we realized additional tax benefits of \$37 million related to the separate account dividends received deduction and \$22 million related to the filing of the Company's U.S. federal tax return.

## Group, Voluntary &amp; Worksite Benefits

Business Overview. Premiums increased for most of our businesses as a result of gradual growth in the U.S. economy, a decrease in the U.S. unemployment rate and low inflation. Our term life, dental, disability and voluntary benefits businesses generated premium growth due to sales and rate actions. In addition, we had strong persistency levels. The dental business also benefited from pricing actions on existing business. Our 2015 sales were slightly higher, as improved sales of voluntary products were largely offset by lower sales of our core group products as a result of increased competition. Although we have discontinued selling our long-term care product, we continue to collect premiums and administer the existing block of business, which contributed to asset growth in the segment.

|   | Years Ended December 31, |          |          |
|---|--------------------------|----------|----------|
|   | 2015                     | 2014     | 2013     |
|   | (In millions)            |          |          |
| Operating revenues  |                          |          |          |
| Premiums  | \$16,358                 | \$15,979 | \$15,250 |
| Universal life and investment-type product policy fees      | 740                      | 716      | 688      |
| Net investment income                                       | 1,898                    | 1,861    | 1,833    |
| Other revenues  | 451                      | 420      | 418      |
| Total operating revenues                                    | 19,447                   | 18,976   | 18,189   |
| Operating expenses  |                          |          |          |
| Policyholder benefits and claims and policyholder dividends | 15,170                   | 14,897   | 14,227   |
| Interest credited to policyholder account balances          | 151                      | 156      | 155      |
| Capitalization of DAC                                       | (151)                    | ) (143   | ) (141   |
| Amortization of DAC and VOBA                                | 164                      | 149      | 140      |
| Interest expense on debt                                    | —                        | 1        | 1        |
| Other expenses  | 2,703                    | 2,571    | 2,379    |
| Total operating expenses                                    | 18,037                   | 17,631   | 16,761   |
| Provision for income tax expense (benefit)                  | 499                      | 467      | 480      |
| Operating earnings  | \$911                    | \$878    | \$948    |

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

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





Table of Contents

**Business Growth.** A \$73 million increase in operating earnings was attributable to business growth. An increase in average premium per policy in both our auto and homeowners businesses improved operating earnings. Growth in premiums, as well as increases in allocated equity resulted in higher average invested assets, improving operating earnings. Consistent with the growth in average invested assets from increased premiums, primarily in our long-term care business, interest credited on long-duration contracts increased. An increase in the annual assessment of the PPACA fee increased other expenses in 2015; however, the impact of the assessment was significantly offset by a related increase in premiums from our dental business. The remaining increase in other operating expenses, mainly the result of growth across the segment, was more than offset by the remaining increase in premiums, fees and other revenues.

**Market Factors.** The sustained low interest rate environment drove lower investment yields on our fixed maturity securities and mortgage loans. In addition, yields were negatively impacted by a reduction in the size of our securities lending program, as well as lower returns on other limited partnership interests. This was partially offset by higher returns on alternative investments and currency derivatives. Unlike in the Retail and Corporate Benefit Funding segments, in the Group, Voluntary & Worksite Benefits segment, a change in investment yield does not necessarily drive a corresponding change in the rates credited on certain insurance liabilities. The decrease in investment yields was partially offset by the impact of lower crediting rates in 2015, which resulted in a net decrease in operating earnings of \$14 million.

**Underwriting and Other Insurance Adjustments.** In our property & casualty business, catastrophe-related losses increased by \$29 million, mainly due to severe winter weather in 2015. In addition, non-catastrophe claim costs increased \$37 million, resulting from higher severities in both our auto and homeowners businesses, as well as higher frequencies in our auto business, partially offset by lower frequencies in our homeowners businesses. Further, less favorable development of prior year non-catastrophe losses resulted in a slight decrease to operating earnings. Our life and AD&D businesses experienced favorable mortality in 2015, mainly due to favorable claims experience, which resulted in a \$46 million increase in operating earnings. Less favorable reserve development in our dental business was partially offset by favorable morbidity experience in our long-term care and disability businesses and resulted in a \$16 million decrease in operating earnings. The favorable claims experience in our long-term care business was due to higher net closures and the impact of lapses on certain insurance liabilities. In our disability business, the favorable claims experience was primarily driven by fewer approvals, a reduction in the average size of claims and higher net closures. Refinements to certain insurance and other liabilities, which were recorded in both 2015 and 2014, resulted in a \$17 million increase in operating earnings.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

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

**Business Growth.** The increase in average premium per policy in both our auto and homeowners businesses improved operating earnings by \$42 million. Growth in premiums and deposits in 2014, as well as an increase in allocated equity, partially offset by reductions in other liabilities and policyholder account balances, resulted in an increase in our average invested assets, increasing operating earnings by \$51 million. Consistent with the growth in average invested assets from premiums and deposits, primarily in our long-term care business, interest credited on long-duration contracts and policyholder account balances increased by \$24 million. The PPACA fee increased other expenses by \$58 million in 2014; however, the impact of the assessment was significantly offset by a related increase in premiums in the dental business. The remaining increase in other operating expenses, including higher marketing and sales support costs in our property & casualty business, was partially offset by the remaining increase in premiums, fees and other revenues.

**Market Factors.** The impact of changes in market factors, including lower yields on our fixed maturity securities and mortgage loans, and decreased income on alternative investments, partially offset by higher returns on our real estate joint ventures and private equity investments, resulted in lower investment yields. The decrease in investment yields, slightly offset by lower crediting rates in 2014, reduced operating earnings by \$29 million.

Table of Contents

**Underwriting and Other Insurance Adjustments.** Our life business experienced less favorable mortality in 2014, mainly due to an increase in claims severity in the term life business and increased claims incidence in the group universal life business, which resulted in a \$48 million decrease in operating earnings. Unfavorable claims experience in our disability business, driven by higher approvals, was partially offset by higher net closures. In addition, increased utilization of services across the channels of our dental business was partially offset by the impact of lapses on certain insurance liabilities, higher net closures in our long-term care business and favorable claims incidence in our AD&D business. Our overall net unfavorable claims experience resulted in a \$14 million decrease in operating earnings. The impact of favorable refinements to certain insurance and other liabilities in 2014 resulted in an increase in operating earnings of \$27 million. In our property & casualty business, catastrophe-related losses increased by \$21 million as compared to 2013, mainly due to severe storm activity in 2014. In addition, severe winter weather in 2014 increased non-catastrophe claim costs by \$18 million, which was the result of higher frequencies in both our auto and homeowners businesses, as well as higher severities in our homeowners business, partially offset by lower severities in our auto business. These unfavorable results were partially offset by additional favorable development of prior year non-catastrophe losses, which improved operating earnings by \$15 million.

**Corporate Benefit Funding**

**Business Overview.** Funding ratios for defined benefit pension plans of S&P 500 companies continued to fall in 2015, limiting their ability to engage in full pension plan buyouts. However, we expect that customers may choose to close out portions of pension plans over time, with the largest volume of business generally occurring near the end of any year. Despite the decline in funding ratios for defined benefit pension plans of S&P 500 companies, higher pension risk transfers resulted in an increase in premiums. In addition, more competitive pricing in the market drove a decrease in structured settlement annuity sales. Changes in premiums for these businesses were almost entirely offset by the related changes in policyholder benefits and claims.

|   | Years Ended December 31, |         |         |
|---|--------------------------|---------|---------|
|   | 2015                     | 2014    | 2013    |
|   | (In millions)            |         |         |
| Operating revenues  |                          |         |         |
| Premiums  | \$3,019                  | \$2,768 | \$2,767 |
| Universal life and investment-type product policy fees      | 259                      | 226     | 247     |
| Net investment income                                       | 5,710                    | 5,684   | 5,506   |
| Other revenues  | 286                      | 286     | 278     |
| Total operating revenues                                    | 9,274                    | 8,964   | 8,798   |
| Operating expenses  |                          |         |         |
| Policyholder benefits and claims and policyholder dividends | 5,447                    | 5,106   | 5,180   |
| Interest credited to policyholder account balances          | 1,184                    | 1,140   | 1,233   |
| Capitalization of DAC                                       | (19                      | ) (31   | ) (27   |
| Amortization of DAC and VOBA                                | 21                       | 19      | 23      |
| Interest expense on debt                                    | 3                        | 9       | 9       |
| Other expenses  | 512                      | 492     | 481     |
| Total operating expenses                                    | 7,148                    | 6,735   | 6,899   |
| Provision for income tax expense (benefit)                  | 739                      | 771     | 667     |
| Operating earnings  | \$1,387                  | \$1,458 | \$1,232 |

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

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

**Business Growth.** The impact of 2015 deposits and funding agreement issuances resulted in higher invested assets, which drove an increase in net investment income, partially offset by the related increase in interest credited expense, and resulted in a \$106 million increase in operating earnings. Net funding agreement issuances were higher in 2014 to take advantage of favorable market conditions in advance of scheduled contract maturities.



Table of Contents

Market Factors. The sustained low interest rate environment drove lower investment yields on mortgage loans and fixed maturity securities, as well as from our securities lending program. In addition, weaker equity markets in 2015 resulted in lower returns on other limited partnership interests. These unfavorable changes were partially offset by higher income on interest rate and currency derivatives, real estate and real estate joint ventures, as well as the favorable impact of a conversion of the securities accounting system. An increase in interest credited expense, resulting from a higher average rate, was driven by the effect of divesting a lower yielding product in early 2014. The combined impact of lower investment returns and higher interest credited expense, resulted in a decrease in operating earnings of \$144 million.

Underwriting and Other Insurance Adjustments. Less favorable mortality in our pension risk transfer and structured settlement businesses was partially offset by more favorable mortality from our income annuity and specialized life insurance products, and resulted in a \$6 million decrease in operating earnings. The net impact of insurance liability refinements that were recorded in both 2015 and 2014 decreased operating earnings by \$20 million.

Expenses. Slightly higher employee-related costs and annual premium tax adjustments were partially offset by lower non-deferrable commissions, driven by a decrease in structured settlement annuity sales in 2015, and decreased operating earnings by \$4 million.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

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

Business Growth. The impact of 2014 deposits and funding agreement issuances, as well as increases in allocated equity and other liabilities, resulted in higher invested assets, which drove an increase in net investment income that was partially offset by the related increase in interest credited expense and resulted in a \$122 million increase in operating earnings. In addition, strong investment performance and large case sales for our separate account products drove higher average account balances which resulted in an increase in separate account fees of \$8 million.

Market Factors. The sustained low interest rate environment impacted our interest credited rates, as well as our investment yields. Many of our funding agreements and guaranteed interest contract liabilities have interest credited rates that are contractually tied to external indices and, as a result, we set lower interest credited rates on new business, as well as on existing business with terms that can fluctuate. The sustained low interest rate environment drove lower investment yields on mortgage loans and fixed maturity securities. In addition, hedge fund income declined. These unfavorable changes were partially offset by the impact of changes in market factors that drove higher income on interest rate derivatives and improved returns on real estate joint ventures. The impact of lower interest credited expense offset by lower investment returns resulted in an increase in operating earnings of \$34 million.

Underwriting and Other Insurance Adjustments. Favorable mortality in 2014, primarily in our structured settlements business, resulted in a \$24 million increase in operating earnings. The net impact of insurance liability refinements that were recorded in 2014 and 2013 increased operating earnings by \$28 million.

Taxes. In 2014, we realized additional tax benefits of \$11 million primarily related to the filing of the Company's U.S. federal tax return.

Table of Contents

## Latin America

Business Overview. Total sales for the region decreased primarily due to the impact of a large contract in Mexico in 2014. Excluding this contract, sales for the region increased due to organic growth in several countries. Total sales of life, accident & health and credit products increased across several countries. Life and accident & health product sales also increased in our U.S. direct business. Sales of retirement products were down as lower sales in Mexico were only partially offset by higher sales in Brazil.

|   | Years Ended December 31, |         |         |
|---|--------------------------|---------|---------|
|   | 2015                     | 2014    | 2013    |
|   | (In millions)            |         |         |
| Operating revenues  |                          |         |         |
| Premiums  | \$2,891                  | \$3,039 | \$2,870 |
| Universal life and investment-type product policy fees      | 1,116                    | 1,239   | 991     |
| Net investment income                                       | 1,047                    | 1,229   | 1,145   |
| Other revenues  | 42                       | 35      | 23      |
| Total operating revenues                                    | 5,096                    | 5,542   | 5,029   |
| Operating expenses  |                          |         |         |
| Policyholder benefits and claims and policyholder dividends | 2,625                    | 2,786   | 2,487   |
| Interest credited to policyholder account balances          | 349                      | 394     | 417     |
| Capitalization of DAC                                       | (426)                    | (445)   | (452)   |
| Amortization of DAC and VOBA                                | 303                      | 334     | 311     |
| Amortization of negative VOBA                               | (1)                      | (1)     | (2)     |
| Other expenses  | 1,666                    | 1,810   | 1,722   |
| Total operating expenses                                    | 4,516                    | 4,878   | 4,483   |
| Provision for income tax expense (benefit)                  | 7                        | 96      | 83      |
| Operating earnings  | \$573                    | \$568   | \$463   |

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

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

Foreign Currency. The impact of changes in foreign currency exchange rates decreased operating earnings by \$111 million for 2015 compared to 2014 mainly due to the weakening of the peso against the U.S. dollar, which included the impact of changes in foreign currency exchange rates related to the one-time tax charge resulting from tax reform in Chile, as discussed further below.

Business Growth. Total sales for the region decreased primarily due to the impact of a large contract in Mexico in 2014. Excluding this large contract, sales increased due to organic growth in several countries, as well as in our U.S. direct business but the resulting increase in premiums was partially offset by related changes in policyholder benefits. An increase in average invested assets, primarily in Chile and Mexico, generated higher net investment income. Growth in our businesses resulted in higher policy fee income, as well as increased marketing costs and commissions, which were partially offset by increased DAC capitalization. The items discussed above were the primary drivers of a \$133 million increase in operating earnings.

Market Factors. The net impact of changes in market factors resulted in an \$83 million decrease in operating earnings, driven by lower investment yields and higher interest credited expense. Investment yields decreased on fixed income securities in Chile and Mexico and we experienced lower investment returns on alternative investments in Chile.

Underwriting and Other Insurance Adjustments. Unfavorable claims experience in several countries decreased operating earnings by \$16 million. Refinements to DAC and other adjustments recorded in both 2015 and 2014 resulted in a \$14 million increase in operating earnings.

Table of Contents

Expenses and Taxes. Effective September 1, 2015, ProVida was merged into MetLife Chile Acquisition Company resulting in a one-time income tax benefit of \$60 million in 2015. In the third quarter of 2014, our Chilean businesses, including ProVida, incurred a one-time tax charge of \$41 million (\$33 million after adjusting for foreign currency fluctuations) as a result of tax reform in Chile. Other tax-related adjustments in both 2015 and 2014 decreased operating earnings by \$18 million. These tax-related adjustments include tax charges related to inflation in Chile and Mexico, as well as a 2014 refund claim in Argentina, partially offset by a benefit resulting from the devaluation of the peso in Argentina in both 2015 and 2014. In addition, employee-related costs, which include inflation, were higher across several countries, resulting in an \$8 million decrease in operating earnings.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

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

A tax reform bill was enacted in Chile on September 29, 2014 which includes, among other things, a gradual increase in the corporate tax rate. Our Chilean businesses, including ProVida, incurred a one-time tax charge of \$41 million as a result of this legislation. Excluding the aforementioned tax reform, our operating earnings increased by \$166 million in 2014 due to the fourth quarter 2013 acquisition of ProVida.

Foreign Currency. The impact of changes in foreign currency exchange rates decreased operating earnings by \$57 million compared to 2013.

Business Growth. Latin America experienced organic growth and increased sales of life products in several countries, as well as in our U.S. sponsored direct business. This was partially offset by decreased pension and accident & health sales in Mexico and Brazil. The resulting increase in premiums was partially offset by related changes in policyholder benefits. Growth in our businesses and the impact of inflation drove an increase in average invested assets, which generated higher net investment income and higher policy fee income, partially offset by a corresponding increase in interest credited on certain insurance liabilities and the impact of changes in allocated equity. Increases in marketing costs and commissions resulted in higher operating expenses. Business growth also drove an increase in DAC amortization. The items discussed above were the primary drivers of a \$94 million increase in operating earnings.

Market Factors. The net impact of changes in market factors resulted in a \$25 million decrease in operating earnings. This decrease was primarily driven by higher interest credited expense, the unfavorable impact of inflation, and lower yields from alternative investments and mortgage loans in Chile, partially offset by higher investment yields on fixed income securities in Chile and Brazil.

Underwriting, Actuarial Assumption Review and Other Insurance Adjustments. Unfavorable claims experience, primarily due to increased claims severity and frequency in Mexico, Chile and Brazil, decreased operating earnings by \$32 million. The impact of the 2013 annual assumption review resulted in an operating earnings decrease of \$7 million. In addition to our annual updates, other refinements to DAC and other adjustments recorded in both 2014 and 2013 resulted in a \$13 million decrease in operating earnings.

Expenses and Taxes. Tax-related adjustments in both 2014 and 2013 increased operating earnings by \$45 million, excluding the aforementioned tax reform. These tax-related adjustments include 2014 tax benefits related to the devaluation of the peso in Argentina, inflation in Argentina and Chile, and a 2013 tax rate change in Mexico. These increases were partially offset by higher expenses, primarily generated by employee- and information technology-related costs across several countries, which decreased operating earnings by \$23 million.

Table of Contents

## Asia

Business Overview. Sales decreased slightly compared to 2014 due to lower group sales in Australia. This was partially offset by growth in our ordinary life and accident & health businesses in Japan.

|   | Years Ended December 31, |         |         |
|---|--------------------------|---------|---------|
|   | 2015                     | 2014    | 2013    |
|   | (In millions)            |         |         |
| Operating revenues  |                          |         |         |
| Premiums  | \$6,937                  | \$7,566 | \$7,801 |
| Universal life and investment-type product policy fees      | 1,542                    | 1,693   | 1,722   |
| Net investment income                                       | 2,675                    | 2,886   | 2,943   |
| Other revenues  | 105                      | 106     | 92      |
| Total operating revenues                                    | 11,259                   | 12,251  | 12,558  |
| Operating expenses  |                          |         |         |
| Policyholder benefits and claims and policyholder dividends | 5,275                    | 5,724   | 5,755   |
| Interest credited to policyholder account balances          | 1,309                    | 1,544   | 1,690   |
| Capitalization of DAC                                       | (1,720)                  | (1,914) | (2,143) |
| Amortization of DAC and VOBA                                | 1,256                    | 1,397   | 1,542   |
| Amortization of negative VOBA                               | (309)                    | (364)   | (427)   |
| Other expenses  | 3,611                    | 3,975   | 4,317   |
| Total operating expenses                                    | 9,422                    | 10,362  | 10,734  |
| Provision for income tax expense (benefit)                  | 457                      | 582     | 565     |
| Operating earnings  | \$1,380                  | \$1,307 | \$1,259 |

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

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

Foreign Currency. The impact of changes in foreign currency exchange rates reduced operating earnings by \$126 million for 2015 compared to 2014 as a result of the weakening of the yen against the U.S. dollar. This resulted in significant variances in the financial statement line items.

Business Growth. Asia's premiums, fees and other revenues increased over the prior year driven by broad based in-force growth across the region, including growth in our ordinary life and accident & health businesses in Japan and Korea, as well as our group insurance business in Australia. Changes in premiums for these businesses were partially offset by related changes in policyholder benefits. During the period, surrenders of foreign currency-denominated fixed annuity products in Japan also contributed to higher fee income. The impact of these surrenders, partially offset by positive net flows in Korea, Bangladesh and India, resulted in lower average invested assets and a decrease in net investment income. In addition, a decrease in interest credited expenses was partially offset by increases in amortization of DAC and VOBA, commissions and variable expenses (net of DAC capitalization), primarily related to the establishment of an agency channel in Hong Kong. The combined impact of the items discussed above improved operating earnings by \$61 million.

Market Factors. Investment returns were positively impacted by higher net investment income resulting from the recovery of a previously impaired mortgage loan in Japan, improved operating results from our China joint venture and higher interest rates on fixed maturity securities in Bangladesh. These improved investment returns were partially offset by the impact of lower interest rates on fixed maturity securities in Korea and the impact in Japan of continued growth of lower yielding Japanese government securities. The decrease in returns from Japanese government securities was offset by the favorable impact of increased foreign currency-denominated fixed annuities in Japan driving an increase in higher yielding foreign currency-denominated fixed maturity securities. Higher investment yields, combined with the impact of foreign currency hedges, increased operating earnings by \$38 million.

Underwriting and Actuarial Assumption Review. Favorable claims experience, primarily in Japan resulted in a \$15 million increase in operating earnings. In addition, on an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. This annual update resulted in a net operating earnings increase of \$22 million.





Table of Contents

Expenses and Taxes. Higher expenses, primarily driven by costs associated with corporate initiatives and projects, reduced operating earnings by \$32 million. Our 2015 results include one-time tax benefits of \$61 million related to a change in tax rates, \$12 million for the settlement of an audit and \$15 million related to the U.S. taxation of dividends, each related to Japan. In addition, in 2015, Korea received a tax refund of \$6 million related to unclaimed surrender value. Our 2014 results include one-time tax benefits of \$9 million related to the U.S. taxation of dividends and \$4 million resulting from a tax rate change, each related to Japan.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

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

Foreign Currency. The impact of changes in foreign currency exchange rates reduced operating earnings by \$52 million for 2014 as compared with 2013 and resulted in significant variances in the financial statement line items. For example, while premiums, fees and other revenues decreased 3% on a reported basis, they increased 3% on a constant currency basis.

Business Growth. Asia's premiums, fees and other revenues increased over 2013 primarily driven by broad based in-force growth across the region, including in our ordinary life business in Japan and our group insurance business in Australia. Positive net flows in Korea and Japan, combined with growth in our life business in India and Bangladesh, resulted in higher average invested assets and generated an increase in net investment income. Changes in premiums for these businesses were offset by related changes in policyholder benefits. The combined impact of the items discussed above improved operating earnings by \$90 million.

Market Factors. Investment returns were negatively affected by the adverse impact of the sustained low interest rate environment on mortgage loans and an increase in lower yielding Japanese government securities, combined with lower returns on our other limited partnership interests and decreased prepayment fee income. These declines in yields were partially offset by the favorable impact of increased sales of foreign currency-denominated fixed annuities resulting in an increase in higher yielding foreign currency-denominated fixed maturity securities in Japan. Declines in yields, combined with the impact of foreign currency hedges, resulted in a \$46 million decrease in operating earnings.

Underwriting and Other Insurance Adjustments. Our 2013 results include a strengthening of group and permanent disability claim reserves of \$57 million, net of reinsurance, in Australia. In addition, refinements to DAC and certain insurance-related liabilities that were recorded in 2014 and 2013 resulted in a \$14 million increase in operating earnings. Our 2014 results for Korea decreased \$5 million as a result of unfavorable claims experience, primarily in our life business, and regulatory changes.

Taxes. Our 2014 results include a \$9 million tax benefit related to U.S. taxation of dividends from Japan and a \$4 million tax benefit resulting from a tax rate change in Japan. Our 2013 results include a \$17 million tax benefit in Japan related to the estimated reversal of temporary differences and a one-time tax benefit of \$10 million related to the disposal of our interest in a Korean asset management company at the beginning of 2013.

Table of Contents

## EMEA

Business Overview. Sales have increased slightly as 2015 sales growth in Turkey, Italy and Poland was offset by strong 2014 sales in the Gulf.

|   | Years Ended December 31, |         |         |
|---|--------------------------|---------|---------|
|   | 2015                     | 2014    | 2013    |
|   | (In millions)            |         |         |
| Operating revenues  |                          |         |         |
| Premiums  | \$2,036                  | \$2,309 | \$2,297 |
| Universal life and investment-type product policy fees      | 424                      | 466     | 386     |
| Net investment income                                       | 326                      | 428     | 425     |
| Other revenues  | 61                       | 60      | 97      |
| Total operating revenues                                    | 2,847                    | 3,263   | 3,205   |
| Operating expenses  |                          |         |         |
| Policyholder benefits and claims and policyholder dividends | 988                      | 1,053   | 1,039   |
| Interest credited to policyholder account balances          | 120                      | 148     | 147     |
| Capitalization of DAC                                       | (472)                    | (680)   | (714)   |
| Amortization of DAC and VOBA                                | 497                      | 613     | 683     |
| Amortization of negative VOBA                               | (16)                     | (31)    | (95)    |
| Interest expense on debt                                    | —                        | —       | 1       |
| Other expenses  | 1,469                    | 1,846   | 1,812   |
| Total operating expenses                                    | 2,586                    | 2,949   | 2,873   |
| Provision for income tax expense (benefit)                  | 21                       | 29      | 51      |
| Operating earnings  | \$240                    | \$285   | \$281   |

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

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

Foreign Currency. The impact of changes in foreign currency exchange rates reduced operating earnings by \$66 million for 2015 as compared to 2014, primarily driven by the strengthening of the U.S. dollar against the euro, Russian ruble and Polish zloty.

Business Growth. Operating earnings benefited from growth in the Middle East, primarily in the Gulf and Turkey, as well as growth in the U.K., increasing operating earnings by \$30 million.

Actuarial Assumption Review. On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. These annual updates, which occurred in both 2015 and 2014, resulted in a net operating earnings decrease of \$4 million. In addition, operating earnings increased by \$5 million due to a 2014 refinement of DAC in the U.K.

Taxes and Other. The Company had a number of one-time items in both 2015 and 2014, including tax benefits, the conversion of certain of our subsidiaries to calendar year reporting, as well as re-branding and legal expenses. The combined impact of these items decreased operating earnings by \$3 million. In addition, our 2014 results included a \$7 million one-time benefit related to pension reform in Poland.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

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

Foreign Currency. The impact of changes in foreign currency exchange rates reduced operating earnings by \$18 million for 2014 as compared to 2013.

Table of Contents

**Business Growth.** An increase in sales over 2013, primarily in the Middle East and central, eastern and southern Europe, was partially offset by the impact of regulatory changes in the U.K. Net investment income increased, driven by an increase in average invested assets from business growth in Egypt, the Persian Gulf and Russia, in addition to a slight increase in yields from the lengthening of the Ireland and Greece shorter-term portfolios into higher yielding longer duration fixed maturity securities. This was partially offset by the impact of changes in allocated equity. Our 2014 results also included certain legal and re-branding expenses, as well as higher corporate overhead expenses, while operating earnings benefited as a result of a review of certain tax liabilities. The combined impact of the items discussed above decreased operating earnings by \$16 million.

**Actuarial Assumption Review and Other Insurance Adjustments.** The combined impact of the 2014 and 2013 annual assumption updates resulted in a net operating earnings increase of \$6 million for 2014 as compared to 2013. The amortization, or release, of negative VOBA associated with the conversion of certain policies generally results in an increase in operating earnings. In 2014, the number of policies converted declined and so, relative to 2013, this reduced operating earnings by \$11 million. A refinement in DAC in the U.K. resulted in a \$5 million decrease to operating earnings and liability refinements in 2013 in Greece decreased operating earnings by \$4 million.

**Taxes and Other.** Our 2013 results were negatively impacted as a result of a \$30 million tax charge related to the write-off of a U.K. tax loss carryforward and by a \$26 million write-down of DAC and VOBA related to pension reform in Poland. The Company received tax benefits in both years following its decision to permanently reinvest certain foreign earnings outside of the U.S., however, since the 2013 benefit was larger, operating earnings decreased by \$18 million. In addition, our 2013 results benefited by \$4 million due to a change in the local corporate tax rate in Greece. In 2014, we converted to calendar year reporting for certain of our subsidiaries, which resulted in a \$17 million increase to operating earnings.

## Corporate &amp; Other

|   | Years Ended December 31, |          |          |
|---|--------------------------|----------|----------|
|   | 2015                     | 2014     | 2013     |
|   | (In millions)            |          |          |
| Operating revenues  |                          |          |          |
| Premiums  | \$79                     | \$81     | \$70     |
| Universal life and investment-type product policy fees      | 99                       | 127      | 139      |
| Net investment income                                       | 319                      | 509      | 746      |
| Other revenues  | 86                       | 67       | 28       |
| Total operating revenues                                    | 583                      | 784      | 983      |
| Operating expenses  |                          |          |          |
| Policyholder benefits and claims and policyholder dividends | 65                       | 61       | 30       |
| Interest credited to policyholder account balances          | 23                       | 34       | 42       |
| Capitalization of DAC                                       | (1                       | ) —      | —        |
| Interest expense on debt                                    | 1,198                    | 1,167    | 1,148    |
| Other expenses  | 990                      | 849      | 784      |
| Total operating expenses                                    | 2,275                    | 2,111    | 2,004    |
| Provision for income tax expense (benefit)                  | (353                     | ) (697   | ) (609   |
| Operating earnings  | (1,339                   | ) (630   | ) (412   |
| Less: Preferred stock dividends                             | 116                      | 122      | 122      |
| Operating earnings available to common shareholders         | \$(1,455                 | ) \$(752 | ) \$(534 |

Table of Contents

The table below presents operating earnings available to common shareholders by source net of income tax:

|   | Years Ended December 31, |           |           |
|---|--------------------------|-----------|-----------|
|   | 2015                     | 2014      | 2013      |
|   | (In millions)            |           |           |
| Other business activities                           | \$39                     | \$80      | \$102     |
| Other net investment income                         | 215                      | 337       | 485       |
| Interest expense on debt                            | (779)                    | ) (759)   | ) (747)   |
| Preferred stock dividends                           | (116)                    | ) (122)   | ) (122)   |
| Acquisition costs                                   | —                        | (5)       | ) (18)    |
| Corporate initiatives and projects                  | (194)                    | ) (183)   | ) (134)   |
| Incremental tax benefit (expense)                   | (239)                    | ) 232     | 251       |
| Other   | (381)                    | ) (332)   | ) (351)   |
| Operating earnings available to common shareholders | \$(1,455)                | ) \$(752) | ) \$(534) |

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

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

**Other Business Activities.** Operating earnings from other business activities decreased \$41 million. This was primarily due to lower operating earnings from start-up operations and from the assumed reinsurance from our former operating joint venture in Japan, reflecting lower fund returns, a reduction in in-force due to surrenders and unfavorable foreign currency impacts.

**Other Net Investment Income.** A \$122 million decrease in other net investment income was driven by an increase in the amount credited to the segments due to growth in the economic capital managed by Corporate & Other on their behalf. This decrease was also impacted by the sustained low interest rate environment, which drove lower investment yields on fixed maturity securities and mortgage loans, as well as lower returns on alternative investments. This was partially offset by increased income from higher average invested assets and improved returns on real estate investments.

**Interest Expense on Debt.** Interest expense on debt increased by \$20 million, mainly due to the issuance of \$1.5 billion of senior notes in March 2015 and \$1.25 billion of senior notes in November 2015.

**Corporate Initiatives and Projects.** Expenses associated with corporate initiatives and projects increased by \$11 million, primarily due to increased costs associated with enterprise-wide initiatives taken by the Company.

**Incremental Tax Benefit (Expense).** Corporate & Other benefits from the impact of certain permanent tax differences, including non-taxable investment income and tax credits for investments in low income housing. As a result, our effective tax rate differs from the U.S. statutory rate of 35%. Our 2015 results include the aforementioned tax charge of \$557 million, which was recorded under accounting guidance for the recognition of tax uncertainties. Our 2014 results include an \$18 million tax charge related to a portion of the settlement of a licensing matter that was not deductible for income tax purposes. In addition, in 2015, we had higher utilization of tax preferenced investments, a benefit related to the timing of certain tax credits and other tax benefits which increased our operating earnings by \$68 million over 2014.

**Other.** Our 2015 results include the aforementioned charge of \$235 million for interest on uncertain tax positions, as well as a \$20 million charge associated with company use real estate. These increases in expenses were partially offset by a \$21 million one-time tax refund received for a favorable outcome on prior year tax audits and a decrease in employee-related costs of \$28 million from 2014. Our results for 2014 include a \$117 million accrual to increase the litigation reserve related to asbestos and charges totaling \$57 million related to the settlement of a licensing matter with the Department of Financial Services and the District Attorney, New York County. This was partially offset by an \$18 million increase in operating earnings in 2014 resulting from net adjustments to certain reinsurance assets and liabilities.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

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

**Other Business Activities.** Operating earnings from other business activities decreased by \$22 million. Lower operating earnings from the assumed reinsurance from our former operating joint venture in Japan, primarily due to

lower returns in 2014, were partially offset by higher operating earnings from start-up operations.

119

---

Table of Contents

**Other Net Investment Income.** Other net investment income decreased by \$148 million. This decrease was driven by an increase in the amount credited to the segments on economic capital managed by Corporate & Other on their behalf, the adverse impact of the sustained low interest rate environment on yields from our fixed maturity securities and lower returns on real estate investments. These decreases were partially offset by improved returns on other limited partnership interests and higher mark-to-market income on residential mortgage loans carried at fair value.

**Interest Expense on Debt.** Interest expense on debt increased by \$12 million, mainly due to the issuance of \$1.0 billion of senior notes in April 2014 and the recognition of issuance costs related to the early redemption of senior notes in May 2014.

**Acquisition Costs.** Acquisition costs decreased by \$13 million due to lower internal resource costs for associates committed to certain acquisition activities.

**Corporate Initiatives and Projects.** Expenses related to corporate initiatives and projects increased by \$49 million, primarily due to higher relocation costs, severance and consulting expenses. These expenses include a \$16 million decrease in restructuring charges, the majority of which related to severance.

**Incremental Tax Benefit.** The tax benefit in 2014 included a tax benefit of \$16 million related to the timing of certain tax credits. In addition, we incurred a tax charge of \$6 million in 2014 and received a tax benefit of \$10 million in 2013 related to the filing of the Company's U.S. federal tax returns. Our results for 2014 also included an \$18 million tax charge related to a portion of the aforementioned settlement of a licensing matter that was not deductible for income tax purposes.

**Other.** Our results for 2014 include charges totaling \$57 million related to the settlement of a licensing matter with the Department of Financial Services and the District Attorney, New York County. In addition, we increased our litigation reserves related to asbestos more in 2014 than in 2013 resulting in a \$16 million decline in operating earnings. This was partially offset by a \$53 million decline in expenses which included decreases in interest on uncertain tax positions, lower corporate overhead expenses and an adjustment on certain reinsurance assets and liabilities. In addition, declines in employee-related costs and lower software amortization totaling \$15 million, improved operating earnings.

**Effects of Inflation**

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

An increase in inflation could affect our business in several ways. During inflationary periods, the value of fixed income investments falls which could increase realized and unrealized losses. Inflation also increases expenses for labor and other materials, potentially putting pressure on profitability if such costs cannot be passed through in our product prices. Inflation could also lead to increased costs for losses and loss adjustment expenses in certain of our businesses, which could require us to adjust our pricing to reflect our expectations for future inflation. Prolonged and elevated inflation could adversely affect the financial markets and the economy generally, and dispelling it may require governments to pursue a restrictive fiscal and monetary policy, which could constrain overall economic activity, inhibit revenue growth and reduce the number of attractive investment opportunities.

Table of Contents

## Investments

## Investment Risks

Our primary investment objective is to optimize, net of income tax, risk-adjusted investment income and risk-adjusted total return while ensuring that assets and liabilities are managed on a cash flow and duration basis. The Investments Department, led by the Chief Investment Officer, manages investment risks using a risk control framework comprised of policies, procedures and limits, as discussed further below. The Investments Risk Committee, chaired by GRM, reviews and monitors investment risk limits and tolerances. We are exposed to the following primary sources of investment risks:

- credit risk, relating to the uncertainty associated with the continued ability of a given obligor to make timely payments of principal and interest;

- interest rate risk, relating to the market price and cash flow variability associated with changes in market interest rates.

- Changes in market interest rates will impact the net unrealized gain or loss position of our fixed income investment portfolio and the rates of return we receive on both new funds invested and reinvestment of existing funds;

- liquidity risk, relating to the diminished ability to sell certain investments, in times of strained market conditions;

- market valuation risk, relating to the variability in the estimated fair value of investments associated with changes in market factors such as credit spreads. A widening of credit spreads will adversely impact the net unrealized gain (loss) position of the fixed income investment portfolio, will increase losses associated with credit-based non-qualifying derivatives where we assume credit exposure, and, if credit spreads widen significantly or for an extended period of time, will likely result in higher OTTI. Credit spread tightening will reduce net investment income associated with purchases of fixed maturity securities and will favorably impact the net unrealized gain (loss) position of the fixed income investment portfolio;

- currency risk, relating to the variability in currency exchange rates for foreign denominated investments. This risk relates to potential decreases in estimated fair value and net investment income resulting from changes in currency exchange rates versus the U.S. dollar. In general, the weakening of foreign currencies versus the U.S. dollar will adversely affect the estimated fair value of our foreign denominated investments; and

- real estate risk, relating to commercial, agricultural and residential real estate, and stemming from factors, which include, but are not limited to, market conditions, including the demand and supply of leasable commercial space, creditworthiness of tenants and partners, capital markets volatility and the inherent interest rate movement.

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

We use purchased credit default swaps to mitigate credit risk in our investment portfolio. Generally, we purchase credit protection by entering into credit default swaps referencing the issuers of specific assets we own. In certain cases, basis risk exists between these credit default swaps and the specific assets we own. For example, we may purchase credit protection on a macro basis to reduce exposure to specific industries or other portfolio concentrations. In such instances, the referenced entities and obligations under the credit default swaps may not be identical to the

individual obligors or securities in our investment portfolio. In addition, our purchased credit default swaps may have shorter tenors than the underlying investments they are hedging. However, we dynamically hedge this risk through the rebalancing and rollover of our credit default swaps at their most liquid tenors. We believe that our purchased credit default swaps serve as effective economic hedges of our credit exposure.

121

---



Table of Contents

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

**Current Environment**

The global economy and markets continue to be affected by stress and volatility, which has adversely affected the financial services sector, in particular, and global capital markets. Recently, weakness in the energy and metals and mining sectors and political and/or economic instability of countries and regions outside the EU, including China, Ukraine, Russia, Argentina, Brazil, Japan, the Middle East and Puerto Rico, as well as Europe's perimeter region and Cyprus, have contributed to global market volatility. As a global insurance company, we are affected by the monetary policy of central banks around the world. See “— Industry Trends — Financial and Economic Environment” for information on actions taken by the ECB and Bank of Japan in recent years to support economic recovery. See also “— Industry Trends — Impact of a Sustained Low Interest Rate Environment” for information regarding the December 2015 action taken by the FOMC to raise the federal funds rate and its January 2016 determination to maintain it. The Federal Reserve may take further actions to influence interest rates in the future, which may have an impact on the pricing levels of risk-bearing investments and may adversely impact the level of product sales.

**European Region Investments**

Excluding Europe's perimeter region and Cyprus which are discussed below, our holdings of sovereign debt, corporate debt and perpetual hybrid securities in certain EU member states and other countries in the region that are not members of the EU (collectively, the “European Region”) were concentrated in the U.K., Germany, France, the Netherlands, Poland, Norway and Sweden. The sovereign debt of these countries continues to maintain investment grade credit ratings from all major rating agencies. We maintain general account investments in the European Region to support our insurance operations and related policyholder liabilities in these countries and certain of our non-European Region operations invest in the region for diversification. In the European Region, we have proactively mitigated risk in both direct and indirect exposures by investing in a diversified portfolio of high quality investments with a focus on the higher-rated countries. Sovereign debt issued by countries outside of Europe's perimeter region and Cyprus comprised \$6.8 billion, or 98%, of our European Region sovereign fixed maturity securities, at estimated fair value, at December 31, 2015. The European Region corporate securities (fixed maturity and perpetual hybrid securities classified as non-redeemable preferred stock) are invested in a diversified portfolio of primarily non-financial services securities, which comprised \$20.8 billion, or 70%, of European Region total corporate securities, at estimated fair value, at December 31, 2015. Of these European Region sovereign fixed maturity and corporate securities, 92% were investment grade and, for the 8% that were below investment grade, the majority were non-financial services corporate securities at December 31, 2015. European Region financial services corporate securities, at estimated fair value, were \$9.0 billion (including \$6.4 billion within the banking sector) with 95% invested in investment grade rated corporate securities, at December 31, 2015.

**Selected Country and Sector Investments**

In recent years, elevated levels of market volatility have affected the performance of various asset classes. Contributing factors include concerns about global economic conditions and capital markets; lower oil prices impacting the energy sector; lower commodity prices impacting the metals and mining sector; country specific volatility due to local economic and/or political concerns, including concerns over the solvency of the EU member states included in Europe's perimeter region and Cyprus, their banking systems and the financial institutions that have significant direct or indirect exposure to debt issued by these countries or their respective banking systems. While economic conditions in certain of these countries, including Europe's perimeter region, seem to be stabilizing or improving, greater ECB and International Monetary Fund support, stronger liquidity facilities and gradually improving macroeconomic conditions at the country level have reduced the risk of default on sovereign debt and/or

the risk of possible withdrawal of such countries from the Euro zone. See “— Industry Trends — Financial and Economic Environment.”

122

---

Table of Contents

The following table presents, by country, a summary of fixed maturity securities in selected countries. We maintain general account investments in the selected countries to support our insurance operations and related policyholder liabilities in these countries or we have exposure through our global portfolio diversification. The Company has written credit default swaps where the underlying is an index comprised of companies across various sectors in the European Region. At December 31, 2015, the written credit default swaps exposure to Europe's perimeter region and Cyprus was \$209 million in notional amount and \$2 million in estimated fair value. The information below is presented on a country of risk basis (e.g. the country where the issuer primarily conducts business).

## Selected Country Fixed Maturity Securities at December 31, 2015

|                                 | Sovereign     | Financial Services | Non-Financial Services | Total (1) |   |
|---------------------------------|---------------|--------------------|------------------------|-----------|---|
|                                 | (In millions) |                    |                        |           |   |
| Europe's perimeter region:      |               |                    |                        |           |   |
| Spain                           | \$55          | \$225              | \$467                  | \$747     |   |
| Italy                           | 52            | 177                | 431                    | 660       |   |
| Ireland                         | 6             | 27                 | 85                     | 118       |   |
| Greece                          | —             | 2                  | —                      | 2         |   |
| Portugal                        | —             | —                  | 1                      | 1         |   |
| Total Europe's perimeter region | 113           | 431                | 984                    | 1,528     |   |
| Brazil                          | 315           | 87                 | 619                    | 1,021     |   |
| Argentina                       | 367           | 1                  | 107                    | 475       |   |
| Russia                          | 345           | 6                  | 31                     | 382       |   |
| Puerto Rico (2)                 | 14            | —                  | 114                    | 128       |   |
| Cyprus                          | 35            | 4                  | —                      | 39        |   |
| Ukraine                         | 2             | —                  | —                      | 2         |   |
| Total                           | \$1,191       | \$529              | \$1,855                | \$3,575   |   |
| Investment grade %              | 45            | % 89               | % 61                   | % 60      | % |

(1) The par value and amortized cost of the fixed maturity securities were \$3.4 billion and \$3.5 billion, respectively, at December 31, 2015.

(2) Our exposure to Puerto Rico sovereigns is in the form of political subdivision fixed maturities and is composed completely of revenue bonds. We have no Puerto Rico general obligation bonds.

There has been an increased focus on energy sector investments and metals and mining sector investments as a result of lower energy, oil and commodity prices. Our net exposure to energy sector fixed maturity securities was \$12.0 billion (comprised of fixed maturity securities of \$11.9 billion at estimated fair value and related net written credit default swaps of \$60 million at notional value), of which 86% were investment grade, with unrealized losses of \$222 million at December 31, 2015. Our net exposure to metals and mining sector fixed maturity securities was \$2.1 billion (comprised of fixed maturity securities of \$2.1 billion at estimated fair value and related net written credit default swaps of \$13 million at notional value), of which 82% were investment grade, with unrealized losses of \$206 million at December 31, 2015.

We manage direct and indirect investment exposure in the selected countries, the energy sector and the metals and mining sector through fundamental credit analysis and we continually monitor and adjust our level of investment exposure. We do not expect that our general account investments in these countries, the energy sector or the metals and mining sector will have a material adverse effect on our results of operations or financial condition.

Table of Contents

## Current Environment Summary

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

## Investment Portfolio Results

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

|  | For the Years Ended December 31, |                            |            |                            |            |                            |
|--|----------------------------------|----------------------------|------------|----------------------------|------------|----------------------------|
|  | 2015                             |                            | 2014       |                            | 2013       |                            |
|  | Yield% (1)                       | Amount<br>(In<br>millions) | Yield% (1) | Amount<br>(In<br>millions) | Yield% (1) | Amount<br>(In<br>millions) |
| Fixed maturity securities (2) (3)                        | 4.63                             | % \$ 14,201                | 4.81       | % \$ 14,946                | 4.84       | % \$ 15,098                |
| Mortgage loans (3)                                       | 4.97                             | % 3,135                    | 5.15       | % 2,928                    | 5.58       | % 3,020                    |
| Real estate and real estate joint ventures               | 4.89                             | % 488                      | 3.67       | % 376                      | 3.44       | % 347                      |
| Policy loans   | 5.23                             | % 603                      | 5.36       | % 629                      | 5.26       | % 620                      |
| Equity securities  | 4.71                             | % 144                      | 4.30       | % 133                      | 4.44       | % 127                      |
| Other limited partnerships                               | 8.45                             | % 669                      | 13.01      | % 1,033                    | 13.35      | % 955                      |
| Cash and short-term investments                          | 1.04                             | % 129                      | 1.07       | % 161                      | 0.98       | % 168                      |
| Other invested assets                                    |                                  | 1,053                      |            | 906                        |            | 819                        |
| Total before investment fees and expenses                | 4.85                             | % 20,422                   | 5.01       | % 21,112                   | 5.03       | % 21,154                   |
| Investment fees and expenses                             | (0.15)                           | ) (633)                    | (0.13)     | ) (556)                    | (0.13)     | ) (563)                    |
| Net investment income including divested businesses (4)  | 4.70                             | % 19,789                   | 4.88       | % 20,556                   | 4.90       | % 20,591                   |
| Less: net investment income from divested businesses (4) |                                  | —                          |            | (72)                       |            | (197)                      |
| Net investment income (5)                                |                                  | \$ 19,789                  |            | \$ 20,484                  |            | \$ 20,394                  |

Yields are calculated as investment income as a percent of average quarterly asset carrying values. Investment income excludes recognized gains and losses and reflects GAAP adjustments presented in footnote (5) below.

Asset carrying values exclude unrealized gains (losses), collateral received in connection with our securities

(1) lending program, freestanding derivative assets, collateral received from derivative counterparties, the effects of consolidating certain variable interest entities (“VIEs”) under GAAP that are treated as consolidated securitization entities (“CSEs”) and contractholder-directed unit-linked investments. A yield is not presented for other invested assets as it is not considered a meaningful measure of performance for this asset class.

(2) Investment income (loss) includes amounts for FVO and trading securities of \$21 million, \$103 million and \$65 million for the years ended December 31, 2015, 2014 and 2013, respectively.

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

Table of Contents

Yield calculations include the net investment income and ending carrying values of the divested businesses. The net investment income adjustment for divested businesses for the years ended December 31, 2014 and 2013 was \$72 million and \$197 million, respectively. Net investment income included in yield calculations include earned income on derivatives and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting (“investment hedge adjustments”).

(4) Investment hedge adjustments are a reclassification adjustment to net investment income presented in the yield table to the most directly comparable GAAP measure as presented below. The investment hedge adjustments presented below exclude cash settlements of \$1 million and \$10 million for the years ended December 31, 2014, and 2013, respectively. There were no net investment income adjustments for divested businesses or excluded scheduled periodic settlement payments on derivatives for the year ended December 31, 2015.

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

|  | Years Ended December 31, |           |           |
|--|--------------------------|-----------|-----------|
|  | 2015                     | 2014      | 2013      |
|  | (In millions)            |           |           |
| Net investment income — in the above yield table                   | \$ 19,789                | \$ 20,484 | \$ 20,394 |
| Real estate discontinued operations                                | —                        | (1        | ) (9      |
| Investment hedge adjustments                                       | (776                     | ) (705    | ) (643    |
| Operating joint venture adjustments                                | (4                       | ) (1      | ) (2      |
| Contractholder-directed unit-linked investments                    | 264                      | 1,266     | 2,172     |
| Divested businesses  | —                        | 72        | 197       |
| Incremental net investment income from CSEs                        | 8                        | 38        | 123       |
| Net investment income — GAAP consolidated statements of operations | \$ 19,281                | \$ 21,153 | \$ 22,232 |

See “— Results of Operations — Consolidated Results — Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014” and “— Results of Operations — Consolidated Results — Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013,” for an analysis of the year over year changes in net investment income.

Table of Contents

## Fixed Maturity and Equity Securities AFS

The following table presents fixed maturity and equity securities AFS by type (public or private) and information about perpetual and redeemable securities held at:

|   | December 31, 2015                     |            | December 31, 2014                     |            |
|---|---------------------------------------|------------|---------------------------------------|------------|
|   | Estimated Fair Value<br>(In millions) | % of Total | Estimated Fair Value<br>(In millions) | % of Total |
| Fixed maturity securities   |                                       |            |                                       |            |
| Publicly-traded   | \$302,400                             | 86.1 %     | \$315,167                             | 86.2 %     |
| Privately-placed  | 49,002                                | 13.9       | 50,258                                | 13.8       |
| Total fixed maturity securities   | \$351,402                             | 100.0 %    | \$365,425                             | 100.0 %    |
| Percentage of cash and invested assets  | 69.1                                  | %          | 70.7                                  | %          |
| Equity securities   |                                       |            |                                       |            |
| Publicly-traded   | \$2,184                               | 65.8 %     | \$2,569                               | 70.8 %     |
| Privately-held  | 1,137                                 | 34.2       | 1,062                                 | 29.2       |
| Total equity securities   | \$3,321                               | 100.0 %    | \$3,631                               | 100.0 %    |
| Percentage of cash and invested assets  | 0.7                                   | %          | 0.7                                   | %          |
| Perpetual securities included within fixed maturity and equity securities AFS                   | \$819                                 |            | \$1,009                               |            |
| Redeemable preferred stock with a stated maturity included within fixed maturity securities AFS | \$1,216                               |            | \$1,265                               |            |

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

Redeemable preferred stock with a stated maturity is included within fixed maturity securities. These securities, which are commonly referred to as “capital securities,” primarily have cumulative interest deferral features and are primarily issued by U.S. financial institutions.

In connection with our investment management business, we manage privately-placed and infrastructure fixed maturity securities on behalf of institutional clients, which are unaffiliated investors. These privately-placed and infrastructure fixed maturity securities had an estimated fair value of \$6.1 billion and \$4.1 billion at December 31, 2015 and 2014, respectively. These assets are not included in our consolidated financial statements.

Also in connection with our investment management business, we manage index investment portfolios that track the return of standard industry fixed income and equity market indices such as the Barclay’s U.S. Aggregate Bond Index and S&P 500® Index. These assets had an estimated fair value of \$26.0 billion and \$27.7 billion at December 31, 2015 and 2014, respectively, and are included within separate account assets in our consolidated financial statements.

Table of Contents

Valuation of Securities. We are responsible for the determination of the estimated fair value of our investments. We determine the estimated fair value of publicly-traded securities after considering one of three primary sources of information: quoted market prices in active markets, independent pricing services, or independent broker quotations. We determine the estimated fair value of privately-placed securities after considering one of three primary sources of information: market standard internal matrix pricing, market standard internal discounted cash flow techniques, or independent pricing services (after we determine the independent pricing services' use of available observable market data). For publicly-traded securities, the number of quotations obtained varies by instrument and depends on the liquidity of the particular instrument. Generally, we obtain prices from multiple pricing services to cover all asset classes and obtain multiple prices for certain securities, but ultimately utilize the price with the highest placement in the fair value hierarchy. Independent pricing services that value these instruments use market standard valuation methodologies based on data about market transactions and inputs from multiple pricing sources that are market observable or can be derived principally from or corroborated by observable market data. See Note 10 of the Notes to the Consolidated Financial Statements for a discussion of the types of market standard valuation methodologies utilized and key assumptions and observable inputs used in applying these standard valuation methodologies. When a price is not available in the active market or through an independent pricing service, management values the security primarily using market standard internal matrix pricing or discounted cash flow techniques, and non-binding quotations from independent brokers who are knowledgeable about these securities. Independent non-binding broker quotations utilize inputs that may be difficult to corroborate with observable market data. As shown in the following section, less than 1% of our fixed maturity securities were valued using non-binding quotations from independent brokers at December 31, 2015.

Senior management, independent of the trading and investing functions, is responsible for the oversight of control systems and valuation policies, including reviewing and approving new transaction types and markets, for ensuring that observable market prices and market-based parameters are used for valuation, wherever possible, and for determining that valuation adjustments, when applied, are based upon established policies and are applied consistently over time. See Note 10 of the Notes to the Consolidated Financial Statements for further information on our valuation controls and procedures including our formal process to challenge any prices received from independent pricing services that are not considered representative of estimated fair value.

We have reviewed the significance and observability of inputs used in the valuation methodologies to determine the appropriate fair value hierarchy level for each of our securities. Based on the results of this review and investment class analysis, each instrument is categorized as Level 1, 2 or 3 based on the lowest level significant input to its valuation. See Note 10 of the Notes to the Consolidated Financial Statements for information regarding the valuation techniques and inputs by level within the three level fair value hierarchy by major classes of invested assets.

## Fair Value of Fixed Maturity and Equity Securities – AFS

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

|  | December 31, 2015                          |      |                                    |      |   |
|--|--|------|------------------------------------|------|---|
|  | Fixed Maturity Securities<br>(In millions) |      | Equity Securities<br>(In millions) |      |   |
| Level 1  |  |      |                                    |      |   |
| Quoted prices in active markets for identical assets       | \$37,660                                   | 10.7 | % \$1,274                          | 38.3 | % |
| Level 2  |  |      |                                    |      |   |
| Independent pricing sources                                | 258,271                                    | 73.5 | 1,470                              | 44.3 |   |
| Internal matrix pricing or discounted cash flow techniques | 34,657                                     | 9.9  | 145                                | 4.4  |   |
| Significant other observable inputs                        | 292,928                                    | 83.4 | 1,615                              | 48.7 |   |
| Level 3  |  |      |                                    |      |   |
| Independent pricing sources                                | 7,122                                      | 2.0  | 308                                | 9.3  |   |
|  | 12,273                                     | 3.5  | 109                                | 3.3  |   |

Internal matrix pricing or discounted cash flow techniques

|                                 |           |       |           |       |   |
|---------------------------------|-----------|-------|-----------|-------|---|
| Independent broker quotations   | 1,419     | 0.4   | 15        | 0.4   |   |
| Significant unobservable inputs | 20,814    | 5.9   | 432       | 13.0  |   |
| Total estimated fair value      | \$351,402 | 100.0 | % \$3,321 | 100.0 | % |

See Note 10 of the Notes to the Consolidated Financial Statements for the fixed maturity securities and equity securities AFS fair value hierarchy.

127

---



Table of Contents

The composition of fair value pricing sources for and significant changes in Level 3 securities at December 31, 2015 are as follows:

The majority of the Level 3 fixed maturity and equity securities AFS were concentrated in four sectors: U.S. and foreign corporate securities, residential mortgage-backed securities (“RMBS”), and asset-backed securities (“ABS”). Level 3 fixed maturity securities are priced principally through market standard valuation methodologies, independent pricing services and, to a much lesser extent, independent non-binding broker quotations using inputs that are not market observable or cannot be derived principally from or corroborated by observable market data. Level 3 fixed maturity securities consist of less liquid securities with very limited trading activity or where less price transparency exists around the inputs to the valuation methodologies. Level 3 fixed maturity securities include: sub-prime RMBS; certain below investment grade private securities and less liquid investment grade corporate securities (included in U.S. and foreign corporate securities); less liquid ABS and foreign government securities.

During the year ended December 31, 2015, Level 3 fixed maturity securities decreased by \$1.3 billion, or 6%. The decrease was driven by net transfers out of Level 3, partially offset by purchases in excess of sales and a decrease in estimated fair value recognized in OCI.

See Note 10 of the Notes to the Consolidated Financial Statements for a rollforward of the fair value measurements for fixed maturity securities and equity securities AFS measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs; transfers into and/or out of Level 3; and further information about the valuation techniques and inputs by level by major classes of invested assets that affect the amounts reported above.

**Fixed Maturity Securities AFS**

See Notes 1 and 8 of the Notes to the Consolidated Financial Statements for information about fixed maturity securities AFS by sector, contractual maturities and continuous gross unrealized losses.

**Fixed Maturity Securities Credit Quality — Ratings**

The Securities Valuation Office of the NAIC evaluates the fixed maturity security investments of insurers for regulatory reporting and capital assessment purposes and assigns securities to one of six credit quality categories called “NAIC designations.” If no designation is available from the NAIC, then, as permitted by the NAIC, an internally developed designation is used. The NAIC designations are generally similar to the credit quality ratings of the NRSRO for fixed maturity securities, except for certain structured securities as described below. Rating agency ratings are based on availability of applicable ratings from rating agencies on the NAIC credit rating provider list, including Moody’s, S&P, Fitch, Dominion Bond Rating Service, A.M. Best, Kroll Bond Rating Agency, Egan Jones Ratings Company and Morningstar, Inc. (“Morningstar”). If no rating is available from a rating agency, then an internally developed rating is used.

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

Table of Contents

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

| NAIC Designation | NRSRO Rating                    | December 31, 2015 |                        |                      |            | 2014           |                        |                      |            |
|------------------|---------------------------------|-------------------|------------------------|----------------------|------------|----------------|------------------------|----------------------|------------|
|                  |                                 | Amortized Cost    | Unrealized Gain (Loss) | Estimated Fair Value | % of Total | Amortized Cost | Unrealized Gain (Loss) | Estimated Fair Value | % of Total |
|                  |                                 |                   | (In millions)          |                      |            |                | (In millions)          |                      |            |
| 1                | Aaa/Aa/A                        | \$234,176         | \$16,627               | \$250,803            | 71.4 %     | \$233,246      | \$23,837               | \$257,083            | 70.4 %     |
| 2                | Baa                             | 77,313            | 2,210                  | 79,523               | 22.6       | 76,754         | 6,654                  | 83,408               | 22.8       |
|                  | Subtotal investment grade       | 311,489           | 18,837                 | 330,326              | 94.0       | 310,000        | 30,491                 | 340,491              | 93.2       |
| 3                | Ba                              | 15,314            | (172 )                 | 15,142               | 4.3        | 14,967         | 178                    | 15,145               | 4.1        |
| 4                | B                               | 5,083             | (244 )                 | 4,839                | 1.4        | 8,481          | (96 )                  | 8,385                | 2.3        |
| 5                | Caa and lower                   | 1,036             | 5                      | 1,041                | 0.3        | 1,296          | 44                     | 1,340                | 0.4        |
| 6                | In or near default              | 42                | 12                     | 54                   | —          | 36             | 28                     | 64                   | —          |
|                  | Subtotal below investment grade | 21,475            | (399 )                 | 21,076               | 6.0        | 24,780         | 154                    | 24,934               | 6.8        |
|                  | Total fixed maturity securities | \$332,964         | \$18,438               | \$351,402            | 100.0 %    | \$334,780      | \$30,645               | \$365,425            | 100.0 %    |

Table of Contents

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

| NAIC Designation:                  | Fixed Maturity Securities — by Sector & Credit Quality Rating |          |          |         |                  |                       | Total<br>Estimated<br>Fair Value |
|------------------------------------|---|----------|----------|---------|------------------|-----------------------|----------------------------------|
|                                    | 1   | 2        | 3        | 4       | 5                | 6                     |                                  |
| NRSRO Rating:                      | Aaa/Aa/A  | Baa      | Ba       | B       | Caa and<br>Lower | In or Near<br>Default |                                  |
| (In millions)                      |   |          |          |         |                  |                       |                                  |
| December 31, 2015                  |   |          |          |         |                  |                       |                                  |
| U.S. corporate                     | \$43,448  | \$44,158 | \$9,163  | \$3,532 | \$493            | \$—                   | \$100,794                        |
| U.S. Treasury and agency           | 61,646  | —        | —        | —       | —                | —                     | 61,646                           |
| Foreign corporate                  | 23,368  | 29,362   | 3,621    | 732     | 114              | 1                     | 57,198                           |
| Foreign government                 | 43,911  | 4,098    | 1,730    | 395     | 326              | 39                    | 50,499                           |
| RMBS                               | 37,394  | 560      | 579      | 177     | 78               | 9                     | 38,797                           |
| State and political<br>subdivision | 14,818  | 599      | 10       | —       | 14               | —                     | 15,441                           |
| ABS                                | 13,646  | 702      | 24       | 3       | 14               | 5                     | 14,394                           |
| CMBS                               | 12,572  | 44       | 15       | —       | 2                | —                     | 12,633                           |
| Total fixed maturity<br>securities | \$250,803   | \$79,523 | \$15,142 | \$4,839 | \$1,041          | \$54                  | \$351,402                        |
| Percentage of total                | 71.4  | % 22.6   | % 4.3    | % 1.4   | % 0.3            | % —                   | % 100.0                          |
| December 31, 2014                  |   |          |          |         |                  |                       |                                  |
| U.S. corporate                     | \$46,043  | \$44,174 | \$9,627  | \$5,602 | \$497            | \$11                  | \$105,954                        |
| U.S. Treasury and agency           | 61,516  | —        | —        | —       | —                | —                     | 61,516                           |
| Foreign corporate                  | 25,368  | 31,084   | 3,775    | 1,358   | 89               | 1                     | 61,675                           |
| Foreign government                 | 44,837  | 5,763    | 744      | 863     | 418              | 41                    | 52,666                           |
| RMBS                               | 37,156  | 1,049    | 766      | 551     | 318              | 6                     | 39,846                           |
| State and political<br>subdivision | 14,656  | 501      | 30       | —       | —                | —                     | 15,187                           |
| ABS                                | 13,383  | 807      | 37       | 2       | 15               | 5                     | 14,249                           |
| CMBS                               | 14,124  | 30       | 166      | 9       | 3                | —                     | 14,332                           |
| Total fixed maturity<br>securities | \$257,083   | \$83,408 | \$15,145 | \$8,385 | \$1,340          | \$64                  | \$365,425                        |
| Percentage of total                | 70.4  | % 22.8   | % 4.1    | % 2.3   | % 0.4            | % —                   | % 100.0                          |

Table of Contents

## U.S. and Foreign Corporate Fixed Maturity Securities

We maintain a diversified portfolio of corporate fixed maturity securities across industries and issuers. This portfolio does not have any exposure to any single issuer in excess of 1% of total investments and the top ten holdings comprise 2% of total investments at both December 31, 2015 and 2014. The tables below present our U.S. and foreign corporate securities holdings at:

|   | December 31,<br>2015                           |               | 2014   |               |   |
|---|--|---------------|--|---------------|---|
|   | Estimated<br>Fair<br>Value<br>(In<br>millions) | % of<br>Total | Estimated<br>Fair<br>Value<br>(In<br>millions) | % of<br>Total |   |
| Corporate fixed maturity securities — by sector:        |  |               |  |               |   |
| Foreign corporate (1)                                   | \$57,198                                       | 36.2          | % \$61,675                                     | 36.8          | % |
| U.S. corporate fixed maturity securities — by industry: |  |               |  |               |   |
| Consumer  | 27,715   | 17.5          | 27,808   | 16.6          |   |
| Industrial  | 25,861   | 16.4          | 27,221   | 16.2          |   |
| Utility   | 18,591   | 11.8          | 20,029   | 12.0          |   |
| Finance   | 18,239   | 11.5          | 18,688   | 11.1          |   |
| Communications  | 6,802  | 4.3           | 8,071  | 4.8           |   |
| Other   | 3,586  | 2.3           | 4,137  | 2.5           |   |
| Total   | \$157,992                                      | 100.0         | % \$167,629                                    | 100.0         | % |

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

## Structured Securities

We held \$65.8 billion and \$68.4 billion of structured securities, at estimated fair value, at December 31, 2015 and 2014, respectively, as presented in the RMBS, ABS and CMBS sections below.

Table of Contents

## RMBS

The table below presents our RMBS holdings at:

|                                     | December 31,<br>2015                           |               |  | 2014  |               |  |  |
|-------------------------------------|--|---------------|--|---|---------------|--|--|
|                                     | Estimated<br>Fair<br>Value<br>(In<br>millions) | % of<br>Total | Net<br>Unrealized<br>Gains (Losses)<br>(In millions) | Estimated<br>Fair<br>Value<br>(In millions) | % of<br>Total | Net<br>Unrealized<br>Gains (Losses)<br>(In millions) |  |
| By security type:                   |  |               |  |   |               |  |  |
| Collateralized mortgage obligations | \$20,604                                       | 53.1          | % \$ 578   | \$20,269                                    | 50.9          | % \$ 1,083   |  |
| Pass-through securities             | 18,193   | 46.9          | 305  | 19,577                                      | 49.1          | 699  |  |
| Total RMBS                          | \$38,797                                       | 100.0         | % \$ 883   | \$39,846                                    | 100.0         | % \$ 1,782   |  |
| By risk profile:                    |  |               |  |   |               |  |  |
| Agency                              | \$26,214                                       | 67.6          | % \$ 763   | \$26,818                                    | 67.3          | % \$ 1,469   |  |
| Prime                               | 1,960  | 5.1           | 41   | 2,648                                       | 6.6           | 68   |  |
| Alt-A                               | 5,990  | 15.4          | (18  | ) 5,540                                     | 13.9          | 85   |  |
| Sub-prime                           | 4,633  | 11.9          | 97   | 4,840                                       | 12.2          | 160  |  |
| Total RMBS                          | \$38,797                                       | 100.0         | % \$ 883   | \$39,846                                    | 100.0         | % \$ 1,782   |  |
| Ratings profile:                    |  |               |  |   |               |  |  |
| Rated Aaa/AAA                       | \$26,809                                       | 69.1          | %  | \$27,362                                    | 68.7          | %  |  |
| Designated NAIC 1                   | \$37,394                                       | 96.4          | %  | \$37,156                                    | 93.2          | %  |  |

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

The majority of our RMBS holdings were rated Aaa/AAA by Moody's, S&P or Fitch; and were designated NAIC 1 by the NAIC at December 31, 2015 and 2014. Agency RMBS were guaranteed or otherwise supported by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Government National Mortgage Association. Non-agency RMBS include prime, alternative residential mortgage loans ("Alt-A") and sub-prime RMBS. Prime residential mortgage lending includes the origination of residential mortgage loans to the most creditworthy borrowers with high quality credit profiles. Alt-A is a classification of mortgage loans where the risk profile of the borrower falls between prime and sub-prime. Sub-prime mortgage lending is the origination of residential mortgage loans to borrowers with weak credit profiles.

Included within prime and Alt-A RMBS are re-securitization of real estate mortgage investment conduit ("Re-REMIC") securities. Re-REMIC RMBS involve the pooling of previous issues of prime and Alt-A RMBS and restructuring the combined pools to create new senior and subordinated securities. The credit enhancement on the senior tranches is improved through the re-securitization.

Historically, we have managed our exposure to sub-prime RMBS holdings by: acquiring older vintage year securities that benefit from better underwriting, improved credit enhancement and higher levels of residential property price appreciation; reducing our overall exposure; stress testing the portfolio with severe loss assumptions; and closely monitoring the performance of the portfolio. Since 2012, we have increased our exposure by purchasing sub-prime RMBS at significant discounts to the expected principal recovery value of these securities. The estimated fair value of our sub-prime RMBS holdings purchased since 2012 was \$4.0 billion and \$3.9 billion at December 31, 2015 and 2014, respectively, with unrealized gains (losses) of \$74 million and \$130 million at December 31, 2015 and 2014, respectively.



Table of Contents

## ABS

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

|                            | December 31,<br>2015                           |               | Net<br>Unrealized<br>Gains (Losses) | 2014  |               | Net<br>Unrealized<br>Gains (Losses) |
|----------------------------|--|---------------|-------------------------------------|---|---------------|-------------------------------------|
|                            | Estimated<br>Fair<br>Value<br>(In<br>millions) | % of<br>Total | (In millions)                       | Estimated<br>Fair<br>Value<br>(In millions) | % of<br>Total | (In millions)                       |
| By collateral type:        |  |               |                                     |   |               |                                     |
| Collateralized obligations | \$7,698  | 53.5          | % \$ (144 )                         | \$5,262                                     | 36.9          | % \$ (46 )                          |
| Foreign residential loans  | 1,365  | 9.5           | 32                                  | 2,146                                       | 15.1          | 63                                  |
| Student loans              | 1,284  | 8.9           | (30 )                               | 1,997                                       | 14.0          | 42                                  |
| Automobile loans           | 1,153  | 8.0           | —                                   | 1,625                                       | 11.4          | 10                                  |
| Credit card loans          | 831  | 5.8           | 27                                  | 1,195                                       | 8.4           | 44                                  |
| Other loans                | 2,063  | 14.3          | 11                                  | 2,024                                       | 14.2          | 15                                  |
| Total                      | \$14,394                                       | 100.0         | % \$ (104 )                         | \$14,249                                    | 100.0         | % \$ 128                            |
| Ratings profile:           |  |               |                                     |   |               |                                     |
| Rated Aaa/AAA              | \$7,510  | 52.2          | %                                   | \$7,950                                     | 55.8          | %                                   |
| Designated NAIC 1          | \$13,646                                       | 94.8          | %                                   | \$13,383                                    | 93.9          | %                                   |

## CMBS

Our CMBS holdings are diversified by vintage year. The following tables present our CMBS holdings by rating agency rating and by vintage year at:

December 31, 2015

|                         | Aaa               |                            | Aa                |                            | A                 |                            | Baa               |                            | Below<br>Investment<br>Grade |                            | Total             |                            |
|-------------------------|-------------------|----------------------------|-------------------|----------------------------|-------------------|----------------------------|-------------------|----------------------------|------------------------------|----------------------------|-------------------|----------------------------|
|                         | Amortized<br>Cost | Estimated<br>Fair<br>Value | Amortized<br>Cost | Estimated<br>Fair<br>Value | Amortized<br>Cost | Estimated<br>Fair<br>Value | Amortized<br>Cost | Estimated<br>Fair<br>Value | Amortized<br>Cost            | Estimated<br>Fair<br>Value | Amortized<br>Cost | Estimated<br>Fair<br>Value |
|                         | (In millions)     |                            |                   |                            |                   |                            |                   |                            |                              |                            |                   |                            |
| 2003 - 2005             | \$187             | \$198                      | \$95              | \$101                      | \$33              | \$35                       | \$47              | \$48                       | \$10                         | \$10                       | \$372             | \$392                      |
| 2006                    | 1,061             | 1,070                      | 79                | 79                         | 76                | 77                         | 50                | 56                         | —                            | —                          | 1,266             | 1,282                      |
| 2007                    | 477               | 486                        | 144               | 145                        | 84                | 87                         | —                 | —                          | 123                          | 125                        | 828               | 843                        |
| 2008 - 2010             | 5                 | 5                          | —                 | —                          | 13                | 13                         | —                 | —                          | —                            | —                          | 18                | 18                         |
| 2011                    | 560               | 593                        | 23                | 24                         | 63                | 64                         | —                 | —                          | —                            | —                          | 646               | 681                        |
| 2012                    | 506               | 534                        | 368               | 376                        | 500               | 513                        | 8                 | 9                          | 1                            | 1                          | 1,383             | 1,433                      |
| 2013                    | 989               | 1,036                      | 696               | 735                        | 893               | 925                        | 12                | 10                         | —                            | —                          | 2,590             | 2,706                      |
| 2014                    | 854               | 859                        | 939               | 937                        | 453               | 459                        | 1                 | 1                          | —                            | —                          | 2,247             | 2,256                      |
| 2015                    | 2,258             | 2,227                      | 445               | 436                        | 325               | 327                        | 32                | 32                         | —                            | —                          | 3,060             | 3,022                      |
| Total                   | \$6,897           | \$7,008                    | \$2,789           | \$2,833                    | \$2,440           | \$2,500                    | \$150             | \$156                      | \$134                        | \$136                      | \$12,410          | \$12,633                   |
| Ratings<br>Distribution | 55.5 %            |                            | 22.4 %            |                            | 19.8 %            |                            | 1.2 %             |                            | 1.1 %                        |                            | 100.0 %           |                            |

Table of Contents

|                      | December 31, 2014 |                      |                |                      |                |                      |                |                      |                        |                      |                |                      |
|----------------------|-------------------|----------------------|----------------|----------------------|----------------|----------------------|----------------|----------------------|------------------------|----------------------|----------------|----------------------|
|                      | Aaa               |                      | Aa             |                      | A              |                      | Baa            |                      | Below Investment Grade |                      | Total          |                      |
|                      | Amortized Cost    | Estimated Fair Value | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value | Amortized Cost         | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
|                      | (In millions)     |                      |                |                      |                |                      |                |                      |                        |                      |                |                      |
| 2003 - 2004          | \$251             | \$258                | \$25           | \$27                 | \$54           | \$56                 | \$40           | \$40                 | \$17                   | \$17                 | \$387          | \$398                |
| 2005                 | 2,278             | 2,300                | 412            | 426                  | 243            | 253                  | 111            | 115                  | 9                      | 13                   | 3,053          | 3,107                |
| 2006                 | 1,983             | 2,056                | 103            | 106                  | 107            | 110                  | 66             | 73                   | —                      | —                    | 2,259          | 2,345                |
| 2007                 | 694               | 720                  | 64             | 67                   | 195            | 205                  | 41             | 43                   | 129                    | 131                  | 1,123          | 1,166                |
| 2008 - 2010          | 5                 | 5                    | —              | —                    | 25             | 25                   | —              | —                    | —                      | —                    | 30             | 30                   |
| 2011                 | 561               | 603                  | 23             | 24                   | 63             | 65                   | —              | —                    | 4                      | 4                    | 651            | 696                  |
| 2012                 | 467               | 559                  | 245            | 255                  | 842            | 866                  | —              | —                    | 3                      | 3                    | 1,557          | 1,683                |
| 2013                 | 802               | 854                  | 467            | 505                  | 1,330          | 1,393                | 13             | 11                   | —                      | —                    | 2,612          | 2,763                |
| 2014                 | 466               | 480                  | 883            | 900                  | 652            | 677                  | 13             | 14                   | 76                     | 73                   | 2,090          | 2,144                |
| Total                | \$7,507           | \$7,835              | \$2,222        | \$2,310              | \$3,511        | \$3,650              | \$284          | \$296                | \$238                  | \$241                | \$13,762       | \$14,332             |
| Ratings Distribution |                   | 54.7 %               |                | 16.1 %               |                | 25.5 %               |                | 2.0 %                |                        | 1.7 %                |                | 100.0 %              |

The tables above reflect rating agency ratings assigned by NRSROs, including Moody's, S&P, Fitch and Morningstar. CMBS designated NAIC 1 were 99.5% and 98.5% of total CMBS at December 31, 2015 and 2014, respectively.

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

See Notes 1 and 8 of the Notes to the Consolidated Financial Statements for information about the evaluation of fixed maturity securities and equity securities AFS for OTTI and evaluation of temporarily impaired AFS securities.

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

See Note 8 of the Notes to the Consolidated Financial Statements for information about OTTI losses and gross gains and gross losses on AFS securities sold.

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

Impairments of fixed maturity and equity securities were \$130 million, \$96 million and \$192 million for the years ended December 31, 2015, 2014 and 2013, respectively. Impairments of fixed maturity securities were \$90 million, \$60 million and \$166 million for the years ended December 31, 2015, 2014 and 2013, respectively. Impairments of equity securities were \$40 million, \$36 million and \$26 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Credit-related impairments of fixed maturity securities were \$90 million, \$60 million and \$147 million for the years ended December 31, 2015, 2014 and 2013, respectively.

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

#### Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

Overall OTTI losses recognized in earnings on fixed maturity and equity securities were \$130 million for the year ended December 31, 2015 as compared to \$96 million for the year ended December 31, 2014. The most significant increases were in U.S. and foreign corporate securities, which comprised \$54 million for the year ended December 31, 2015, as compared to \$9 million for the year ended December 31, 2014. An increase of \$45 million in OTTI losses on U.S. and foreign corporate securities reflected the impact of weakening foreign currencies on non-functional currency denominated fixed maturity securities and lower oil prices impacting the energy sector. The \$45 million increase in OTTI losses on U.S. and foreign corporate securities was concentrated in the utility and consumer services industries.

#### Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

Overall OTTI losses recognized in earnings on fixed maturity and equity securities were \$96 million for the year ended December 31, 2014 as compared to \$192 million for the year ended December 31, 2013. The most significant decreases were in U.S. and foreign corporate securities and RMBS, which comprised \$40 million for the year ended



December 31, 2014, as compared to \$154 million for the year ended December 31, 2013. A decrease of \$65 million in OTTI losses on U.S. and foreign corporate securities and a \$49 million decrease in OTTI losses on RMBS reflected improving economic fundamentals. The \$65 million decrease in OTTI losses on U.S. and foreign corporate securities was concentrated in the utility and financial services industries.

134

---

Table of Contents

## Future Impairments

Future OTTI will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), and changes in credit ratings, collateral valuation, interest rates and credit spreads. If economic fundamentals deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming periods.

## FVO and Trading Securities

FVO and trading securities are primarily comprised of securities for which the FVO has been elected (“FVO Securities”). FVO Securities include certain fixed maturity and equity securities held-for-investment by the general account to support ALM strategies for certain insurance products and investments in certain separate accounts; securities held by CSEs; and trading securities, as further described in Note 1 of the Notes to the Consolidated Financial Statements. FVO and trading securities were \$15.0 billion and \$16.7 billion at estimated fair value, or 3.0% and 3.2% of total cash and invested assets, at December 31, 2015 and 2014, respectively. See Note 10 of the Notes to the Consolidated Financial Statements for the FVO and trading securities fair value hierarchy and a rollforward of the fair value measurements for FVO and trading securities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

## Securities Lending

We participate in a securities lending program whereby securities are loaned to third parties, primarily brokerage firms and commercial banks. We obtain collateral, usually cash, in an amount generally equal to 102% of the estimated fair value of the securities loaned, which is obtained at the inception of a loan and maintained at a level greater than or equal to 100% for the duration of the loan. We monitor the estimated fair value of the securities loaned on a daily basis with additional collateral obtained as necessary throughout the duration of the loan. Securities loaned under such transactions may be sold or re-pledged by the transferee. We are liable to return to our counterparties the cash collateral under our control. Security collateral on deposit from counterparties may not be sold or re-pledged, unless the counterparty is in default, and is not reflected in the consolidated financial statements. These transactions are treated as financing arrangements and the associated cash collateral liability is recorded at the amount of the cash received.

See “— Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Securities Lending” and Note 8 of Notes to the Consolidated Financial Statements for information regarding our securities lending program.

## Mortgage Loans

Our mortgage loans are principally collateralized by commercial, agricultural and residential properties. Mortgage loans and the related valuation allowances are summarized as follows at:

|              | December 31,<br>2015   |               |                        |                                | 2014                   |               |                        |                                |
|--------------|------------------------|---------------|------------------------|--------------------------------|------------------------|---------------|------------------------|--------------------------------|
|              | Recorded<br>Investment | % of<br>Total | Valuation<br>Allowance | % of<br>Recorded<br>Investment | Recorded<br>Investment | % of<br>Total | Valuation<br>Allowance | % of<br>Recorded<br>Investment |
|              | (Dollars in millions)  |               |                        |                                | (Dollars in millions)  |               |                        |                                |
| Commercial   | \$44,012               | 65.8 %        | \$217                  | 0.5 %                          | \$41,088               | 68.7 %        | \$224                  | 0.5 %                          |
| Agricultural | 13,188                 | 19.7          | 42                     | 0.3 %                          | 12,378                 | 20.7          | 39                     | 0.3 %                          |
| Residential  | 9,734                  | 14.5          | 59                     | 0.6 %                          | 6,369                  | 10.6          | 42                     | 0.7 %                          |
| Total        | \$66,934               | 100.0 %       | \$318                  | 0.5 %                          | \$59,835               | 100.0 %       | \$305                  | 0.5 %                          |

The information presented in the tables herein exclude mortgage loans where we elected the FVO. Such amounts are presented in Note 8 of the Notes to the Consolidated Financial Statements.

We originated \$12.8 billion and \$11.1 billion of commercial mortgage loans during the years ended December 31, 2015 and 2014, respectively. We originated \$3.2 billion and \$3.5 billion of agricultural mortgage loans during the years ended December 31, 2015 and 2014, respectively. While we originate some residential mortgage loans, we purchased a substantial amount of our residential mortgage loans on the secondary market during the years ended December 31, 2015 and 2014. See Note 8 of the Notes to the Consolidated Financial Statements for further information on mortgage loan purchases.



Table of Contents

We diversify our mortgage loan portfolio by both geographic region and property type to reduce the risk of concentration. Of our commercial and agricultural mortgage loan portfolios, 85% are collateralized by properties located in the U.S., with the remaining 15% collateralized by properties located outside the U.S., at December 31, 2015. The carrying value of our commercial and agricultural mortgage loans located in California, New York and Texas were 19%, 12% and 8%, respectively, of total mortgage loans at December 31, 2015. Additionally, we manage risk when originating commercial and agricultural mortgage loans by generally lending up to 75% of the estimated fair value of the underlying real estate collateral.

We manage our residential mortgage loan portfolio in a similar manner to reduce risk of concentration, with 91% collateralized by properties located in the U.S., and the remaining 9% collateralized by properties located outside the U.S., at December 31, 2015. The carrying value of our residential mortgage loans located in California, Florida, and New York were 35%, 7%, and 6%, respectively.

In connection with our investment management business, we manage commercial mortgage loans on behalf of institutional clients, which are unaffiliated investors. These commercial mortgage loans had an estimated fair value of \$2.0 billion and \$1.2 billion at December 31, 2015 and 2014, respectively. These assets are not included in our consolidated financial statements.

Commercial Mortgage Loans by Geographic Region and Property Type. Commercial mortgage loans are the largest component of the mortgage loan invested asset class, as such loans represented over 65% of total mortgage loans at both December 31, 2015 and 2014. The tables below present the diversification across geographic regions and property types of commercial mortgage loans:

|   | December 31,<br>2015    |               | 2014                    |               |   |
|---|-------------------------|---------------|-------------------------|---------------|---|
|   | Amount<br>(In millions) | % of<br>Total | Amount<br>(In millions) | % of<br>Total |   |
| Region                                      |                         |               |                         |               |   |
| Pacific                                     | \$9,583                 | 21.8          | % \$8,620               | 21.0          | % |
| Middle Atlantic                             | 8,154                   | 18.5          | 7,689                   | 18.7          |   |
| International                               | 7,889                   | 17.9          | 7,251                   | 17.7          |   |
| South Atlantic                              | 6,127                   | 13.9          | 6,384                   | 15.5          |   |
| West South Central                          | 4,311                   | 9.8           | 3,990                   | 9.7           |   |
| East North Central                          | 2,346                   | 5.3           | 2,430                   | 5.9           |   |
| New England                                 | 1,367                   | 3.1           | 1,155                   | 2.8           |   |
| Mountain                                    | 1,117                   | 2.5           | 932                     | 2.3           |   |
| West North Central                          | 520                     | 1.2           | 140                     | 0.3           |   |
| East South Central                          | 512                     | 1.2           | 424                     | 1.0           |   |
| Multi-Region and Other                      | 2,086                   | 4.8           | 2,073                   | 5.1           |   |
| Total recorded investment                   | 44,012                  | 100.0         | % 41,088                | 100.0         | % |
| Less: valuation allowances                  | 217                     |               | 224                     |               |   |
| Carrying value, net of valuation allowances | \$43,795                |               | \$40,864                |               |   |
| Property Type                               |                         |               |                         |               |   |
| Office                                      | \$21,525                | 48.9          | % \$21,400              | 52.1          | % |
| Retail                                      | 10,466                  | 23.8          | 9,389                   | 22.9          |   |
| Apartment                                   | 5,171                   | 11.7          | 3,786                   | 9.2           |   |
| Hotel                                       | 4,396                   | 10.0          | 4,196                   | 10.2          |   |
| Industrial                                  | 2,334                   | 5.3           | 2,133                   | 5.2           |   |
| Other                                       | 120                     | 0.3           | 184                     | 0.4           |   |
| Total recorded investment                   | 44,012                  | 100.0         | % 41,088                | 100.0         | % |
| Less: valuation allowances                  | 217                     |               | 224                     |               |   |
| Carrying value, net of valuation allowances | \$43,795                |               | \$40,864                |               |   |



Table of Contents

**Mortgage Loan Credit Quality - Monitoring Process.** We monitor our mortgage loan investments on an ongoing basis, including a review of loans that are current, past due, restructured and under foreclosure. See Note 8 of the Notes to the Consolidated Financial Statements for tables that present mortgage loans by credit quality indicator, past due and nonaccrual mortgage loans, as well as impaired mortgage loans. See “— Real Estate and Real Estate Joint Ventures” for real estate acquired through foreclosure.

We review our commercial mortgage loans on an ongoing basis. These reviews may include an analysis of the property financial statements and rent roll, lease rollover analysis, property inspections, market analysis, estimated valuations of the underlying collateral, loan-to-value ratios, debt service coverage ratios, and tenant creditworthiness. The monitoring process focuses on higher risk loans, which include those that are classified as restructured, delinquent or in foreclosure, as well as loans with higher loan-to-value ratios and lower debt service coverage ratios. The monitoring process for agricultural mortgage loans is generally similar, with a focus on higher risk loans, such as loans with higher loan-to-value ratios, including reviews on a geographic and sector basis. We review our residential mortgage loans on an ongoing basis. See Note 8 of the Notes to the Consolidated Financial Statements for information on our evaluation of residential mortgage loans and related valuation allowance methodology.

Loan-to-value ratios and debt service coverage ratios are common measures in the assessment of the quality of commercial mortgage loans. Loan-to-value ratios are a common measure in the assessment of the quality of agricultural mortgage loans. Loan-to-value ratios compare the amount of the loan to the estimated fair value of the underlying collateral. A loan-to-value ratio greater than 100% indicates that the loan amount is greater than the collateral value. A loan-to-value ratio of less than 100% indicates an excess of collateral value over the loan amount. Generally, the higher the loan-to-value ratio, the higher the risk of experiencing a credit loss. The debt service coverage ratio compares a property’s net operating income to amounts needed to service the principal and interest due under the loan. Generally, the lower the debt service coverage ratio, the higher the risk of experiencing a credit loss. For our commercial mortgage loans, our average loan-to-value ratio was 52% at both December 31, 2015 and 2014, and our average debt service coverage ratio was 2.6x at both December 31, 2015 and 2014. The debt service coverage ratio, as well as the values utilized in calculating the ratio, is updated annually on a rolling basis, with a portion of the portfolio updated each quarter. In addition, the loan-to-value ratio is routinely updated for all but the lowest risk loans as part of our ongoing review of our commercial mortgage loan portfolio. For our agricultural mortgage loans, our average loan-to-value ratio was 43% and 44% at December 31, 2015 and 2014, respectively. The values utilized in calculating the agricultural mortgage loan loan-to-value ratio are developed in connection with the ongoing review of the agricultural loan portfolio and are routinely updated.

**Mortgage Loan Valuation Allowances.** Our valuation allowances are established both on a loan specific basis for those loans considered impaired where a property specific or market specific risk has been identified that could likely result in a future loss, as well as for pools of loans with similar risk characteristics where a property specific or market specific risk has not been identified, but for which we expect to incur a loss. Accordingly, a valuation allowance is provided to absorb these estimated probable credit losses.

The determination of the amount of valuation allowances is based upon our periodic evaluation and assessment of known and inherent risks associated with our loan portfolios. Such evaluations and assessments are based upon several factors, including our experience for loan losses, defaults and loss severity, and loss expectations for loans with similar risk characteristics. These evaluations and assessments are revised as conditions change and new information becomes available, which can cause the valuation allowances to increase or decrease over time as such evaluations are revised. Negative credit migration, including an actual or expected increase in the level of problem loans, will result in an increase in the valuation allowance. Positive credit migration, including an actual or expected decrease in the level of problem loans, will result in a decrease in the valuation allowance.

See Notes 1, 8 and 10 of the Notes to the Consolidated Financial Statements for information about how valuation allowances are established and monitored, activity in and balances of the valuation allowance, and the estimated fair value of impaired mortgage loans and related impairments included within net investment gains (losses) as of and for the years ended December 31, 2015, 2014 and 2013.

Real Estate and Real Estate Joint Ventures

We diversify our real estate investments by both geographic region and property type to reduce risk of concentration. Of our real estate investments, 77% were located in the United States, with the remaining 23% located outside the United States, at December 31, 2015. The carrying value of our real estate investments located in Japan, California and DC were 19%, 17% and 8%, respectively, of total real estate investments at December 31, 2015.

137

---

Table of Contents

Real estate investments by type consisted of the following at:

|   | December 31,<br>2015               |               | 2014                               |               |   |
|---|------------------------------------|---------------|------------------------------------|---------------|---|
|   | Carrying<br>Value<br>(In millions) | % of<br>Total | Carrying<br>Value<br>(In millions) | % of<br>Total |   |
| Traditional   | \$7,859                            | 93.2          | % \$9,386                          | 89.2          | % |
| Real estate joint ventures and funds                  | 482                                | 5.7           | 647                                | 6.2           |   |
| Subtotal  | 8,341                              | 98.9          | 10,033                             | 95.4          |   |
| Foreclosed (commercial, agricultural and residential) | 45                                 | 0.5           | 320                                | 3.0           |   |
| Real estate held-for-investment                       | 8,386                              | 99.4          | 10,353                             | 98.4          |   |
| Real estate held-for-sale                             | 47                                 | 0.6           | 172                                | 1.6           |   |
| Total real estate and real estate joint ventures      | \$8,433                            | 100.0         | % \$10,525                         | 100.0         | % |

We classify within traditional real estate our investment in income-producing real estate, which is comprised of wholly-owned real estate and joint ventures with interests in single property income-producing real estate. The estimated fair value of the traditional and held-for-sale real estate investment portfolios was \$12.4 billion and \$13.3 billion at December 31, 2015 and 2014, respectively. We classify within real estate joint ventures and funds, our investments in joint ventures with interests in multi-property projects with varying strategies ranging from the development of properties to the operation of income-producing properties, as well as our investments in real estate private equity funds. From time to time, if we intend to retain an interest in the property, we transfer investments from these joint ventures to traditional real estate after the completed property commences operations.

In connection with our investment management business, we manage real estate investments on behalf of institutional clients, which are unaffiliated investors. These real estate investments had an estimated fair value of \$3.8 billion and \$2.8 billion at December 31, 2015 and 2014, respectively. These assets are not included in our consolidated financial statements.

Real estate and real estate joint venture investments by property type are categorized by sector as follows at:

|  | December 31,<br>2015               |               | 2014                               |               |   |
|--|------------------------------------|---------------|------------------------------------|---------------|---|
|  | Carrying<br>Value<br>(In millions) | % of<br>Total | Carrying<br>Value<br>(In millions) | % of<br>Total |   |
| Office   | \$3,265                            | 38.7          | % \$5,574                          | 53.0          | % |
| Apartment  | 1,662                              | 19.7          | 1,684                              | 16.0          |   |
| Retail   | 1,032                              | 12.2          | 782                                | 7.4           |   |
| Real estate investment funds                     | 683                                | 8.1           | 351                                | 3.3           |   |
| Hotel  | 544                                | 6.5           | 554                                | 5.3           |   |
| Industrial                                       | 483                                | 5.7           | 614                                | 5.8           |   |
| Land   | 348                                | 4.1           | 432                                | 4.1           |   |
| Agriculture                                      | 32                                 | 0.4           | 37                                 | 0.4           |   |
| Other  | 384                                | 4.6           | 497                                | 4.7           |   |
| Total real estate and real estate joint ventures | \$8,433                            | 100.0         | % \$10,525                         | 100.0         | % |

The Company's authorized equity investment in real estate property was \$1.0 billion and \$1.7 billion for the years ended December 31, 2015 and 2014, respectively.

Impairments recognized on real estate and real estate joint ventures were \$93 million, \$20 million and \$10 million for the years ended December 31, 2015, 2014 and 2013, respectively. Depreciation expense on real estate investments was \$162 million, \$199 million and \$179 million for the years ended December 31, 2015, 2014 and 2013, respectively. Real estate investments are net of accumulated depreciation of \$1.2 billion at both December 31, 2015 and 2014.





Table of Contents

## Other Limited Partnership Interests

Other limited partnership interests are comprised of private equity funds and hedge funds. The carrying value of other limited partnership interests was \$7.1 billion and \$8.1 billion at December 31, 2015 and 2014, respectively, which included \$1.9 billion and \$2.4 billion of hedge funds, at December 31, 2015 and 2014, respectively.

## Other Invested Assets

The following table presents the carrying value of our other invested assets by type:

|  | December 31,<br>2015               |               | 2014                               |               |   |
|--|------------------------------------|---------------|------------------------------------|---------------|---|
|  | Carrying<br>Value<br>(In millions) | % of<br>Total | Carrying<br>Value<br>(In millions) | % of<br>Total |   |
| Freestanding derivatives with positive estimated fair values | \$ 14,406                          | 64.0          | % \$ 13,452                        | 63.2          | % |
| Tax credit and renewable energy partnerships                 | 3,145                              | 13.9          | 2,752                              | 12.9          |   |
| Leveraged leases, net of non-recourse debt                   | 1,712                              | 7.6           | 1,785                              | 8.4           |   |
| Direct financing leases                                      | 1,076                              | 4.8           | 1,119                              | 5.3           |   |
| Funds withheld   | 771                                | 3.4           | 763                                | 3.6           |   |
| Operating joint ventures                                     | 605                                | 2.7           | 513                                | 2.4           |   |
| Other  | 809                                | 3.6           | 899                                | 4.2           |   |
| Total  | \$ 22,524                          | 100.0         | % \$ 21,283                        | 100.0         | % |

Leveraged lease impairments were \$41 million, \$80 million and \$26 million for the years ended December 31, 2015, 2014 and 2013, respectively.

See Notes 8 and 9 of the Notes to the Consolidated Financial Statements for information regarding tax credit partnerships, leveraged and direct financing leases and freestanding derivatives with positive estimated fair values, respectively. See Note 1 of the Notes to the Consolidated Financial Statements for further information about tax credit and renewable energy partnerships, funds withheld and operating joint ventures.

Our private placement unit originated \$9.7 billion and \$8.3 billion of private investments, comprised primarily of certain privately placed fixed maturity securities and tax credit and renewable energy partnerships, during the years ended December 31, 2015 and 2014, respectively. The carrying value of such private investments included within our consolidated balance sheets was \$49.8 billion at both December 31, 2015 and 2014. In addition, we originated \$0 and \$94 million of private lease investments during the years ended December 31, 2015 and 2014, respectively. The carrying value of such private lease investments included within our consolidated balance sheets was \$2.0 billion and \$2.1 billion at December 31, 2015 and 2014, respectively.

## Short-term Investments and Cash Equivalents

The carrying value of short-term investments, which approximates estimated fair value, was \$9.3 billion and \$8.6 billion, or 1.8% and 1.7% of total cash and invested assets, at December 31, 2015 and 2014, respectively. The carrying value of cash equivalents, which approximates estimated fair value, was \$7.5 billion and \$4.5 billion, or 1.5% and 0.9% of total cash and invested assets, at December 31, 2015 and 2014, respectively.

## Derivatives

## Derivative Risks

We are exposed to various risks relating to our ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. We use a variety of strategies to manage these risks, including the use of derivatives. See Note 9 of the Notes to the Consolidated Financial Statements for:

- A comprehensive description of the nature of our derivatives, including the strategies for which derivatives are used in managing various risks.

- Information about the gross notional amount, estimated fair value, and primary underlying risk exposure of our derivatives by type of hedge designation, excluding embedded derivatives held at December 31, 2015 and 2014.

- The statement of operations effects of derivatives in net investments in foreign operations, cash flow, fair value, or nonqualifying hedge relationships for the years ended December 31, 2015, 2014 and 2013.



Table of Contents

See “Quantitative and Qualitative Disclosures About Market Risk — Management of Market Risk Exposures — Hedging Activities” for more information about our use of derivatives by major hedge program.

**Fair Value Hierarchy**

See Note 10 of the Notes to the Consolidated Financial Statements for derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy.

The valuation of Level 3 derivatives involves the use of significant unobservable inputs and generally requires a higher degree of management judgment or estimation than the valuations of Level 1 and Level 2 derivatives. Although Level 3 inputs are unobservable, management believes they are consistent with what other market participants would use when pricing such instruments and are considered appropriate given the circumstances. The use of different inputs or methodologies could have a material effect on the estimated fair value of Level 3 derivatives and could materially affect net income.

Derivatives categorized as Level 3 at December 31, 2015 include: interest rate forwards with maturities which extend beyond the observable portion of the yield curve; foreign currency swaps and forwards with certain unobservable inputs, including the unobservable portion of the yield curve; credit default swaps priced using unobservable credit spreads, or that are priced through independent broker quotations; equity variance swaps with unobservable volatility inputs; and equity index options with unobservable correlation inputs. At December 31, 2015, less than 1% of the estimated fair value of our derivatives was priced through independent broker quotations.

See Note 10 of the Notes to the Consolidated Financial Statements for a rollforward of the fair value measurements for derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs. The gain (loss) on Level 3 derivatives primarily relates to certain purchased equity index options that are valued using models dependent on an unobservable market correlation input, equity variance swaps that are valued using observable equity volatility data plus an unobservable equity variance spread and foreign currency swaps and forwards that are valued using an unobservable portion of the swap yield curve. Other significant inputs, which are observable, include equity index levels, equity volatility and the swap yield curve. We validate the reasonableness of these inputs by valuing the positions using internal models and comparing the results to broker quotations. The gain (loss) on Level 3 derivatives, percentage of gain (loss) attributable to observable and unobservable inputs, and the primary drivers of observable gain (loss) are summarized as follows:

|   | Year Ended December 31, 2015   |
|---|--|
| Gain (loss) recognized in net income (loss)                   | (\$223) million  |
| Percentage of gain (loss) attributable to observable inputs   | 26%  |
| Primary drivers of observable gain (loss)                     | Strengthening of U.S. dollar versus foreign currencies on receive foreign, pay-U.S. dollar forwards and swaps; increases in equity index levels; and increases in short-term interest rates. |
| Percentage of gain (loss) attributable to unobservable inputs | 74%  |

See “— Summary of Critical Accounting Estimates — Derivatives” for further information on the estimates and assumptions that affect derivatives.

**Credit Risk**

See Note 9 of the Notes to the Consolidated Financial Statements for information about how we manage credit risk related to derivatives and for the estimated fair value of our net derivative assets and net derivative liabilities after the application of master netting agreements and collateral.

Our policy is not to offset the fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement. This policy applies to the recognition of derivatives in the consolidated balance sheets, and does not affect our legal right of offset.

Table of Contents

## Credit Derivatives

The following table presents the gross notional amount and estimated fair value of credit default swaps at:

| Credit Default Swaps | December 31,<br>2015                         |                         | 2014                        |                         |
|----------------------|--|-------------------------|-----------------------------|-------------------------|
|                      | Gross<br>Notional<br>Amount<br>(In millions) | Estimated<br>Fair Value | Gross<br>Notional<br>Amount | Estimated<br>Fair Value |
| Purchased (1)        | \$1,870                                      | \$(6 )                  | \$2,830                     | \$(26 )                 |
| Written (2)          | 10,311                                       | 65                      | 10,527                      | 175                     |
| Total                | \$12,181                                     | \$59                    | \$13,357                    | \$149                   |

The gross notional amount and estimated fair value for purchased credit default swaps in the trading portfolio were (1) \$175 million and (\$2) million, respectively, at December 31, 2015 and \$250 million and (\$6) million, respectively, at December 31, 2014.

The gross notional amount and estimated fair value for written credit default swaps in the trading portfolio were (2) \$20 million and (\$2) million, respectively, at December 31, 2015 and \$15 million and \$1 million, respectively, at December 31, 2014.

The following table presents the gross gains, gross losses and net gain (losses) recognized in income for credit default swaps as follows:

| Credit Default Swaps | Years Ended December 31,<br>2015       |                        |                          | 2014                  |                        |                          |
|----------------------|--|------------------------|--------------------------|-----------------------|------------------------|--------------------------|
|                      | Gross<br>Gains<br>(1)<br>(In millions) | Gross<br>Losses<br>(1) | Net<br>Gains<br>(Losses) | Gross<br>Gains<br>(1) | Gross<br>Losses<br>(1) | Net<br>Gains<br>(Losses) |
| Purchased (2), (4)   | \$32                                   | \$(28 )                | \$4                      | \$30                  | \$(42 )                | \$(12 )                  |
| Written (3), (4)     | 29                                     | (112 )                 | (83 )                    | 65                    | (44 )                  | 21                       |
| Total                | \$61                                   | \$(140 )               | \$(79 )                  | \$95                  | \$(86 )                | \$9                      |

(1) Gains (losses) are reported in net derivative gains (losses), except for gains (losses) on the trading portfolio, which are reported in net investment income.

The gross gains and gross (losses) for purchased credit default swaps in the trading portfolio were \$8 million and (2) (\$11) million, respectively, for the year ended December 31, 2015 and \$5 million and (\$5) million, respectively, for the year ended December 31, 2014.

The gross gains and gross (losses) for written credit default swaps in the trading portfolio were \$3 million and (3) (\$3) million, respectively, for the year ended December 31, 2015 and were not significant for the year ended December 31, 2014.

(4) Gains (losses) do not include earned income (expense) on credit default swaps.

The favorable change in net gains (losses) on purchased credit default swaps of \$16 million was due to certain credit spreads widening in the current period compared to the prior period on credit default swaps hedging certain bonds.

The unfavorable change in net gains (losses) on written credit default swaps of (\$104) million was due to certain credit spreads widening in the current period compared to the prior on certain credit default swaps used as replications.

Table of Contents

The maximum amount at risk related to our written credit default swaps is equal to the corresponding gross notional amount. In a replication transaction, we pair an asset on our balance sheet with a written credit default swap to synthetically replicate a corporate bond, a core asset holding of life insurance companies. Replications are entered into in accordance with the guidelines approved by insurance regulators and are an important tool in managing the overall corporate credit risk within the Company. In order to match our long-dated insurance liabilities, we will seek to buy long-dated corporate bonds. In some instances, these may not be readily available in the market, or they may be issued by corporations to which we already have significant corporate credit exposure. For example, by purchasing Treasury bonds (or other high-quality assets) and associating them with written credit default swaps on the desired corporate credit name, we, at times, can replicate the desired bond exposures and meet our ALM needs. In addition, given the shorter tenor of the credit default swaps (generally five-year tenors) versus a long-dated corporate bond, we have more flexibility in managing our credit exposures.

**Embedded Derivatives**

See Note 10 of the Notes to the Consolidated Financial Statements for information about embedded derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy.

See Note 10 of the Notes to the Consolidated Financial Statements for a rollforward of the fair value measurements for net embedded derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

See Note 9 of the Notes to the Consolidated Financial Statements for information about the nonperformance risk adjustment included in the valuation of guaranteed minimum benefits accounted for as embedded derivatives.

See “— Summary of Critical Accounting Estimates — Derivatives” for further information on the estimates and assumptions that affect embedded derivatives.

**Off-Balance Sheet Arrangements****Credit and Committed Facilities**

We maintain an unsecured credit facility, as well as committed facilities with various financial institutions. See “— Liquidity and Capital Resources — The Company — Liquidity and Capital Sources — Global Funding Sources — Credit and Committed Facilities” for further descriptions of such arrangements. For the classification of expenses on such credit and committed facilities and the nature of the associated liability for letters of credit issued and drawdowns on these credit and committed facilities, see Note 12 of the Notes to the Consolidated Financial Statements.

**Collateral for Securities Lending, Repurchase Programs and Derivatives**

We participate in a securities lending program in the normal course of business for the purpose of enhancing the total return on our investment portfolio. Periodically we receive non-cash collateral for securities lending from counterparties on deposit from customers, which cannot be sold or re-pledged, and which has not been recorded on our consolidated balance sheets. The amount of this collateral was \$50 million and \$83 million at estimated fair value at December 31, 2015 and 2014, respectively. See Notes 1 and 8 of the Notes to the Consolidated Financial Statements, as well as “— Investments — Securities Lending” for discussion of our securities lending program, the classification of revenues and expenses, and the nature of the secured financing arrangement and associated liability.

We also participate in third-party custodian administered repurchase programs for the purpose of enhancing the total return on our investment portfolio. We loan certain of our fixed maturity securities to financial institutions and, in exchange, non-cash collateral is put on deposit by the financial institutions on our behalf with third-party custodians. The estimated fair value of securities loaned in connection with these transactions was \$738 million and \$642 million at December 31, 2015 and December 31, 2014, respectively. Non-cash collateral on deposit with third-party custodians on our behalf was \$781 million and \$682 million at December 31, 2015 and December 31, 2014, respectively, which cannot be sold or re-pledged, and which has not been recorded on our consolidated balance sheets.

We enter into derivatives to manage various risks relating to our ongoing business operations. We have non-cash collateral from counterparties for derivatives, which can be sold or re-pledged subject to certain constraints, and which has not been recorded on our consolidated balance sheets. The amount of this non-cash collateral was \$2.2 billion and \$4.2 billion at December 31, 2015 and 2014, respectively. In certain instances, cash collateral pledged to the Company as initial margin for OTC-bilateral derivatives is held in separate custodial accounts and is not recorded on the Company’s balance sheet because the account title is in the name of the counterparty (but segregated for the benefit of

the Company). The amount of this cash collateral was \$0 million and \$263 million at December 31, 2015 and 2014, respectively. See “— Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Pledged Collateral” and “Derivatives” in Note 9 of the Notes to the Consolidated Financial Statements for information regarding the earned income on and the gross notional amount, estimated fair value of assets and liabilities and primary underlying risk exposure of our derivatives.

## Table of Contents

### Lease Commitments

As lessee, we have entered into various lease and sublease agreements for office space, information technology and other equipment. Our commitments under such lease agreements are included within the contractual obligations table. See “— Liquidity and Capital Resources — The Company — Contractual Obligations” and Note 21 of the Notes to the Consolidated Financial Statements.

### Guarantees

See “Guarantees” in Note 21 of the Notes to the Consolidated Financial Statements.

### Other

Additionally, we enter into commitments in the normal course of business for the purpose of enhancing the total return on our investment portfolio: mortgage loan commitments and commitments to fund partnerships, bank credit facilities, bridge loans and private corporate bond investments. See “Net Investment Income” and “Net Investment Gains (Losses)” in Note 8 of the Notes to the Consolidated Financial Statements for information on the investment income, investment expense, gains and losses from such investments. See also “— Investments — Fixed Maturity and Equity Securities AFS” and “— Investments — Mortgage Loans” for information on our investments in fixed maturity securities and mortgage loans. See “— Investments — Real Estate and Real Estate Joint Ventures” and “— Investments — Other Limited Partnership Interest” for information on our partnership investments.

Other than the commitments disclosed in Note 21 of the Notes to the Consolidated Financial Statements, there are no other material obligations or liabilities arising from the commitments to fund mortgage loans, partnerships, bank credit facilities, bridge loans, and private corporate bond investments. For further information on commitments to fund partnership investments, mortgage loans, bank credit facilities, bridge loans and private corporate bond investments. See “— Liquidity and Capital Resources — The Company — Contractual Obligations.”

### Insolvency Assessments

See Note 21 of the Notes to the Consolidated Financial Statements.

### Policyholder Liabilities

We establish, and carry as liabilities, actuarially determined amounts that are calculated to meet policy obligations or to provide for future annuity payments. Amounts for actuarial liabilities are computed and reported in the consolidated financial statements in conformity with GAAP. For more details on Policyholder Liabilities, see “— Summary of Critical Accounting Estimates.”

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

We periodically review our estimates of actuarial liabilities for future benefits and compare them with our actual experience. We revise estimates, to the extent permitted or required under GAAP, if we determine that future expected experience differs from assumptions used in the development of actuarial liabilities. We charge or credit changes in our liabilities to expenses in the period the liabilities are established or re-estimated. If the liabilities originally established for future benefit payments prove inadequate, we must increase them. Such an increase could adversely affect our earnings and have a material adverse effect on our business, results of operations and financial condition. We have experienced, and will likely in the future experience, catastrophe losses and possibly acts of terrorism, as well as turbulent financial markets that may have an adverse impact on our business, results of operations, and financial condition. Due to their nature, we cannot predict the incidence, timing, severity or amount of losses from catastrophes and acts of terrorism, but we make broad use of catastrophic and non-catastrophic reinsurance to manage risk from these perils.

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

See “Business — Regulation — U.S. Regulation — Insurance Regulation — Policy and Contract Reserve Adequacy Analysis” and “Business — Regulation — International Regulation” for further information.





Table of Contents

## Future Policy Benefits

We establish liabilities for amounts payable under insurance policies. See Notes 1 and 4 of the Notes to the Consolidated Financial Statements, “— Industry Trends — Impact of a Sustained Low Interest Rate Environment — Low Interest Rate Scenario” and “— Variable Annuity Guarantees.” A discussion of future policy benefits by segment (as well as Corporate & Other) follows.

## Retail

Future policy benefits for the life business are comprised mainly of liabilities for traditional life and for universal and variable life insurance contracts. In order to manage risk, we have often reinsured a portion of the mortality risk on life insurance policies. The reinsurance programs are routinely evaluated and this may result in increases or decreases to existing coverage. We have entered into various derivative positions, primarily interest rate swaps and swaptions, to mitigate the risk that investment of premiums received and reinvestment of maturing assets over the life of the policy will be at rates below those assumed in the original pricing of these contracts. For our property & casualty business, future policy benefits include unearned premium reserves and liabilities for unpaid claims and claim expenses and represent the amount estimated for claims that have been reported but not settled and claims incurred but not reported. For the annuities business, future policy benefits are comprised mainly of liabilities for life-contingent income annuities, and liabilities for the variable annuity guaranteed minimum benefits accounted for as insurance.

## Group, Voluntary &amp; Worksite Benefits

With the exception of our property & casualty business, future policy benefits for our Group and Voluntary & Worksite businesses are comprised mainly of liabilities for disabled lives under disability waiver of premium policy provisions, liabilities for survivor income benefit insurance, long-term care policies, active life policies and premium stabilization and other contingency liabilities held under life insurance contracts. The components of future policy benefits for the property & casualty products offered by the Voluntary & Worksite and Retail property & casualty businesses are the same. Liabilities for unpaid claims are estimated based upon assumptions such as rates of claim frequencies, levels of severities, inflation, judicial trends, legislative changes or regulatory decisions. Assumptions are based upon our historical experience and analyses of historical development patterns of the relationship of loss adjustment expenses to losses for each line of business, and we consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation.

## Corporate Benefit Funding

Liabilities for this segment are primarily related to payout annuities, including pension risk transfers, structured settlement annuities and institutional income annuities. There is no interest rate crediting flexibility on these liabilities. As a result, a sustained low interest rate environment could negatively impact earnings; however, we mitigate our risks by applying various ALM strategies, including the use of various derivative positions, primarily interest rate floors and interest rate swaps, to mitigate the risks associated with such a scenario.

## Latin America

Future policy benefits for this segment are held primarily for immediate annuities in Chile, Argentina and Mexico and traditional life contracts mainly in Brazil and Mexico. There are also liabilities held for total return pass-through provisions included in certain universal life and savings products in Mexico. Factors impacting these liabilities include sustained periods of lower yields than rates established at policy issuance, lower than expected asset reinvestment rates, and mortality and lapses different than expected. We mitigate our risks by applying various ALM strategies.

## Asia

Future policy benefits for this segment are held primarily for traditional life, endowment, annuity and accident & health contracts. They are also held for total return pass-through provisions included in certain universal life and savings products. They include certain liabilities for variable annuity and variable life guarantees of minimum death benefits, and longevity guarantees. Factors impacting these liabilities include sustained periods of lower yields than rates established at policy issuance, lower than expected asset reinvestment rates, market volatility, actual lapses resulting in lower than expected income, and actual mortality or morbidity resulting in higher than expected benefit payments. We mitigate our risks by applying various ALM strategies.



Table of Contents

## EMEA

Future policy benefits for this segment include unearned premium reserves for group life and credit insurance contracts. Future policy benefits are also held for traditional life, endowment and annuity contracts with significant mortality risk and accident & health contracts. Factors impacting these liabilities include lower than expected asset reinvestment rates, market volatility, actual lapses resulting in lower than expected income, and actual mortality or morbidity resulting in higher than expected benefit payments. We mitigate our risks by having premiums which are adjustable or cancellable in some cases, and by applying various ALM strategies.

## Corporate &amp; Other

Future policy benefits primarily include liabilities for certain run-off long-term care and workers' compensation business written by MetLife USA. Additionally, future policy benefits include liabilities for variable annuity guaranteed minimum benefits assumed from a former operating joint venture in Japan that are accounted for as insurance.

## Policyholder Account Balances

Policyholder account balances are generally equal to the account value, which includes accrued interest credited, but excludes the impact of any applicable charge that may be incurred upon surrender. See “— Industry Trends — Impact of a Sustained Low Interest Rate Environment — Low Interest Rate Scenario” and “— Variable Annuity Guarantees.” See also Notes 1 and 4 of the Notes to the Consolidated Financial Statements for additional information. A discussion of policyholder account balances by segment (as well as Corporate & Other) follows.

## Retail

Life & Other policyholder account balances are held for retained asset accounts, universal life policies and the fixed account of variable life insurance policies. For Annuities, policyholder account balances are held for fixed deferred annuities, the fixed account portion of variable annuities, and non-life contingent income annuities. Interest is credited to the policyholder's account at interest rates we determine which are influenced by current market rates, subject to specified minimums. A sustained low interest rate environment could negatively impact earnings as a result of the minimum credited rate guarantees present in most of these policyholder account balances. We have various derivative positions, primarily interest rate floors, to partially mitigate the risks associated with such a scenario. Additionally, policyholder account balances are held for variable annuity guaranteed minimum living benefits that are accounted for as embedded derivatives.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Retail:

| Guaranteed Minimum Crediting Rate | December 31, 2015 |                                |
|-----------------------------------|-------------------|--------------------------------|
|                                   | Account Value (1) | Account Value at Guarantee (1) |
|                                   | (In millions)     |                                |
| Life & Other                      |                   |                                |
| Greater than 0% but less than 2%  | \$94              | \$94                           |
| Equal to 2% but less than 4%      | \$12,471          | \$5,298                        |
| Equal to or greater than 4%       | \$10,551          | \$6,251                        |
| Annuities                         |                   |                                |
| Greater than 0% but less than 2%  | \$3,429           | \$2,932                        |
| Equal to 2% but less than 4%      | \$30,786          | \$27,047                       |
| Equal to or greater than 4%       | \$2,342           | \$2,302                        |

(1) These amounts are not adjusted for policy loans.

As a result of acquisitions, we establish additional liabilities known as excess interest reserves for policies with credited rates in excess of market rates as of the applicable acquisition dates. At December 31, 2015, excess interest reserves were \$110 million and \$328 million for Life & Other and Annuities, respectively.



Table of Contents

## Group, Voluntary &amp; Worksite Benefits

Policyholder account balances in this segment are held for retained asset accounts, universal life policies, the fixed account of variable life insurance policies and specialized life insurance products for benefit programs. Policyholder account balances are credited interest at a rate we determine, which are influenced by current market rates. A sustained low interest rate environment could negatively impact earnings as a result of the minimum credited rate guarantees present in most of these policyholder account balances. We have various derivative positions, primarily interest rate floors, to partially mitigate the risks associated with such a scenario.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Group, Voluntary & Worksite Benefits:

| Guaranteed Minimum Crediting Rate | December 31, 2015 |                                |
|-----------------------------------|-------------------|--------------------------------|
|                                   | Account Value (1) | Account Value at Guarantee (1) |
|                                   | (In millions)     |                                |
| Greater than 0% but less than 2%  | \$4,845           | \$4,841                        |
| Equal to 2% but less than 4%      | \$2,018           | \$1,987                        |
| Equal to or greater than 4%       | \$683             | \$656                          |

(1) These amounts are not adjusted for policy loans.

## Corporate Benefit Funding

Policyholder account balances in this segment are comprised of funding agreements. Interest crediting rates vary by type of contract, and can be fixed or variable. Variable interest crediting rates are generally tied to an external index, most commonly (1-month or 3-month) LIBOR. We are exposed to interest rate risks, as well as foreign currency exchange rate risk, when guaranteeing payment of interest and return of principal at the contractual maturity date. We may invest in floating rate assets or enter into receive-floating interest rate swaps, also tied to external indices, as well as caps, to mitigate the impact of changes in market interest rates. We also mitigate our risks by applying various ALM strategies and seek to hedge all foreign currency exchange rate risk through the use of foreign currency hedges, including cross currency swaps.

## Latin America

Policyholder account balances in this segment are held largely for investment-type products and universal life products in Mexico and Chile, and deferred annuities in Brazil. Some of the deferred annuities in Brazil are unit-linked-type funds that do not meet the GAAP definition of separate accounts. The rest of the deferred annuities have minimum credited rate guarantees, and these liabilities and the universal life liabilities are generally impacted by sustained periods of low interest rates. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated investments, as the return on assets is generally passed directly to the policyholder.

## Asia

Policyholder account balances in this segment are held largely for fixed income retirement and savings plans, fixed deferred annuities, interest sensitive whole life products, universal life and, to a lesser degree, liability amounts for unit-linked-type funds that do not meet the GAAP definition of separate accounts. Also included are certain liabilities for retirement and savings products sold in certain countries in Asia that generally are sold with minimum credited rate guarantees. Liabilities for guarantees on certain variable annuities in Asia are accounted for as embedded derivatives and recorded at estimated fair value and are also included within policyholder account balances. These liabilities are generally impacted by sustained periods of low interest rates, where there are interest rate guarantees. We mitigate our risks by applying various ALM strategies and with reinsurance. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated underlying investments, as the return on assets is generally passed directly to the policyholder.

Table of Contents

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Asia:

| Guaranteed Minimum Crediting Rate (1) | December 31, 2015 |                                |
|---------------------------------------|-------------------|--------------------------------|
|                                       | Account Value (2) | Account Value at Guarantee (2) |
|                                       | (In millions)     |                                |
| Annuities                             |                   |                                |
| Greater than 0% but less than 2%      | \$19,059          | \$3,093                        |
| Equal to 2% but less than 4%          | \$1,043           | \$224                          |
| Equal to or greater than 4%           | \$1               | \$1                            |
| Life & Other                          |                   |                                |
| Greater than 0% but less than 2%      | \$6,296           | \$5,960                        |
| Equal to 2% but less than 4%          | \$17,972          | \$8,039                        |
| Equal to or greater than 4%           | \$268             | \$—                            |

Excludes negative VOBA liabilities of \$1.2 billion at December 31, 2015, primarily held in Japan. These liabilities (1) were established in instances where the estimated fair value of contract obligations exceeded the book value of assumed insurance policy liabilities associated with the acquisition of ALICO. These negative liabilities were established primarily for decreased market interest rates subsequent to the issuance of the policy contracts.

(2) These amounts are not adjusted for policy loans.

**EMEA**

Policyholder account balances in this segment are held mostly for universal life, deferred annuity, pension products, and unit-linked-type funds that do not meet the GAAP definition of separate accounts. They are also held for endowment products without significant mortality risk. Where there are interest rate guarantees, these liabilities are generally impacted by sustained periods of low interest rates. We mitigate our risks by applying various ALM strategies. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated investments, as the return on assets is generally passed directly to the policyholder.

**Corporate & Other**

Policyholder account balances in Corporate & Other are held for variable annuity guaranteed minimum benefits assumed from a former operating joint venture in Japan that are accounted for as embedded derivatives.

**Variable Annuity Guarantees**

We issue, directly and through assumed business, certain variable annuity products with guaranteed minimum benefits that provide the policyholder a minimum return based on their initial deposit (i.e., the benefit base) less withdrawals. In some cases, the benefit base may be increased by additional deposits, bonus amounts, accruals or optional market value resets. See Notes 1 and 4 of the Notes to the Consolidated Financial Statements for additional information. Certain guarantees, including portions thereof, have insurance liabilities established that are included in future policy benefits. Guarantees accounted for in this manner include GMDBs, the life-contingent portion of certain GMWBs, and the non-life contingent portions of both GMWBs and GMIBs that require annuitization. These liabilities are accrued over the life of the contract in proportion to actual and future expected policy assessments based on the level of guaranteed minimum benefits generated using multiple scenarios of separate account returns. The scenarios are based on best estimate assumptions consistent with those used to amortize DAC. When current estimates of future benefits exceed those previously projected or when current estimates of future assessments are lower than those previously projected, liabilities will increase, resulting in a current period charge to net income. The opposite result occurs when the current estimates of future benefits are lower than those previously projected or when current estimates of future assessments exceed those previously projected. At each reporting period, we update the actual amount of business remaining in-force, which impacts expected future assessments and the projection of estimated future benefits resulting in a current period charge or increase to earnings.





Table of Contents

Certain guarantees, including portions thereof, accounted for as embedded derivatives, are recorded at estimated fair value and included in policyholder account balances. Guarantees accounted for as embedded derivatives include GMABs, and the non-life contingent portions of both GMWBs and GMIBs that do not require annuitization. The estimated fair values of guarantees accounted for as embedded derivatives are determined based on the present value of projected future benefits minus the present value of projected future fees. The projections of future benefits and future fees require capital market and actuarial assumptions including expectations concerning policyholder behavior. A risk neutral valuation methodology is used to project the cash flows from the guarantees under multiple capital market scenarios to determine an economic liability. The reported estimated fair value is then determined by taking the present value of these risk-free generated cash flows using a discount rate that incorporates a spread over the risk-free rate to reflect our nonperformance risk and adding a risk margin. For more information on the determination of estimated fair value, see Note 10 of the Notes to the Consolidated Financial Statements.

The table below contains the carrying value for guarantees at:

|                   | Future Policy Benefits |         | Policyholder Account Balances |          |
|-------------------|------------------------|---------|-------------------------------|----------|
|                   | December 31, 2015      | 2014    | December 31, 2015             | 2014     |
|                   | (In millions)          |         |                               |          |
| Americas          |                        |         |                               |          |
| GMDB              | \$937                  | \$710   | \$—                           | \$—      |
| GMIB              | 2,410                  | 1,993   | (507                          | ) (1,278 |
| GMAB              | —                      | —       | 9                             | 2        |
| GMWB              | 127                    | 104     | 338                           | 38       |
| Asia              |                        |         |                               |          |
| GMDB              | 25                     | 29      | —                             | —        |
| GMAB              | —                      | —       | 37                            | 22       |
| GMWB              | 89                     | 91      | 151                           | 129      |
| EMEA              |                        |         |                               |          |
| GMDB              | 2                      | 2       | —                             | —        |
| GMAB              | —                      | —       | 16                            | 23       |
| GMWB              | 8                      | 26      | (63                           | ) (61    |
| Corporate & Other |                        |         |                               |          |
| GMDB              | 13                     | 17      | —                             | —        |
| GMAB              | —                      | —       | 13                            | 23       |
| GMWB              | 104                    | 74      | 951                           | 949      |
| Total             | \$3,715                | \$3,046 | \$945                         | \$(153   |

The carrying amounts for guarantees included in policyholder account balances above include nonperformance risk adjustments of \$462 million and \$299 million at December 31, 2015 and 2014, respectively. These nonperformance risk adjustments represent the impact of including a credit spread when discounting the underlying risk neutral cash flows to determine the estimated fair values. The nonperformance risk adjustment does not have an economic impact on us as it cannot be monetized given the nature of these policyholder liabilities. The change in valuation arising from the nonperformance risk adjustment is not hedged.

The carrying values of these guarantees can change significantly during periods of sizable and sustained shifts in equity market performance, equity volatility, interest rates or foreign currency exchange rates. Carrying values are also impacted by our assumptions around mortality, separate account returns and policyholder behavior, including lapse rates.

Table of Contents

As discussed below, we use a combination of product design, hedging strategies, reinsurance, and other risk management actions to mitigate the risks related to these benefits. Within each type of guarantee, there is a range of product offerings reflecting the changing nature of these products over time. Changes in product features and terms are in part driven by customer demand but, more importantly, reflect our risk management practices of continuously evaluating the guaranteed benefits and their associated asset-liability matching. Recently, we have been diversifying the concentration of income benefits in the portfolio of the Company's Retail Annuities business by focusing on withdrawal benefits, variable annuities without living benefits and index-linked annuities. To this end, the GMIBs will not be available for new purchases after February 19, 2016.

The sections below provide further detail by total account value for certain of our most popular guarantees. Total account values include amounts not reported in the consolidated balance sheets from assumed business, contractholder-directed investments which do not qualify for presentation as separate account assets, and amounts included in our general account. The total account values and the net amounts at risk include direct and assumed business, but exclude offsets from hedging or ceded reinsurance, if any.

**GMDBs**

We offer a range of GMDBs to our contractholders. The table below presents GMDBs, by benefit type, at December 31, 2015:

|   | Total Account Value (1) |             |                   |
|---|-------------------------|-------------|-------------------|
|   | Americas                | Asia & EMEA | Corporate & Other |
|   | (In millions)           |             |                   |
| Return of premium or five to seven year step-up | \$100,518               | \$9,916     | \$10,715          |
| Annual step-up                                  | 27,796                  | —           | —                 |
| Roll-up and step-up combination                 | 36,539                  | —           | —                 |
| Total   | \$164,853               | \$9,916     | \$10,715          |

(1) Total account value excludes \$2.1 billion for contracts with no GMDBs. Further, many of our annuity contracts offer more than one type of guarantee such that GMDB amounts listed above are not mutually exclusive to the amounts in the living benefit guarantees table below.

Based on total account value, less than 39% of our GMDBs included enhanced death benefits such as the annual step-up or roll-up and step-up combination products. We expect the above GMDB risk profile to be relatively consistent for the foreseeable future.

**Living Benefit Guarantees**

The table below presents our living benefit guarantees based on total account values at December 31, 2015:

|                                | Total Account Value (1) |             |                   |
|--------------------------------|-------------------------|-------------|-------------------|
|                                | Americas                | Asia & EMEA | Corporate & Other |
|                                | (In millions)           |             |                   |
| GMIB                           | \$90,292                | \$—         | \$—               |
| GMWB - non-life contingent (2) | 5,704                   | 2,647       | 2,319             |
| GMWB - life-contingent         | 22,144                  | 4,524       | 7,416             |
| GMAB                           | 675                     | 1,376       | 980               |
|                                | \$118,815               | \$8,547     | \$10,715          |

(1) Total account value excludes \$48.1 billion for contracts with no living benefit guarantees. Further, many of our annuity contracts offer more than one type of guarantee such that living benefit guarantee amounts listed above are not mutually exclusive of the amounts in the GMDBs table above.

(2) The Asia and EMEA segments include the non-life contingent portion of the GMWB total account value of \$948 million with a guarantee at annuitization.



Table of Contents

In terms of total account value, GMIBs are our most significant living benefit guarantee. Our primary risk management strategy for our GMIB products is our derivatives hedging program as discussed below. Additionally, we have engaged in certain reinsurance agreements covering some of our GMIB business. As part of our overall risk management approach for living benefit guarantees, we continually monitor the reinsurance markets for the right opportunity to purchase additional coverage for our GMIB business.

The table below presents our GMIB associated total account values, by their guaranteed payout basis, at December 31, 2015:

|   | Total<br>Account Value<br>(In millions) |
|---|---|
| 7-year setback, 2.5% interest rate                                | \$32,382                                |
| 7-year setback, 1.5% interest rate                                | 5,632                                   |
| 10-year setback, 1.5% interest rate                               | 18,340                                  |
| 10-year mortality projection, 10-year setback, 1.0% interest rate | 29,751                                  |
| 10-year mortality projection, 10-year setback, 0.5% interest rate | 4,187                                   |
|   | \$90,292                                |

The annuitization interest rates on GMIBs have been decreased from 2.5% to 0.5% over time, partially in response to the low interest rate environment, accompanied by an increase in the setback period from seven years to 10 years and the more recent introduction of a 10-year mortality projection.

Additionally, 33% of the \$90.3 billion of GMIB total account value has been invested in managed volatility funds as of December 31, 2015. These funds seek to manage volatility by adjusting the fund holdings within certain guidelines based on capital market movements. Such activity reduces the overall risk of the underlying funds while maintaining their growth opportunities. These risk mitigation techniques translate to a reduction or elimination of the need for us to manage the funds' volatility through hedging or reinsurance.

Our GMIB products typically have a waiting period of 10 years to be eligible for annuitization. As of December 31, 2015, only 15% of our contracts with GMIBs were eligible for annuitization. The remaining contracts are not eligible for annuitization for an average of six years.

Once eligible for annuitization, contractholders would only be expected to annuitize if their contracts were in-the-money. We calculate in-the-moneyness with respect to GMIBs consistent with net amount at risk as discussed in Note 4 of the Notes to the Consolidated Financial Statements, by comparing the contractholders' income benefits based on total account values and current annuity rates versus the guaranteed income benefits. The net amount at risk was \$2,762 million at December 31, 2015, of which \$2,619 million was related to GMIB guarantees. For those contracts with GMIB, the table below presents details of contracts that are in-the-money and out-of-the money at December 31, 2015:

|                  | In-the-Moneyness | Total<br>Account Value<br>(In millions) | % of Total |   |
|------------------|------------------|---|------------|---|
| In-the-money     | 30% +            | \$2,460                                 | 3          | % |
|                  | 20% to 30%       | 1,970                                   | 2          | % |
|                  | 10% to 20%       | 3,722                                   | 4          | % |
|                  | 0% to 10%        | 6,180                                   | 7          | % |
|                  |                  | 14,332                                  |            |   |
| Out-of-the-money | -10% to 0%       | 12,662                                  | 14         | % |
|                  | -20% to 10%      | 11,540                                  | 13         | % |
|                  | -20% +           | 51,758                                  | 57         | % |
|                  |                  | 75,960                                  |            |   |
| Total GMIBs      |                  | \$90,292                                |            |   |



Table of Contents

## Derivatives Hedging Variable Annuity Guarantees

Our risk mitigating hedging strategy uses various OTC and exchange traded derivatives. The table below presents the gross notional amount, estimated fair value and primary underlying risk exposure of the derivatives hedging our variable annuity guarantees:

| Primary Underlying Risk Exposure | Instrument Type            | December 31, 2015                      |                      |             | 2014                  |                      |             |
|----------------------------------|----------------------------|--|----------------------|-------------|-----------------------|----------------------|-------------|
|                                  |                            | Gross Notional Amount<br>(In millions) | Estimated Fair Value |             | Gross Notional Amount | Estimated Fair Value |             |
|                                  |                            |  | Assets               | Liabilities |                       | Assets               | Liabilities |
| Interest rate                    | Interest rate swaps        | \$23,430                               | \$2,056              | \$966       | \$22,794              | \$1,881              | \$834       |
|                                  | Interest rate futures      | 3,915                                  | 4                    | 5           | 2,707                 | 3                    | 9           |
|                                  | Interest rate options      | 24,923                                 | 994                  | 7           | 36,510                | 908                  | 26          |
| Foreign currency exchange rate   | Foreign currency forwards  | 2,305                                  | 29                   | 7           | 2,241                 | 1                    | 137         |
|                                  | Foreign currency futures   | 135                                    | —                    | —           | 522                   | 2                    | —           |
| Equity market                    | Equity futures             | 7,104                                  | 61                   | 18          | 6,065                 | 65                   | 2           |
|                                  | Equity options             | 54,113                                 | 1,541                | 1,041       | 37,427                | 1,422                | 1,035       |
|                                  | Variance swaps             | 23,437                                 | 195                  | 636         | 24,598                | 196                  | 639         |
|                                  | Total rate of return swaps | 3,803                                  | 47                   | 58          | 3,297                 | 22                   | 101         |
|                                  | Total                      | \$143,165                              | \$4,927              | \$2,738     | \$136,161             | \$4,500              | \$2,783     |

The change in estimated fair values of our derivatives is recorded in policyholder benefits and claims if they are hedging guarantees included in future policy benefits, and in net derivative gains (losses) if they are hedging guarantees included in policyholder account balances.

Our hedging strategy involves the significant use of static longer-term derivative instruments to avoid the need to execute transactions during periods of market disruption or higher volatility. We continually monitor the capital markets for opportunities to adjust our liability coverage, as appropriate. Futures are also used to dynamically adjust the daily coverage levels as markets and liability exposures fluctuate.

We remain liable for the guaranteed benefits in the event that reinsurers or derivative counterparties are unable or unwilling to pay. Certain of our reinsurance agreements and most derivative positions are collateralized and derivatives positions are subject to master netting agreements, both of which significantly reduce the exposure to counterparty risk. In addition, we are subject to the risk that hedging and other risk management actions prove ineffective or that unanticipated policyholder behavior or mortality, combined with adverse market events, produces economic losses beyond the scope of the risk management techniques employed.

## Liquidity and Capital Resources

## Overview

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility and disruptions in global capital markets, particular markets, or financial asset classes can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities are sensitive to changing market factors. The global markets and economy continue to experience volatility that may affect our financing costs and market interest for our debt or equity securities. For further information regarding market factors that could affect our ability to meet liquidity and capital needs, see “— Industry Trends” and “— Investments — Current Environment.”

## Liquidity Management

Based upon the strength of our franchise, diversification of our businesses, strong financial fundamentals and the substantial funding sources available to us as described herein, we continue to believe we have access to ample liquidity to meet business requirements under current market conditions and reasonably possible stress scenarios. We

continuously monitor and adjust our liquidity and capital plans for MetLife, Inc. and its subsidiaries in light of market conditions, as well as changing needs and opportunities.

151

---

Table of Contents

## Short-term Liquidity

We maintain a substantial short-term liquidity position, which was \$11.1 billion and \$14.0 billion at December 31, 2015 and 2014, respectively. Short-term liquidity includes cash and cash equivalents and short-term investments, excluding assets that are pledged or otherwise committed including: (i) amounts related to cash collateral received under our securities lending program; (ii) amounts related to cash collateral received from counterparties in connection with derivatives; and (iii) cash held in the closed block.

## Liquid Assets

An integral part of our liquidity management includes managing our level of liquid assets, which was \$229.4 billion and \$237.4 billion at December 31, 2015 and 2014, respectively. Liquid assets include cash and cash equivalents, short-term investments and publicly-traded securities, excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include: (i) amounts related to cash collateral received under our securities lending program; (ii) amounts related to cash collateral received from counterparties in connection with derivatives; (iii) cash and investments held in the closed block, in regulatory custodial accounts or on deposit with regulatory agencies; (iv) investments held in trust in support of collateral financing arrangements; and (v) investments pledged in support of funding agreements, derivatives and short sale agreements.

## Capital Management

We have established several senior management committees as part of our capital management process. These committees, including the Capital Management Committee and the Enterprise Risk Committee (“ERC”), regularly review actual and projected capital levels (under a variety of scenarios including stress scenarios) and our annual capital plan in accordance with our capital policy. The Capital Management Committee is comprised of members of senior management, including MetLife, Inc.’s Chief Financial Officer, Treasurer and Chief Risk Officer (“CRO”). The ERC is also comprised of members of senior management, including MetLife, Inc.’s Chief Financial Officer, CRO and Chief Investment Officer.

Our Board and senior management are directly involved in the development and maintenance of our capital policy. The capital policy sets forth, among other things, minimum and target capital levels and the governance of the capital management process. All capital actions, including proposed changes to the annual capital plan, capital targets or capital policy, are reviewed by the Finance and Risk Committee of the Board prior to obtaining full Board approval. The Board approves the capital policy and the annual capital plan and authorizes capital actions, as required. See “Risk Factors — Capital-Related Risks — Regulatory Restrictions and Uncertainty and Restrictions Under the Terms of Certain of Our Securities May Prevent Us from Repurchasing Our Stock and Paying Dividends at the Level We Wish” and Note 16 of the Notes to the Consolidated Financial Statements for information regarding restrictions on payment of dividends and stock repurchases. See also “— The Company — Liquidity and Capital Uses — Common Stock Repurchases” for information regarding MetLife, Inc.’s common stock repurchase authorizations.

## The Company

## Liquidity

Liquidity refers to a company’s ability to generate adequate amounts of cash to meet its needs. We determine our liquidity needs based on a rolling 12-month forecast by portfolio of invested assets which we monitor daily. We adjust the asset mix and asset maturities based on this rolling 12-month forecast. To support this forecast, we conduct cash flow and stress testing, which include various scenarios of the potential risk of early contractholder and policyholder withdrawal. We include provisions limiting withdrawal rights on many of our products, including general account pension products sold to employee benefit plan sponsors. Certain of these provisions prevent the customer from making withdrawals prior to the maturity date of the product. In the event of significant cash requirements beyond anticipated liquidity needs, we have various alternatives available depending on market conditions and the amount and timing of the liquidity need. These available alternatives include cash flows from operations, sales of liquid assets, global funding sources and various credit facilities.



Table of Contents

Under certain stressful market and economic conditions, our access to liquidity may deteriorate, or the cost to access liquidity may increase. If we require significant amounts of cash on short notice in excess of anticipated cash requirements or if we are required to post or return cash collateral in connection with derivatives or our securities lending program, we may have difficulty selling investments in a timely manner, be forced to sell them for less than we otherwise would have been able to realize, or both. In addition, in the event of such forced sale, accounting guidance requires the recognition of a loss for certain securities in an unrealized loss position and may require the impairment of other securities if there is a need to sell such securities, which may negatively impact our financial condition. See “Risk Factors — Investment-Related Risks — Should the Need Arise, We May Have Difficulty Selling Certain Holdings in Our Investment Portfolio or in Our Securities Lending Program in a Timely Manner and Realizing Full Value Given Their Illiquid Nature.”

In extreme circumstances, all general account assets within a particular legal entity — other than those which may have been pledged to a specific purpose — are available to fund obligations of the general account of that legal entity.

Capital

We manage our capital position to maintain our financial strength and credit ratings. Our capital position is supported by our ability to generate strong cash flows within our operating companies and borrow funds at competitive rates, as well as by our demonstrated ability to raise additional capital to meet operating and growth needs despite adverse market and economic conditions.

Rating Agencies

Rating agencies assign insurer financial strength ratings to MetLife, Inc.’s domestic life insurance subsidiaries and credit ratings to MetLife, Inc. and certain of its subsidiaries. Financial strength ratings represent the opinion of rating agencies regarding the ability of an insurance company to pay obligations under insurance policies and contracts in accordance with their terms. Credit ratings indicate the rating agency’s opinion regarding a debt issuer’s ability to meet the terms of debt obligations in a timely manner. They are important factors in our overall funding profile and ability to access certain types of liquidity. The level and composition of regulatory capital at the subsidiary level and our equity capital are among the many factors considered in determining our insurer financial strength ratings and credit ratings. Each agency has its own capital adequacy evaluation methodology, and assessments are generally based on a combination of factors. In addition to heightening the level of scrutiny that they apply to insurance companies, rating agencies have increased and may continue to increase the frequency and scope of their credit reviews, may request additional information from the companies that they rate and may adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. See “Business — Company Ratings” for further information on our insurer financial strength ratings.

Downgrades in our insurer 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 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 post additional collateral under certain of our financing and derivative transactions;
- requiring us to reduce prices for our products and services to remain competitive; and
- adversely affecting our ability to obtain reinsurance at reasonable prices or at all.

A downgrade in the credit ratings or insurer financial strength ratings of MetLife, Inc. or its subsidiaries would likely impact us in the following ways, including:

- impact our ability to generate cash flows from the sale of funding agreements and other capital market products offered by our Corporate Benefit Funding segment;
- impact the cost and availability of financing for MetLife, Inc. and its subsidiaries; and
- result in additional collateral requirements or other required payments under certain agreements, which are eligible to be satisfied in cash or by posting investments held by the subsidiaries subject to the agreements. See “— Liquidity and Capital Uses — Pledged Collateral.”



Table of Contents

## Statutory Capital and Dividends

Our U.S. insurance subsidiaries have statutory surplus well above levels to meet current regulatory requirements. RBC requirements are used as minimum capital requirements by the NAIC and the state insurance departments to identify companies that merit regulatory action. RBC is based on a formula calculated by applying factors to various asset, premium, claim, expense and statutory reserve items. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk, market risk and business risk and is calculated on an annual basis. The formula is used as an early warning regulatory tool to identify possible inadequately capitalized insurers for purposes of initiating regulatory action, and not as a means to rank insurers generally. These rules apply to most of our U.S. insurance subsidiaries. State insurance laws provide insurance regulators the authority to require various actions by, or take various actions against, insurers whose total adjusted capital does not meet or exceed certain RBC levels. At the date of the most recent annual statutory financial statements filed with insurance regulators, the total adjusted capital of each of these subsidiaries subject to these requirements was in excess of each of those RBC levels.

As a Delaware corporation, American Life is subject to Delaware law; however, because it does not conduct insurance business in Delaware or any other domestic state, it is exempt from RBC requirements under Delaware law. American Life's operations are also regulated by applicable authorities of the countries in which it operates and is subject to capital and solvency requirements in those countries.

The amount of dividends that our insurance subsidiaries can pay to MetLife, Inc. or to other parent entities is constrained by the amount of surplus we hold to maintain our ratings and provides an additional margin for risk protection and investment in our businesses. We proactively take actions to maintain capital consistent with these ratings objectives, which may include adjusting dividend amounts and deploying financial resources from internal or external sources of capital. Certain of these activities may require regulatory approval. Furthermore, the payment of dividends and other distributions to MetLife, Inc. and other parent entities by their respective insurance subsidiaries is governed by insurance laws and regulations. See "Business — Regulation — U.S. Regulation — Insurance Regulation," "Business — Regulation — International Regulation," "— MetLife, Inc. — Liquidity and Capital Sources — Dividends from Subsidiaries" and Note 16 of the Notes to the Consolidated Financial Statements.

## Affiliated Captive Reinsurance Transactions

Various subsidiaries of MetLife, Inc. cede specific policy classes, including term and universal life insurance, participating whole life insurance, long-term disability insurance, group life insurance and other business to various wholly-owned captive reinsurers. The reinsurance activities among these affiliated companies are eliminated within our consolidated results of operations. The statutory reserves of such affiliated captive reinsurers are supported by a combination of funds withheld assets, investment assets and letters of credit issued by unaffiliated financial institutions. MetLife, Inc. has committed to maintain the surplus of several of the domestic affiliated captive reinsurers, as well as provided guarantees of the reinsurers' and other affiliated international insurance entities' repayment obligations on the letters of credit. MetLife, Inc. has also provided guarantees of these reinsurers' repayment obligations on derivative and certain reinsurance agreements entered into by these reinsurers. See "— MetLife, Inc. — Liquidity and Capital Uses — Support Agreements" for further details on certain of these guarantees. Various subsidiaries of MetLife, Inc. enter into reinsurance agreements with affiliated captive reinsurers for risk and capital management purposes, as well as to manage statutory reserve requirements related to universal life and term life insurance policies and other business.

The NAIC continues to review insurance companies' use of affiliated captive reinsurers and off-shore entities. The New York Department of Financial Services continues to have a moratorium on new reserve financing transactions involving captive insurers. We are not aware of any states other than New York and California implementing such a moratorium. While such a moratorium would not impact our existing reinsurance agreements with captive reinsurers, a moratorium placed on the use of captives for new reserve financing transactions could impact our ability to write certain products and/or impact our RBC ratios and ability to deploy excess capital in the future. This could result in our need to increase prices, modify product features or limit the availability of those products to our customers. While this affects insurers across the industry, it could adversely impact our competitive position and our results of operations in the future. We continue to evaluate product modifications, pricing structure and alternative means of

managing risks, capital and statutory reserves and we expect the discontinued use of captive reinsurance on new reserve financing transactions would not have a material impact on our future consolidated financial results.

Table of Contents

Our variable annuity guaranteed minimum benefit risk and certain other risks were previously ceded to an affiliated captive reinsurer. In November 2014, this captive reinsurer merged with and into MetLife USA as part of the Mergers, further reducing the Company's exposure to and use of captive reinsurers. See "— Executive Summary — Other Key Information — Significant Events" for further information on the Mergers. See also "Risk Factors — Regulatory and Legal Risks — Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth — U.S. Regulation — Insurance Regulation" and Note 6 of the Notes to the Consolidated Financial Statements for further information on our reinsurance activities.

## Summary of the Company's Primary Sources and Uses of Liquidity and Capital

Our primary sources and uses of liquidity and capital are summarized as follows:

|  | Years Ended December 31, |          |           |
|--|--------------------------|----------|-----------|
|  | 2015                     | 2014     | 2013      |
|  | (In millions)            |          |           |
| <b>Sources:</b>  |                          |          |           |
| Operating activities, net  | \$14,129                 | \$16,376 | \$16,131  |
| Changes in policyholder account balances, net  | —                        | 1,483    | —         |
| Changes in payables for collateral under securities loaned and other transactions, net | 1,544                    | 5,031    | —         |
| Short-term debt issuances, net   | —                        | —        | 75        |
| Long-term debt issued  | 3,893                    | 1,000    | 1,372     |
| Cash received in connection with redeemable noncontrolling interests                   | —                        | —        | 774       |
| Common stock issued, net of issuance costs   | —                        | 1,000    | 1,000     |
| Preferred stock issued, net of issuance costs  | 1,483                    | —        | —         |
| Other, net   | 198                      | —        | —         |
| Total sources  | 21,247                   | 24,890   | 19,352    |
| <b>Uses:</b>   |                          |          |           |
| Investing activities, net  | 10,398                   | 15,055   | 15,165    |
| Changes in policyholder account balances, net  | 1,717                    | —        | 5,681     |
| Changes in payables for collateral under securities loaned and other transactions, net | —                        | —        | 3,276     |
| Short-term debt repayments, net  | —                        | 75       | —         |
| Long-term debt repaid  | 1,438                    | 2,862    | 1,746     |
| Collateral financing arrangements repaid   | 57                       | —        | —         |
| Treasury stock acquired in connection with share repurchases                           | 1,930                    | 1,000    | —         |
| Repurchase of preferred stock  | 1,460                    | —        | —         |
| Preferred stock repurchase premium   | 42                       | —        | —         |
| Dividends on preferred stock   | 116                      | 122      | 122       |
| Dividends on common stock  | 1,653                    | 1,499    | 1,119     |
| Other, net   | —                        | 700      | 184       |
| Effect of change in foreign currency exchange rates on cash and cash equivalents       | 492                      | 354      | 212       |
| Total uses   | 19,303                   | 21,667   | 27,505    |
| Net increase (decrease) in cash and cash equivalents                                   | \$1,944                  | \$3,223  | \$(8,153) |

## Cash Flows from Operations

The principal cash inflows from our insurance activities come from insurance premiums, net investment income, annuity considerations and deposit funds. The principal cash outflows relate to various life insurance, property & casualty, annuity and pension products, operating expenses and income tax, as well as interest expense. A primary liquidity concern with respect to these cash flows is the risk of early contractholder and policyholder withdrawal.



Table of Contents**Cash Flows from Investments**

The principal cash inflows from our investment activities come from repayments of principal, proceeds from maturities and sales of investments and settlements of freestanding derivatives. The principal cash outflows relate to purchases of investments, issuances of policy loans and settlements of freestanding derivatives. Additional cash outflows relate to purchases of businesses. We typically have a net cash outflow from investing activities because cash inflows from insurance operations are reinvested in accordance with our ALM discipline to fund insurance liabilities. We closely monitor and manage these risks through our comprehensive investment risk management process. The primary liquidity concerns with respect to these cash flows are the risk of default by debtors and market disruption.

**Cash Flows from Financing**

The principal cash inflows from our financing activities come from issuances of debt and other securities, deposits of funds associated with policyholder account balances and lending of securities. The principal cash outflows come from repayments of debt, payments of dividends on and repurchases of MetLife, Inc.'s securities, withdrawals associated with policyholder account balances and the return of securities on loan. The primary liquidity concerns with respect to these cash flows are market disruption and the risk of early contractholder and policyholder withdrawal.

**Liquidity and Capital Sources**

In addition to the general description of liquidity and capital sources in “— Summary of the Company’s Primary Sources and Uses of Liquidity and Capital,” the following additional information is provided regarding our primary sources of liquidity and capital:

**Global Funding Sources**

Liquidity is provided by a variety of global funding sources, including funding agreements, credit facilities and commercial paper. Capital is provided by a variety of global funding sources, including short-term and long-term debt, collateral financing arrangements, junior subordinated debt securities, preferred securities, equity securities and equity-linked securities. The diversity of our global funding sources enhances our funding flexibility, limits dependence on any one market or source of funds and generally lowers the cost of funds. Our primary global funding sources include:

**Preferred Stock**

In June 2015, MetLife, Inc. issued 1,500,000 shares of 5.25% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C (the “Series C preferred stock”), with a \$0.01 par value per share and a liquidation preference of \$1,000 per share, for aggregate proceeds of \$1.5 billion. See Note 16 of the Notes to the Consolidated Financial Statements for further information.

**Common Stock**

In October 2014 and September 2013, MetLife, Inc. issued 22,907,960 new shares and 22,679,955 new shares, respectively, of its common stock, each for \$1.0 billion, in connection with the remarketing of senior debt securities and settlement of stock purchase contracts. See “— Remarketing of Senior Debt Securities and Settlement of Stock Purchase Contracts.”

**Commercial Paper, Reported in Short-term Debt**

MetLife, Inc. and MetLife Funding, Inc. (“MetLife Funding”) each have a commercial paper program that is supported by the \$4.0 billion general corporate credit facility (see “— Credit and Committed Facilities”). MetLife Funding raises cash from its commercial paper program and uses the proceeds to extend loans through MetLife Credit Corp., another subsidiary of MLIC, to affiliates in order to enhance the financial flexibility and liquidity of these companies.

**Federal Home Loan Bank Funding Agreements, Reported in Policyholder Account Balances**

Certain of our domestic insurance subsidiaries are members of a regional FHLB. During the years ended December 31, 2015, 2014 and 2013, we issued \$21.6 billion, \$13.9 billion and \$11.5 billion, respectively, and repaid \$21.1 billion, \$14.0 billion and \$11.8 billion, respectively, under funding agreements with certain regional FHLBs. At December 31, 2015 and 2014, total obligations outstanding under these funding agreements were \$15.5 billion and \$15.0 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements.

Table of Contents

Special Purpose Entity Funding Agreements, Reported in Policyholder Account Balances

We issue fixed and floating rate funding agreements which are denominated in either U.S. dollars or foreign currencies, to certain SPEs that have issued either debt securities or commercial paper for which payment of interest and principal is secured by such funding agreements. During the years ended December 31, 2015, 2014 and 2013, we issued \$48.1 billion, \$48.9 billion and \$37.7 billion, respectively, and repaid \$49.9 billion, \$45.6 billion and \$36.8 billion, respectively, under such funding agreements. At December 31, 2015 and 2014, total obligations outstanding under these funding agreements were \$31.6 billion and \$33.9 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements.

Federal Agricultural Mortgage Corporation Funding Agreements, Reported in Policyholder Account Balances

We have issued funding agreements to Farmer Mac, as well as to certain SPEs that have issued debt securities for which payment of interest and principal is secured by such funding agreements, and such debt securities are also guaranteed as to payment of interest and principal by Farmer Mac. The obligations under all such funding agreements are secured by a pledge of certain eligible agricultural real estate mortgage loans. During the years ended December 31, 2015 and 2014, we issued \$50 million and \$200 million, respectively, and repaid \$250 million and \$200 million, respectively, under such funding agreements. During the year ended December 31, 2013, there were no issuances or repayments under such funding agreements. At December 31, 2015 and 2014, total obligations outstanding under these funding agreements were \$2.6 billion and \$2.8 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements.

Debt Issuances and Other Borrowings

See Note 12 of the Notes to the Consolidated Financial Statements for further information on the following issuances of debt and other borrowings:

- In December 2015, MetLife Private Equity Holdings, LLC (“MPEH”), a wholly-owned indirect investment subsidiary of MLIC, borrowed \$350 million under term loans that mature in December 2020 (see “Other Notes” in Note 12 of the Notes to the Consolidated Financial Statements for further information);
- In November 2015, MetLife, Inc. issued \$1.3 billion of senior notes for general corporate purposes, which include repayment of certain senior notes upon their maturity in 2016;
- In March 2015, MetLife, Inc. issued \$1.5 billion of senior notes for general corporate purposes, which included repayment of certain senior notes upon their maturity in 2015;
- In April 2014, MetLife, Inc. issued \$1.0 billion of senior notes for general corporate purposes, which included repayment of certain senior notes upon their maturity in 2014 and the redemption of certain senior notes due in 2033; and
- In November 2013, MetLife, Inc. issued \$1.0 billion of senior notes for general corporate purposes, which included repayment of certain senior notes upon their maturity in 2014.

Remarketing of Senior Debt Securities and Settlement of Stock Purchase Contracts

In each of October 2014 and September 2013, MetLife, Inc. closed the successful remarketings of \$1.0 billion of senior debt securities underlying common equity units issued in November 2010 in connection with the acquisition of ALICO. MetLife, Inc. did not receive any proceeds from the remarketings. Most common equity unit holders used the remarketing proceeds to settle their payment obligations under the applicable stock purchase contracts. The subsequent settlement of the stock purchase contracts provided proceeds to MetLife, Inc. of \$1.0 billion in each of October 2014 and September 2013 in exchange for newly issued shares of MetLife, Inc.’s common stock as described in “— Common Stock” above.

See Note 15 of the Notes to the Consolidated Financial Statements.

Credit and Committed Facilities

At December 31, 2015, we maintained a \$4.0 billion unsecured credit facility and certain committed facilities aggregating \$11.9 billion. When drawn upon, these facilities bear interest at varying rates in accordance with the respective agreements.

The unsecured credit facility is used for general corporate purposes, to support the borrowers’ commercial paper programs and for the issuance of letters of credit. At December 31, 2015, we had outstanding \$484 million in letters of credit and no drawdowns against this facility. Remaining availability was \$3.5 billion at December 31, 2015.





Table of Contents

The committed facilities are used for collateral for certain of our affiliated reinsurance liabilities. At December 31, 2015, \$6.6 billion in letters of credit and \$2.8 billion in aggregate drawdowns under collateral financing arrangements were outstanding. Remaining availability was \$2.4 billion at December 31, 2015.

See Note 12 of the Notes to the Consolidated Financial Statements for further information about these facilities.

We have no reason to believe that our lending counterparties will be unable to fulfill their respective contractual obligations under these facilities. As commitments associated with letters of credit and financing arrangements may expire unused, these amounts do not necessarily reflect our actual future cash funding requirements.

#### Outstanding Debt Under Global Funding Sources

The following table summarizes our outstanding debt at:

|   | December 31,  |          |
|---|---------------|----------|
|   | 2015          | 2014     |
|   | (In millions) |          |
| Short-term debt                         | \$100         | \$100    |
| Long-term debt (1), (2)                 | \$17,963      | \$16,135 |
| Collateral financing arrangements (3)   | \$4,139       | \$4,196  |
| Junior subordinated debt securities (3) | \$3,194       | \$3,193  |

Excludes \$60 million and \$151 million at December 31, 2015 and 2014, respectively, of long-term debt relating to (1) CSEs — FVO (see Note 8 of the Notes to the Consolidated Financial Statements). For more information regarding long-term debt, see Note 12 of the Notes to the Consolidated Financial Statements.

Includes \$408 million and \$59 million of non-recourse debt at December 31, 2015 and 2014, respectively, for (2) which creditors have no access, subject to customary exceptions, to the general assets of the Company other than recourse to certain investment subsidiaries.

(3) For information regarding collateral financing arrangements and junior subordinated debt securities, see Notes 13 and 14 of the Notes to the Consolidated Financial Statements, respectively.

#### Debt and Facility Covenants

Certain of our debt instruments and committed facilities, as well as our unsecured credit facility, contain various administrative, reporting, legal and financial covenants. We believe we were in compliance with all such covenants at December 31, 2015.

#### Dispositions

Cash proceeds from dispositions during the years ended December 31, 2015, 2014 and 2013 were \$0, \$759 million and \$407 million, respectively. During the year ended December 31, 2013, the sale of MetLife Bank's depository business resulted in cash outflows of \$6.4 billion as a result of the buyer's assumption of the bank deposits liability in exchange for our cash payment.

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

#### Liquidity and Capital Uses

In addition to the general description of liquidity and capital uses in “— Summary of the Company's Primary Sources and Uses of Liquidity and Capital” and “— Contractual Obligations,” the following additional information is provided regarding our primary uses of liquidity and capital:

Table of Contents

## Preferred Stock Repurchase

In June 2015, MetLife, Inc. conducted a tender offer for up to 59,850,000 of its 60,000,000 shares of the 6.50% Non-Cumulative Preferred Stock, Series B (“Series B preferred stock”), at a purchase price of \$25 per share, plus an amount equal to accrued, unpaid and undeclared dividends from, and including, June 15, 2015 to, but excluding, June 29, 2015, the settlement date of the tender offer. In June 2015, MetLife, Inc. also delivered a notice of redemption to the holders of the Series B preferred stock, pursuant to which it would redeem any Series B preferred stock not purchased by it in the tender offer at a redemption price of \$25 per share, without any payment for accrued, unpaid and undeclared dividends on the Series B preferred stock from, and including, June 15, 2015 to, but excluding July 1, 2015, the redemption date. On June 29, 2015, MetLife, Inc. repurchased and canceled 37,192,413 shares of Series B preferred stock in the tender offer for \$932 million in cash. On July 1, 2015, MetLife, Inc. redeemed and canceled the remaining 22,807,587 shares of Series B preferred stock not tendered in the tender offer for an aggregate redemption price of \$570 million in cash. In connection with the tender offer and redemption, MetLife, Inc. recognized a preferred stock repurchase premium of \$42 million (calculated as the difference between the carrying value of the Series B preferred stock and the total amount paid by MetLife, Inc. to the holders of the Series B preferred stock in connection with the tender offer and redemption), which was reflected as a reduction to retained earnings on the consolidated balance sheet. See Note 16 of the Notes to the Consolidated Financial Statements.

## Common Stock Repurchases

In August 2014, MetLife, Inc. completed the remaining \$261 million in common stock repurchases under a \$1.0 billion authorization by the Board of Directors announced on January 15, 2008. In January 2015, MetLife, Inc. completed \$1.0 billion of common stock repurchases pursuant to a Board of Directors authorization announced on April 22, 2008. On December 12, 2014, MetLife, Inc. announced that its Board of Directors authorized \$1.0 billion of common stock repurchases in addition to previously authorized purchases, and on September 22, 2015, MetLife, Inc. announced that its Board of Directors authorized additional repurchases of \$739 million of its common stock, bringing MetLife, Inc.’s remaining available repurchase authorizations to \$1.0 billion as of September 22, 2015. In October 2015, MetLife, Inc. completed all remaining repurchases under the \$1.0 billion authorization announced by the Board of Directors on December 12, 2014. At December 31, 2015, MetLife, Inc. had \$70 million remaining under the September 2015 common stock repurchase authorization. MetLife, Inc. subsequently completed all repurchases under this authorization in January 2016. Under these authorizations, MetLife, Inc. may purchase its common stock from the MetLife Policyholder Trust, in the open market (including pursuant to the terms of a pre-set trading plan meeting the requirements of Rule 10b5-1 under the Exchange Act) and in privately negotiated transactions.

During the years ended December 31, 2015 and 2014, MetLife, Inc. repurchased 39,491,991 and 18,876,363 shares of common stock in the open market for \$1.9 billion and \$1.0 billion, respectively. MetLife, Inc. did not repurchase any shares of common stock during the year ended December 31, 2013. In 2016, through January 7, 2016, MetLife, Inc. repurchased 1,445,864 shares of its common stock in the open market for \$70 million completing the September 2015 authorization.

Common stock repurchases are dependent upon several factors, including our capital position, liquidity, financial strength and credit ratings, general market conditions, the market price of MetLife, Inc.’s common stock compared to management’s assessment of the stock’s underlying value and applicable regulatory approvals, as well as other legal and accounting factors. See “Business — Regulation — U.S. Regulation — Regulation as a Non-Bank SIFI,” “Business — Regulation — International Regulation — Global Systemically Important Insurers,” “Risk Factors — Capital-Related Risks — Regulatory Restrictions and Uncertainty and Restrictions Under the Terms of Certain of Our Securities May Prevent Us from Repurchasing Our Stock and Paying Dividends at the Level We Wish” and Note 16 of the Notes to the Consolidated Financial Statements.

## Dividends

During the years ended December 31, 2015, 2014 and 2013, MetLife, Inc. paid dividends on its common stock of \$1.7 billion, \$1.5 billion and \$1.1 billion, respectively. During the years ended December 31, 2015, 2014 and 2013, MetLife, Inc. paid dividends on its preferred stock of \$116 million, \$122 million, and \$122 million, respectively. See Note 16 of the Notes to the Consolidated Financial Statements for information regarding the calculation and timing of these dividend payments.



Table of Contents

The declaration and payment of common stock dividends is subject to the discretion of our Board of Directors, and will depend on MetLife, Inc.'s financial condition, results of operations, cash requirements, future prospects, regulatory restrictions on the payment of dividends by MetLife, Inc.'s insurance subsidiaries and other factors deemed relevant by the Board. On January 6, 2016, the MetLife, Inc. Board of Directors declared a first quarter 2016 common stock dividend of \$0.375 per share payable on March 14, 2016 to shareholders of record as of February 5, 2016. The Company estimates the aggregate dividend payment will be \$413 million.

Preferred stock dividends are paid quarterly in accordance with the terms of MetLife, Inc.'s Floating Rate Non-Cumulative Preferred Stock, Series A and, ending with the June 15, 2015 payment date for the Series B preferred stock. Dividends are paid semi-annually on MetLife, Inc.'s Series C preferred stock commencing December 15, 2015 and ending on June 15, 2020, and thereafter are paid quarterly.

The payment of dividends and other distributions by MetLife, Inc. to its security holders may be subject to regulation by the Federal Reserve as a result of MetLife, Inc.'s designation as a non-bank SIFI. See "Business — Regulation — U.S. Regulation — Regulation as a Non-Bank SIFI." In addition, if additional capital requirements are imposed on MetLife, Inc. as a G-SII, its ability to pay dividends could be reduced by any such additional capital requirements that might be imposed. See "Business — Regulation — International Regulation — Global Systemically Important Insurers." The payment of dividends is also subject to restrictions under the terms of our preferred stock and junior subordinated debentures in situations where we may be experiencing financial stress. See "Risk Factors — Capital-Related Risks — Regulatory Restrictions and Uncertainty and Restrictions Under the Terms of Certain of Our Securities May Prevent Us from Repurchasing Our Stock and Paying Dividends at the Level We Wish" and Note 16 of the Notes to the Consolidated Financial Statements.

**Debt Repayments**

See Notes 12 and 13 of the Notes to the Consolidated Financial Statements for further information on long-term and short-term debt and collateral financing arrangements, respectively, including:

- In June 2015, MetLife, Inc. repaid at maturity its \$1.0 billion 5.0% senior notes;

- In 2015, following regulatory approval, MetLife Reinsurance Company of Charleston ("MRC"), a wholly-owned subsidiary of MetLife, Inc., repurchased and canceled \$57 million in aggregate principal amount of its surplus notes;

- In June and February 2014, MetLife, Inc. repaid at maturity its \$350 million and \$1.0 billion senior notes, respectively;

- In May 2014, MetLife, Inc. redeemed \$200 million aggregate principal amount of its 5.875% senior notes due in November 2033 at par; and

- In November and August 2013, MetLife, Inc. repaid at maturity its \$500 million and \$250 million senior notes, respectively.

**Debt Repurchases**

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for other securities, in open market purchases, privately negotiated transactions or otherwise. Any such repurchases or exchanges will be dependent upon several factors, including our liquidity requirements, contractual restrictions, general market conditions, and applicable regulatory, legal and accounting factors. Whether or not to repurchase any debt and the size and timing of any such repurchases will be determined at our discretion.

**Support Agreements**

MetLife, Inc. and several of its subsidiaries (each, an "Obligor") are parties to various capital support commitments and guarantees with subsidiaries. Under these arrangements, each Obligor, with respect to the applicable entity, has agreed to cause such entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations. We anticipate that in the event that these arrangements place demands upon us, there will be sufficient liquidity and capital to enable us to meet anticipated demands. See "— MetLife, Inc. — Liquidity and Capital Uses — Support Agreements.

Table of Contents

## Insurance Liabilities

Liabilities arising from our insurance activities primarily relate to benefit payments under various life insurance, property & casualty, annuity and group pension products, as well as payments for policy surrenders, withdrawals and loans. For annuity or deposit type products, surrender or lapse behavior differs somewhat by segment. In the Retail segment, which includes individual annuities, lapses and surrenders tend to occur in the normal course of business. During the years ended December 31, 2015 and 2014, general account surrenders and withdrawals from annuity products were \$3.8 billion and \$4.5 billion, respectively. In the Corporate Benefit Funding segment, which includes pension risk transfers, bank-owned life insurance and other fixed annuity contracts, as well as funding agreements and other capital market products, most of the products offered have fixed maturities or fairly predictable surrenders or withdrawals. With regard to the Corporate Benefit Funding segment liabilities that provide customers with limited rights to accelerate payments, as of December 31, 2015, there were no funding agreements and other capital market products that could be put back to the Company.

## Pledged Collateral

We pledge collateral to, and have collateral pledged to us by, counterparties in connection with our derivatives. At December 31, 2015 and 2014, we were obligated to return cash collateral pledged to the Company of \$6.6 billion and \$4.6 billion, respectively. At December 31, 2015 and 2014, we had pledged cash collateral of \$241 million and \$391 million, respectively. With respect to OTC-bilateral derivatives in a net liability position that have credit contingent provisions, a one-notch downgrade in the Company's credit rating would have required \$1 million of additional collateral be provided to our counterparties as of December 31, 2015. See Note 9 of the Notes to the Consolidated Financial Statements for additional information about collateral pledged to us, collateral we pledge and derivatives subject to credit contingent provisions.

We pledged collateral and have had collateral pledged to us, and may be required from time to time to pledge additional collateral or be entitled to have additional collateral pledged to us, in connection with collateral financing arrangements related to the reinsurance of closed block and ULSG liabilities. See Note 13 of the Notes to the Consolidated Financial Statements.

We pledged collateral from time to time in connection with funding agreements. See Note 4 of the Notes to the Consolidated Financial Statements.

## Securities Lending

We participate in a securities lending program whereby securities are loaned to third parties, primarily brokerage firms and commercial banks. We obtain collateral, usually cash, from the borrower, which must be returned to the borrower when the loaned securities are returned to us. Under our securities lending program, we were liable for cash collateral under our control of \$30.2 billion and \$30.8 billion at December 31, 2015 and 2014, respectively. Of these amounts, \$10.1 billion and \$10.7 billion at December 31, 2015 and 2014, respectively, were on open, meaning that the related loaned security could be returned to us on the next business day requiring the immediate return of cash collateral we hold. The estimated fair value of the securities on loan related to the cash collateral on open at December 31, 2015 was \$9.9 billion, over 99% of which were U.S. Treasury and agency securities which, if put to us, could be immediately sold to satisfy the cash requirements to immediately return the cash collateral. See Note 8 of the Notes to the Consolidated Financial Statements.

## Litigation

Putative or certified class action litigation and other litigation, and claims and assessments against us, in addition to those discussed elsewhere herein and those otherwise provided for in the consolidated financial statements, have arisen in the course of our business, including, but not limited to, in connection with our activities as an insurer, employer, investor, investment advisor, taxpayer and, formerly, a mortgage lending bank. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning our compliance with applicable insurance and other laws and regulations. See Note 21 of the Notes to the Consolidated Financial Statements.

Table of Contents

We establish liabilities for litigation and regulatory loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. For material matters where a loss is believed to be reasonably possible but not probable, no accrual is made but we disclose the nature of the contingency and an aggregate estimate of the reasonably possible range of loss in excess of amounts accrued, when such an estimate can be made. It is not possible to predict or determine the ultimate outcome of all pending investigations and legal proceedings. In some of the matters referred to herein, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Although in light of these considerations, it is possible that an adverse outcome in certain cases could have a material adverse effect upon our financial position, based on information currently known by us, in our opinion, the outcome of such pending investigations and legal proceedings are not likely to have such an effect. However, given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on our consolidated net income or cash flows in particular quarterly or annual periods.

## Acquisitions

Cash outflows for acquisitions and investments in strategic partnerships during the years ended December 31, 2015, 2014 and 2013 were \$0, \$277 million and \$1.9 billion, respectively. See Note 3 of the Notes to the Consolidated Financial Statements for further information regarding acquisitions.

## Contractual Obligations

The following table summarizes our major contractual obligations at December 31, 2015:

|   | Total         | One Year<br>or Less | More than<br>One Year to<br>Three Years | More than<br>Three Years<br>to Five Years | More than<br>Five Years |
|---|---------------|---------------------|---|---|-------------------------|
|   | (In millions) |                     |   |   |                         |
| Insurance liabilities   | \$376,995     | \$23,088            | \$20,349                                | \$20,203                                  | \$313,355               |
| Policyholder account balances   | 286,125       | 28,278              | 33,094                                  | 21,612                                    | 203,141                 |
| Payables for collateral under securities<br>loaned and other transactions | 36,871        | 36,871              | —                                       | —   | —                       |
| Debt  | 43,768        | 2,604               | 4,384                                   | 4,019                                     | 32,761                  |
| Investment commitments  | 11,444        | 11,231              | 100                                     | 113                                       | —                       |
| Operating leases  | 2,027         | 321                 | 475                                     | 357                                       | 874                     |
| Other   | 18,281        | 17,810              | 22                                      | 11  | 438                     |
| Total   | \$775,511     | \$120,203           | \$58,424                                | \$46,315                                  | \$550,569               |

## Insurance Liabilities

Insurance liabilities include future policy benefits, other policy-related balances, policyholder dividends payable and the policyholder dividend obligation, which are all reported on the consolidated balance sheet and are more fully described in Notes 1 and 4 of the Notes to the Consolidated Financial Statements. The amounts presented reflect future estimated cash payments and (i) are based on mortality, morbidity, lapse and other assumptions comparable with our experience and expectations of future payment patterns; and (ii) consider future premium receipts on current policies in-force. All estimated cash payments presented are undiscounted as to interest, net of estimated future premiums on in-force policies and gross of any reinsurance recoverable. Payment of amounts related to policyholder dividends left on deposit are projected based on assumptions of policyholder withdrawal activity. Because the exact timing and amount of the ultimate policyholder dividend obligation is subject to significant uncertainty and the amount of the policyholder dividend obligation is based upon a long-term projection of the performance of the closed block, we have reflected the obligation at the amount of the liability, if any, presented in the consolidated balance sheet in the more than five years category. Additionally, the more than five years category includes estimated payments due for periods extending for more than 100 years.

The sum of the estimated cash flows shown for all years of \$377.0 billion exceeds the liability amounts of \$208.6 billion included on the consolidated balance sheet principally due to (i) the time value of money, which accounts for a substantial portion of the difference; and (ii) differences in assumptions, most significantly mortality, between the date the liabilities were initially established and the current date; and are partially offset by liabilities

related to accounting conventions, or which are not contractually due, which are excluded.

162

---



Table of Contents

Actual cash payments may differ significantly from the liabilities as presented in the consolidated balance sheets and the estimated cash payments as presented due to differences between actual experience and the assumptions used in the establishment of these liabilities and the estimation of these cash payments.

For the majority of our insurance operations, estimated contractual obligations for future policy benefits and policyholder account balances, as presented, are derived from the annual asset adequacy analysis used to develop actuarial opinions of statutory reserve adequacy for state regulatory purposes. These cash flows are materially representative of the cash flows under GAAP. See “— Policyholder Account Balances.”

**Policyholder Account Balances**

See Notes 1 and 4 of the Notes to the Consolidated Financial Statements for a description of the components of policyholder account balances. See “— Insurance Liabilities” regarding the source and uncertainties associated with the estimation of the contractual obligations related to future policy benefits and policyholder account balances.

Amounts presented represent the estimated cash payments undiscounted as to interest and including assumptions related to the receipt of future premiums and deposits; withdrawals, including unscheduled or partial withdrawals; policy lapses; surrender charges; annuitization; mortality; future interest credited; policy loans and other contingent events as appropriate for the respective product type. Such estimated cash payments are also presented net of estimated future premiums on policies currently in-force and gross of any reinsurance recoverable. For obligations denominated in foreign currencies, cash payments have been estimated using current spot foreign currency rates. The sum of the estimated cash flows shown for all years of \$286.1 billion exceeds the liability amount of \$202.7 billion included on the consolidated balance sheets principally due to (i) the time value of money, which accounts for a substantial portion of the difference; (ii) differences in assumptions, between the date the liabilities were initially established and the current date; and (iii) liabilities related to accounting conventions, or which are not contractually due, which are excluded.

**Payables for Collateral Under Securities Loaned and Other Transactions**

We have accepted cash collateral in connection with securities lending and derivatives. As the securities lending transactions expire within the next year and the timing of the return of the derivatives collateral is uncertain, the return of the collateral has been included in the one year or less category in the table. We also held non-cash collateral, which is not reflected as a liability in the consolidated balance sheet of \$2.2 billion at December 31, 2015.

**Debt**

Amounts presented for debt include short-term debt, long-term debt, collateral financing arrangements and junior subordinated debt securities, the total of which differs from the total of the corresponding amounts presented on the consolidated balance sheet due to the following: (i) the amounts presented herein do not include premiums or discounts upon issuance or purchase accounting fair value adjustments; (ii) the amounts presented herein include future interest on such obligations for the period from January 1, 2016 through maturity; and (iii) the amounts presented herein do not include \$60 million at December 31, 2015 of long-term debt relating to CSEs — FVO as such debt does not represent our contractual obligation. Future interest on variable rate debt was computed using prevailing rates at December 31, 2015 and, as such, does not consider the impact of future rate movements. Future interest on fixed rate debt was computed using the stated rate on the obligations for the period from January 1, 2016 through maturity, except with respect to junior subordinated debt which was computed using the stated rates through the scheduled redemption dates as it is our expectation that such obligations will be redeemed at that time. Inclusion of interest payments on junior subordinated debt securities through the final maturity dates would increase the contractual obligation by \$7.7 billion. Pursuant to collateral financing arrangements, MetLife, Inc. may be required to deliver cash or pledge collateral to the respective unaffiliated financial institutions. See Note 13 of the Notes to the Consolidated Financial Statements.

**Investment Commitments**

To enhance the return on our investment portfolio, we commit to lend funds under mortgage loans, bank credit facilities, bridge loans and private corporate bond investments and we commit to fund partnership investments. In the table, the timing of the funding of mortgage loans and private corporate bond investments is based on the expiration dates of the corresponding commitments. As it relates to commitments to fund partnerships and bank credit facilities, we anticipate that these amounts could be invested any time over the next five years; however, as the timing of the

fulfillment of the obligation cannot be predicted, such obligations are generally presented in the one year or less category. Commitments to fund bridge loans are short-term obligations and, as a result, are presented in the one year or less category. See Note 21 of the Notes to the Consolidated Financial Statements and “— Off-Balance Sheet Arrangements.”

163

---

Table of Contents

Operating Leases

As a lessee, we have various operating leases, primarily for office space. Contractual provisions exist that could increase or accelerate those lease obligations presented, including various leases with early buyouts and/or escalation clauses. However, the impact of any such transactions would not be material to our financial position or results of operations. See Note 21 of the Notes to the Consolidated Financial Statements.

Other

Other obligations presented are principally comprised of amounts due under reinsurance agreements, payables related to securities purchased but not yet settled, securities sold short, accrued interest on debt obligations, estimated fair value of derivative obligations, deferred compensation arrangements, guaranty liabilities, and accruals and accounts payable due under contractual obligations, which are all reported in other liabilities on the consolidated balance sheets. If the timing of any of these other obligations is sufficiently uncertain, the amounts are included within the one year or less category. Items reported in other liabilities on the consolidated balance sheets that were excluded from the table represent accounting conventions or are not liabilities due under contractual obligations. Unrecognized tax benefits and related accrued interest totaling \$2.0 billion was excluded as the timing of payment cannot be reliably determined.

Separate account liabilities are excluded as they are fully funded by cash flows from the corresponding separate account assets and are set equal to the estimated fair value of separate account assets.

We also enter into agreements to purchase goods and services in the normal course of business; however, such amounts are excluded as these purchase obligations were not material to our consolidated results of operations or financial position at December 31, 2015.

Additionally, we have agreements in place for services we conduct, generally at cost, between subsidiaries relating to insurance, reinsurance, loans and capitalization. Intercompany transactions have been eliminated in consolidation. Intercompany transactions among insurance subsidiaries and affiliates have been approved by the appropriate insurance regulators as required.

Table of Contents

## MetLife, Inc.

## Liquidity and Capital Management

Liquidity and capital are managed to preserve stable, reliable and cost-effective sources of cash to meet all current and future financial obligations and are provided by a variety of sources, including a portfolio of liquid assets, a diversified mix of short- and long-term funding sources from the wholesale financial markets and the ability to borrow through credit and committed facilities. Liquidity is monitored through the use of internal liquidity risk metrics, including the composition and level of the liquid asset portfolio, timing differences in short-term cash flow obligations, access to the financial markets for capital and debt transactions and exposure to contingent draws on MetLife, Inc.'s liquidity. MetLife, Inc. is an active participant in the global financial markets through which it obtains a significant amount of funding. These markets, which serve as cost-effective sources of funds, are critical components of MetLife, Inc.'s liquidity and capital management. Decisions to access these markets are based upon relative costs, prospective views of balance sheet growth and a targeted liquidity profile and capital structure. A disruption in the financial markets could limit MetLife, Inc.'s access to liquidity.

MetLife, Inc.'s ability to maintain regular access to competitively priced wholesale funds is fostered by its current credit ratings from the major credit rating agencies. We view our capital ratios, credit quality, stable and diverse earnings streams, diversity of liquidity sources and our liquidity monitoring procedures as critical to retaining such credit ratings. See “— The Company — Capital — Rating Agencies.”

## Liquidity

For a summary of MetLife, Inc.'s liquidity, see “— The Company — Liquidity.”

## Capital

For a summary of MetLife, Inc.'s capital, see “— The Company — Capital.” For further information regarding potential capital restrictions and limitations on MetLife, Inc. as a non-bank SIFI and G-SII, see “Business — Regulation — U.S. Regulation — Regulation as a Non-Bank SIFI” and “Business — Regulation — International Regulation — Global Systemically Important Insurers.” See also “— The Company — Liquidity and Capital Uses — Common Stock Repurchases” and “— The Company — Liquidity and Capital Uses — Preferred Stock Repurchase” for information regarding MetLife, Inc.'s common and preferred stock repurchases, respectively.

## Liquid Assets

At December 31, 2015 and 2014, MetLife, Inc. and other MetLife holding companies had \$6.4 billion and \$6.1 billion, respectively, in liquid assets. Of these amounts, \$5.3 billion and \$5.4 billion were held by MetLife, Inc. and \$1.1 billion and \$681 million were held by other MetLife holding companies at December 31, 2015 and 2014, respectively. Liquid assets include cash and cash equivalents, short-term investments and publicly-traded securities excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include: (i) amounts related to cash collateral received from counterparties in connection with derivatives; (ii) investments held in trust in support of collateral financing arrangements; and (iii) investments pledged in support of derivatives.

Liquid assets held in non-U.S. holding companies are generated in part through dividends from non-U.S. insurance operations. Such dividends are subject to local insurance regulatory requirements, as discussed in “— Liquidity and Capital Sources — Dividends from Subsidiaries.” The cumulative earnings of certain active non-U.S. operations have been reinvested indefinitely in such non-U.S. operations, as described in Note 19 of the Notes to the Consolidated Financial Statements. Under current tax laws, should we repatriate such earnings, we may be subject to additional U.S. income taxes and foreign withholding taxes.

## MetLife, Inc. and Other MetLife Holding Companies Sources and Uses of Liquid Assets and Sources and Uses of Liquid Assets included in Free Cash Flow

MetLife, Inc.'s sources and uses of liquid assets, as well as sources and uses of liquid assets included in free cash flow are summarized as follows.

Table of Contents

|   | Year Ended December<br>31, 2015            |  | Year Ended December<br>31, 2014            |  | Year Ended December<br>31, 2013            |  |
|---|--|--|--|--|--|--|
|   | Sources<br>and Uses of<br>Liquid<br>Assets | Sources<br>and Uses of<br>Liquid<br>Assets<br>Included in<br>Free Cash<br>Flow | Sources<br>and Uses of<br>Liquid<br>Assets | Sources<br>and Uses of<br>Liquid<br>Assets<br>Included in<br>Free Cash<br>Flow | Sources<br>and Uses of<br>Liquid<br>Assets | Sources<br>and Uses of<br>Liquid<br>Assets<br>Included in<br>Free Cash<br>Flow |
|   | (In millions)                              |  |  |  |  |  |
| MetLife, Inc. (Parent Company Only)   |  |  |  |  |  |  |
| Sources:  |  |  |  |  |  |  |
| Dividends and returns of capital from subsidiaries (1)  | \$2,340                                    | \$2,340  | \$2,388                                    | \$2,388  | \$3,301                                    | \$3,301  |
| Long-term debt issued (2)   | 2,739                                      | 1,750  | 1,000                                      | 445  | 994  | —  |
| Common stock issued, net of issuance costs  | —  | —  | 1,000                                      | —  | 1,000                                      | —  |
| Repayments on and (issuances of) loans to subsidiaries and related interest, net (3)                              | 383  | 383  | 597  | 597  | —  | —  |
| Proceeds from stock-based compensation and exercise of stock options  | 122  | 122  | 156  | 156  | 202  | 202  |
| Other, net (4)  | 652  | 673  | 1,177                                      | 1,177  | —  | —  |
| Total sources   | 6,236                                      | 5,268  | 6,318                                      | 4,763  | 5,497                                      | 3,503  |
| Uses:   |  |  |  |  |  |  |
| Capital contributions to subsidiaries (5)   | 667  | 667  | 1,262                                      | 1,011  | 748  | 598  |
| Long-term debt repaid - unaffiliated  | 1,000                                      | —  | 1,550                                      | —  | 750  | —  |
| Interest paid on debt and financing arrangements - unaffiliated   | 965  | 965  | 968  | 968  | 946  | 946  |
| Dividends on common stock   | 1,653                                      | —  | 1,499                                      | —  | 1,119                                      | —  |
| Treasury stock acquired in connection with share repurchases  | 1,930                                      | —  | 1,000                                      | —  | —  | —  |
| Purchase of preferred stock and preferred stock repurchase premium, net of proceeds from preferred stock issuance | 19   | —  | —  | —  | —  | —  |
| Dividends on preferred stock  | 116  | 116  | 122  | 122  | 122  | 122  |
| Issuances of and (repayments on) loans to subsidiaries and related interest, net (3) (5)                          | —  | —  | —  | —  | 1,223                                      | (319 )   |
| Other, net (4)  | —  | —  | —  | —  | 79   | 54   |
| Total uses  | 6,350                                      | 1,748  | 6,401                                      | 2,101  | 4,987                                      | 1,401  |
| Net increase (decrease) in liquid assets, MetLife, Inc. (Parent Company Only)                                     | (114 )                                     |  | (83 )                                      |  | 510  |  |
| Liquid assets, beginning of year  | 5,403                                      |  | 5,486                                      |  | 4,976                                      |  |
| Liquid assets, end of year  | \$5,289                                    | 3,520  | \$5,403                                    | 2,662  | \$5,486                                    | 2,102  |

Edgar Filing: METLIFE INC - Form 10-K

Free Cash Flow, MetLife, Inc. (Parent Company Only) (6)

|  |         |  |         |  |         |  |
|--|---------|--|---------|--|---------|--|
| Net cash provided by operating activities, MetLife, Inc. (Parent Company Only) (6) | \$1,606 |  | \$2,615 |  | \$1,865 |  |
|--|---------|--|---------|--|---------|--|

Other MetLife Holding Companies

Sources:

|  |         |         |         |         |       |       |
|--|---------|---------|---------|---------|-------|-------|
| Dividends and returns of capital from subsidiaries | \$1,354 | \$1,354 | \$1,339 | \$1,339 | \$822 | \$822 |
|--|---------|---------|---------|---------|-------|-------|

|  |     |     |   |   |     |     |
|--|-----|-----|---|---|-----|-----|
| Capital contributions from MetLife, Inc. | 150 | 150 | — | — | 403 | 403 |
|--|-----|-----|---|---|-----|-----|

|               |       |       |       |       |       |       |
|---------------|-------|-------|-------|-------|-------|-------|
| Total sources | 1,504 | 1,504 | 1,339 | 1,339 | 1,225 | 1,225 |
|---------------|-------|-------|-------|-------|-------|-------|

Uses:

|                                       |    |    |    |    |     |     |
|---------------------------------------|----|----|----|----|-----|-----|
| Capital contributions to subsidiaries | 27 | 27 | 48 | 48 | 201 | 201 |
|---------------------------------------|----|----|----|----|-----|-----|

|  |     |     |     |     |     |     |
|--|-----|-----|-----|-----|-----|-----|
| Repayments on and (issuance of) loans to subsidiaries and affiliates and related interest, net | 510 | 510 | 458 | 458 | 705 | 305 |
|--|-----|-----|-----|-----|-----|-----|

|            |     |     |     |     |     |     |
|------------|-----|-----|-----|-----|-----|-----|
| Other, net | 506 | 506 | 605 | 605 | 585 | 585 |
|------------|-----|-----|-----|-----|-----|-----|

|            |       |       |       |       |       |       |
|------------|-------|-------|-------|-------|-------|-------|
| Total uses | 1,043 | 1,043 | 1,111 | 1,111 | 1,491 | 1,091 |
|------------|-------|-------|-------|-------|-------|-------|

|   |     |  |     |  |       |   |
|---|-----|--|-----|--|-------|---|
| Net increase (decrease) in liquid assets, Other MetLife Holding Companies | 461 |  | 228 |  | (266) | ) |
|---|-----|--|-----|--|-------|---|

|                                  |     |  |     |  |     |  |
|----------------------------------|-----|--|-----|--|-----|--|
| Liquid assets, beginning of year | 681 |  | 453 |  | 719 |  |
|----------------------------------|-----|--|-----|--|-----|--|

|                            |         |  |       |  |       |  |
|----------------------------|---------|--|-------|--|-------|--|
| Liquid assets, end of year | \$1,142 |  | \$681 |  | \$453 |  |
|----------------------------|---------|--|-------|--|-------|--|

|   |  |     |  |     |  |     |
|---|--|-----|--|-----|--|-----|
| Free Cash Flow, Other MetLife Holding Companies (6) |  | 461 |  | 228 |  | 134 |
|---|--|-----|--|-----|--|-----|

|   |       |  |       |  |       |  |
|---|-------|--|-------|--|-------|--|
| Net increase (decrease) in liquid assets, All Holding Companies | \$347 |  | \$145 |  | \$244 |  |
|---|-------|--|-------|--|-------|--|

|   |  |         |  |         |  |         |
|---|--|---------|--|---------|--|---------|
| Free Cash Flow, All Holding Companies (6) |  | \$3,981 |  | \$2,890 |  | \$2,236 |
|---|--|---------|--|---------|--|---------|

(1) All dividends and returns of capital to MetLife, Inc. were from operating subsidiaries and none were from other MetLife holding companies during the years ended December 31, 2015, 2014 and 2013.

Table of Contents

(2) Included in free cash flow is the portion of long-term debt issued that represents incremental debt to be at or below target leverage ratios.

See MetLife, Inc. (Parent Company Only) Condensed Statements of Cash Flows included in Schedule II of the

(3) Financial Statement Schedules for the source of liquid assets from receipts on loans to subsidiaries (excluding interest) and for the use of liquid assets for the issuances of loans to subsidiaries (excluding interest).

Other, net includes \$171 million, \$862 million and \$69 million of net receipts by MetLife, Inc. to and from

(4) subsidiaries under a tax sharing agreement and tax payments to tax agencies during the years ended December 31, 2015, 2014 and 2013, respectively.

Amounts to fund business acquisitions and strategic insurance partnerships were \$0, \$251 million and \$150 million

(5) (included in capital contributions to subsidiaries) and \$0, \$0 and \$1.5 billion (included in issuances of and (repayments on) loans to subsidiaries and related interest, net) during the years ended December 31, 2015, 2014 and 2013, respectively.

(6) See “— Non-GAAP and Other Financial Disclosures” for the reconciliation of net cash provided by operating activities of MetLife, Inc. to free cash flow of all holding companies.

The primary sources of MetLife, Inc.’s liquid assets are dividends and returns of capital from subsidiaries, long-term debt issued, common stock issued, and net receipts from subsidiaries under a tax sharing agreement. MetLife, Inc.’s insurance subsidiaries are subject to regulatory restrictions on the payment of dividends imposed by the regulators of their respective domiciles. See “— Liquidity and Capital Sources — Dividends from Subsidiaries.”

The primary uses of MetLife, Inc.’s liquid assets are principal and interest payments on long-term debt, dividends on or repurchases of common and preferred stock, capital contributions to subsidiaries, funding of business acquisitions, income taxes and operating expenses. MetLife, Inc. is party to various capital support commitments and guarantees with certain of its subsidiaries. See “— Liquidity and Capital Uses — Support Agreements.”

In addition, MetLife, Inc. issues loans to subsidiaries or subsidiaries issue loans to MetLife, Inc. Accordingly, changes in MetLife, Inc. liquid assets include issuances of loans to subsidiaries, proceeds of loans from subsidiaries and the related repayment of principal and payment of interest on such loans. See “— Liquidity and Capital Sources — Debt Issuances and Other Borrowings — Issuances of Affiliated Long-term Debt” and “— Liquidity and Capital Uses — Affiliated Capital Transactions.”

Sources and Uses of Liquid Assets of Other MetLife Holding Companies

The primary sources of liquid assets of other MetLife holding companies are dividends, returns of capital and remittances from their subsidiaries and branches, principally non-U.S. insurance companies; capital contributions received; receipts of principal and interest on loans to subsidiaries and affiliates and borrowings from subsidiaries and affiliates. MetLife, Inc.’s non-U.S. operations are subject to regulatory restrictions on the payment of dividends imposed by local regulators. See “— Liquidity and Capital Sources — Dividends from Subsidiaries.”

The primary uses of liquid assets of other MetLife holding companies are capital contributions paid to their subsidiaries and branches, principally non-U.S. insurance companies; loans to subsidiaries and affiliates; principal and interest paid on loans from subsidiaries and affiliates; and the following items, which are reported within other, net: dividends and returns of capital; business acquisitions; and operating expenses. Uses of liquid assets of other MetLife holding companies included \$0, \$0 and \$400 million to fund business acquisitions during the years ended December 31, 2015, 2014, and 2013, respectively.

Liquidity and Capital Sources

In addition to the description of liquidity and capital sources in “— The Company — Summary of the Company’s Primary Sources and Uses of Liquidity and Capital” and “— The Company — Liquidity and Capital Sources,” the following additional information is provided regarding MetLife, Inc.’s primary sources of liquidity and capital.

Table of Contents

## Dividends from Subsidiaries

MetLife, Inc. relies, in part, on dividends from its subsidiaries to meet its cash requirements. MetLife, Inc.'s insurance subsidiaries are subject to regulatory restrictions on the payment of dividends imposed by the regulators of their respective domiciles. The dividend limitation for U.S. insurance subsidiaries is generally based on the surplus to policyholders at the end of the immediately preceding calendar year and statutory net gain from operations for the immediately preceding calendar year. Statutory accounting practices, as prescribed by insurance regulators of various states in which we conduct business, differ in certain respects from accounting principles used in financial statements prepared in conformity with GAAP. The significant differences relate to the treatment of DAC, certain deferred income tax, required investment liabilities, statutory reserve calculation assumptions, goodwill and surplus notes. The table below sets forth the dividends permitted to be paid by MetLife, Inc.'s primary insurance subsidiaries without insurance regulatory approval and the respective dividends paid:

| Company  | 2016<br>Permitted<br>without<br>Approval (1)<br>(In millions) | 2015<br>Paid (2) | Permitted<br>without<br>Approval (3) | 2014<br>Paid (2) | 2013<br>Permitted<br>without<br>Approval (3) | 2013<br>Paid (2) | Permitted<br>without<br>Approval (3) |
|--|---|------------------|--------------------------------------|------------------|--|------------------|--------------------------------------|
| Metropolitan Life Insurance Company (4)              | \$3,753   | \$1,489          | \$ 1,200                             | \$821 (5)        | \$ 1,163                                     | \$1,428          | \$ 1,428                             |
| American Life Insurance Company                      | \$—   | \$—              | \$ —                                 | \$—              | \$ —   | \$—              | \$ 523                               |
| MetLife Insurance Company USA                        | \$586   | \$500            | \$ 3,056                             | \$155 (6)        | \$ 1,013                                     | \$1,000 (7)      | \$ 1,330                             |
| Metropolitan Property and Casualty Insurance Company | \$130   | \$235            | \$ 239                               | \$200            | \$ 218                                       | \$100            | \$ 74                                |
| Metropolitan Tower Life Insurance Company            | \$70  | \$102            | \$ 102                               | \$73             | \$ 73  | \$109 (8)        | \$ 77                                |
| MetLife Investors Insurance Company (6)              | N/A   | N/A              | N/A                                  | N/A              | \$ 120                                       | \$129            | \$ 129                               |

Reflects dividend amounts that may be paid during 2016 without prior regulatory approval. However, because (1) dividend tests may be based on dividends previously paid over rolling 12-month periods, if paid before a specified date during 2016, some or all of such dividends may require regulatory approval.

(2) Reflects all amounts paid, including those requiring regulatory approval.

(3) Reflects dividend amounts that could have been paid during the relevant year without prior regulatory approval.

The New York Insurance Law was amended, permitting MLIC to pay dividends without prior regulatory approval under one of two alternative formulations beginning in 2016. See Note 16 of the Notes to the Consolidated (4) Financial Statements. The dividend amount that MLIC may pay during 2016 under the new formulation is reflected in the table above.

(5) During December 2014, MLIC distributed shares of an affiliate to MetLife, Inc. as an in-kind dividend of \$113 million.

(6) See “Business — Overview — Other Key Information” for discussion of the Mergers. MetLife Investors Insurance Company was one of the companies that was merged into MetLife USA in connection with the Mergers. Prior to the Mergers, Exeter paid dividends of \$155 million on its preferred stock. In August 2014, MICC redeemed for \$1.4 billion and retired 4,595,317 shares of its common stock owned by MetLife Investors Group, LLC (“MLIG”). Following the redemption, in August 2014, MLIG paid a dividend of \$1.4 billion to MetLife, Inc. See “— Liquidity



and Capital Uses — Affiliated Capital Transactions.” MetLife USA did not pay dividends in 2014.

(7) During the year ended December 31, 2013, MICC paid dividends of \$1.0 billion.

During October 2013, Metropolitan Tower Life Insurance Company (“MTL”) distributed shares of an affiliate to MetLife, Inc. as an in-kind dividend of \$32 million. Also during October 2013, MTL paid a dividend to MetLife,

(8) Inc. in the amount of \$77 million in cash, which represented its dividend capacity without regulatory approval at December 31, 2013. Regulatory approval for these dividends was obtained due to the amount and timing of the payments.

Table of Contents

In addition to the amounts presented in the table above, for the years ended December 31, 2015, 2014 and 2013, cash dividends in the aggregate amount of \$9 million, \$17 million and \$0, respectively, were paid to MetLife, Inc. by certain of its other subsidiaries. Additionally, for the years ended December 31, 2015, 2014 and 2013, MetLife, Inc. received cash of \$5 million, \$0 and \$267 million, respectively, representing returns of capital from certain subsidiaries.

The dividend capacity of our non-U.S. operations is subject to similar restrictions established by the local regulators. The non-U.S. regulatory regimes also commonly limit the dividend payments to the parent to a portion of the prior year's statutory income, as determined by the local accounting principles. The regulators of our non-U.S. operations, including the FSA, may also limit or not permit profit repatriations or other transfers of funds to the U.S. if such transfers are deemed to be detrimental to the solvency or financial strength of the non-U.S. operations, or for other reasons. Most of the non-U.S. subsidiaries are second tier subsidiaries which are owned by various non-U.S. holding companies. The capital and rating considerations applicable to the first tier subsidiaries may also impact the dividend flow into MetLife, Inc.

We actively manage target and excess capital levels and dividend flows on a proactive basis and forecast local capital positions as part of the financial planning cycle. The dividend capacity of certain U.S. and non-U.S. subsidiaries is also subject to business targets in excess of the minimum capital necessary to maintain the desired rating or level of financial strength in the relevant market. We cannot provide assurance that MetLife, Inc.'s subsidiaries will have statutory earnings to support payment of dividends to MetLife, Inc. in an amount sufficient to fund its cash requirements and pay cash dividends and that the applicable regulators will not disapprove any dividends that such subsidiaries must submit for approval. See "Risk Factors — Capital-Related Risks — As a Holding Company, MetLife, Inc. Depends on the Ability of Its Subsidiaries to Pay Dividends, a Major Component of Holding Company Free Cash Flow" and Note 16 of the Notes to the Consolidated Financial Statements.

**Short-term Debt**

MetLife, Inc. maintains a commercial paper program, the proceeds of which can be used to finance the general liquidity needs of MetLife, Inc. and its subsidiaries. MetLife, Inc. had no short-term debt outstanding at both December 31, 2015 and 2014.

**Preferred Stock**

For information on MetLife, Inc.'s preferred stock, see "— The Company — Liquidity and Capital Sources — Global Funding Sources — Preferred Stock."

**Debt Issuances and Other Borrowings**

For information on MetLife, Inc.'s unaffiliated debt issuances and other borrowings, see "— The Company — Liquidity and Capital Sources — Global Funding Sources — Debt Issuances and Other Borrowings."

**Issuances of Affiliated Long-term Debt**

In June 2014, a \$500 million senior note payable to MLIC matured and, subsequently, MetLife, Inc. issued a new \$500 million senior note to MLIC. The note matures in June 2019 and bears interest at a fixed rate of 3.54%, payable semi-annually.

In December 2013, MetLife, Inc. issued a \$350 million senior note to MetLife Reinsurance Company of Delaware ("MRD") due December 2033. The senior note bears interest at a fixed rate of 5.10%, payable semi-annually. MRD issued a \$350 million surplus note to MetLife, Inc. in exchange for the senior note.

**Collateral Financing Arrangements and Junior Subordinated Debt Securities**

For information on MetLife, Inc.'s collateral financing arrangements and junior subordinated debt securities, see Notes 13 and 14 of the Notes to the Consolidated Financial Statements, respectively.

**Credit and Committed Facilities**

See "— The Company — Liquidity and Capital Sources — Global Funding Sources — Credit and Committed Facilities" for information about MetLife, Inc.'s unsecured credit facility.

MetLife, Inc. maintains a committed facility with a capacity of \$425 million. At December 31, 2015, MetLife, Inc. had outstanding \$425 million in letters of credit and no drawdowns against this facility. Remaining availability was \$0 at December 31, 2015. In addition, MetLife, Inc. is a party and/or guarantor to committed facilities of certain of its subsidiaries, which aggregated \$11.4 billion at December 31, 2015. The committed facilities are used as collateral for

certain of the Company's affiliated reinsurance liabilities.

169

---

Table of Contents

See “— The Company — Liquidity and Capital Sources — Global Funding Sources — Credit and Committed Facilities,” as well as Note 12 of the Notes to the Consolidated Financial Statements, for further information regarding these facilities.

## Long-term Debt Outstanding

The following table summarizes the outstanding long-term debt of MetLife, Inc. at:

|                                     | December 31,  |          |
|-------------------------------------|---------------|----------|
|                                     | 2015          | 2014     |
|                                     | (In millions) |          |
| Long-term debt — unaffiliated       | \$16,994      | \$15,317 |
| Long-term debt — affiliated         | \$3,314       | \$3,600  |
| Collateral financing arrangements   | \$2,797       | \$2,797  |
| Junior subordinated debt securities | \$1,748       | \$1,748  |

## Debt and Facility Covenants

Certain of MetLife, Inc.’s debt instruments and committed facilities, as well as its credit facility, contain various administrative, reporting, legal and financial covenants. MetLife, Inc. believes it was in compliance with all such covenants at December 31, 2015.

## Dispositions

Cash proceeds from dispositions during the years ended December 31, 2015, 2014 and 2013 were \$0, \$7 million, and \$17 million, respectively. See Note 3 of the Notes to the Consolidated Financial Statements.

## Liquidity and Capital Uses

The primary uses of liquidity of MetLife, Inc. include debt service, cash dividends on common and preferred stock, capital contributions to subsidiaries, common and preferred stock repurchases, payment of general operating expenses and acquisitions. Based on our analysis and comparison of our current and future cash inflows from the dividends we receive from subsidiaries that are permitted to be paid without prior insurance regulatory approval, our investment portfolio and other cash flows and anticipated access to the capital markets, we believe there will be sufficient liquidity and capital to enable MetLife, Inc. to make payments on debt, pay cash dividends on its common and preferred stock, contribute capital to its subsidiaries, repurchase its common and preferred stock, pay all general operating expenses and meet its cash needs.

In addition to the description of liquidity and capital uses in “— The Company — Liquidity and Capital Uses” and “— The Company — Contractual Obligations,” the following additional information is provided regarding MetLife, Inc.’s primary uses of liquidity and capital:

## Affiliated Capital Transactions

During the years ended December 31, 2015, 2014 and 2013, MetLife, Inc. invested an aggregate of \$88 million, \$1.8 billion and \$934 million, respectively, in various subsidiaries.

MetLife, Inc. lends funds, as necessary, to its subsidiaries and affiliates, some of which are regulated, to meet their capital requirements. MetLife, Inc. had loans to subsidiaries outstanding of \$1.2 billion and \$1.7 billion at December 31, 2015 and 2014, respectively.

In May 2015, American Life issued a \$150 million short-term note to MetLife, Inc. which was repaid in June 2015. The short-term note bore interest at six-month LIBOR plus 1.00%.

In April 2015, American Life issued a \$150 million short-term note to MetLife, Inc. which was repaid in May 2015. The short-term note bore interest at six-month LIBOR plus 0.875%.

In December 2014, MetLife, Inc. entered into a five-year agreement with MetLife Reinsurance Company of Bermuda, Ltd. (“MrB”), a Bermuda insurance affiliate and an indirect, wholly-owned subsidiary of MetLife, Inc., to lend up to \$500 million to MrB on a revolving basis. There were no loans outstanding at December 31, 2015 and 2014.

In December 2014, American Life issued a \$100 million surplus note to MetLife, Inc. The surplus note bears interest at a fixed rate of 3.17%, payable semi-annually and matures in June 2020.

Table of Contents

In August 2014, MICC paid to MLIG \$1.4 billion to redeem and retire its common stock owned by MLIG; as a result, all of the outstanding shares of common stock of MICC were directly held by MetLife, Inc. Following the redemption, in August 2014, MLIG paid a dividend of \$1.4 billion to MetLife, Inc., and MetLife, Inc. made a capital contribution to MICC of \$231 million.

In August 2014, American Life issued a \$120 million short-term note to MetLife, Inc. which was repaid in December 2014. In February 2014, American Life issued a \$150 million short-term note to MetLife, Inc. which was repaid in June 2014. Both short-term notes bore interest at six-month LIBOR plus 0.875%.

In December 2013, MRD issued a \$350 million surplus note to MetLife, Inc. due December 2033. The surplus note bears interest at a fixed rate of 6.00%, payable semi-annually. MetLife, Inc. issued a \$350 million senior note to MRD in exchange for the surplus note.

In July 2013, MetLife Ireland Treasury Limited (“MITL”) borrowed the Chilean peso equivalent of \$1.5 billion from MetLife, Inc., which was due July 2023. The loan bore interest at a fixed rate of 8.5%, payable annually. In December, September and June 2015, MITL made loan payments of the Chilean peso equivalent of \$77 million, \$153 million and \$231 million, respectively. In December 2014 and June 2014, MITL made loan payments of the Chilean peso equivalent of \$493 million and \$69 million, respectively. In December 2013, MITL made a loan payment of the Chilean peso equivalent of \$245 million. At December 31, 2015, the loan was fully paid.

In April 2013, MetLife Bank’s Board of Directors, with prior approval of the OCC, approved the reduction of its permanent capital by \$550 million through a purchase of its \$300 million of outstanding preferred stock held by MetLife, Inc. and a return of capital of \$250 million to MetLife, Inc. In May 2013, MetLife, Inc. received \$550 million in cash to settle these transactions.

In January 2013, MetLife Bank both drew down and repaid \$400 million under an 18-month agreement with MetLife, Inc., which bore interest at a rate of three-month LIBOR plus 1.75%. On October 29, 2013, MetLife, Inc. and MLHL agreed to terminate the agreement. There were no loans outstanding at such date.

**Debt Repayments**

For information on MetLife, Inc.’s debt repayments, see “— The Company — Liquidity and Capital Uses — Debt Repayments.” MetLife, Inc. intends to repay or refinance, in whole or in part, all the debt that is due in 2016.

**Repayments of Affiliated Long-term Debt**

In December 2015, MetLife, Inc. repaid \$286 million of affiliated long-term debt to MetLife Exchange Trust I, at maturity, in exchange for a return of capital. The long-term note bore interest at three-month LIBOR plus 0.7%.

**Maturities of Senior Notes**

The following table summarizes MetLife, Inc.’s outstanding senior notes by year of maturity through 2020 and 2021 to 2046, excluding any premium or discount, at December 31, 2015:

| Year of Maturity | Principal<br>(In millions) | Interest Rate              |
|------------------|----------------------------|----------------------------|
| 2016             | \$1,250                    | 6.75%                      |
| 2016             | \$250                      | 7.44%                      |
| 2017             | \$500                      | 1.76%                      |
| 2017             | \$500                      | 1.90%                      |
| 2018             | \$1,035                    | 6.82%                      |
| 2019             | \$1,035                    | 7.72%                      |
| 2019             | \$500                      | 3.54%                      |
| 2019             | \$250                      | 3.57%                      |
| 2020             | \$590                      | 5.25%                      |
| 2021 - 2046      | \$14,215                   | Ranging from 3.00% - 6.50% |

Table of Contents

## Support Agreements

MetLife, Inc. is party to various capital support commitments and guarantees with certain of its subsidiaries. Under these arrangements, MetLife, Inc. has agreed to cause each such entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations. See “— The Company — Liquidity and Capital Uses — Support Agreements.” MetLife, Inc., in connection with MRD’s reinsurance of certain universal life and term life risks, entered into capital maintenance agreements pursuant to which MetLife, Inc. agreed, without limitation as to amount, to cause the first and second protected cells of MRD to maintain total adjusted capital equal to or greater than 200% of each such protected cell’s company action level RBC, as defined in state insurance statutes. In addition, MetLife, Inc. entered into an agreement with the Delaware Department of Insurance to increase such capital maintenance threshold to 300% of each such protected cell’s company action level RBC, in the event of specified downgrades in the senior unsecured debt ratings of MetLife, Inc.

MetLife, Inc. guarantees the obligations of its subsidiary, DelAm, under a stop loss reinsurance agreement with RGA Reinsurance (Barbados) Inc. (“RGARe”), pursuant to which RGARe retrocedes to DelAm a portion of the whole life medical insurance business that RGARe assumed from American Life on behalf of its Japan operations. Also, MetLife, Inc. guarantees the obligations of its subsidiary, Missouri Reinsurance, Inc. (“MoRe”), under a retrocession agreement with RGARe, pursuant to which MoRe retrocedes certain group term life insurance liabilities (which retrocession was terminated effective as of January, 2016) and a portion of the closed block liabilities associated with industrial life and ordinary life insurance policies that it assumed from MLIC.

MetLife, Inc. guarantees the obligations of MrB, a Bermuda insurance affiliate and an indirect, wholly-owned subsidiary of MetLife, Inc. under a reinsurance agreement with Mitsui Sumitomo Primary Life Insurance Co., Ltd. (“Mitsui”), a former affiliate that is now an unaffiliated third party, under which MrB reinsures certain variable annuity business written by Mitsui.

MetLife, Inc. guarantees the obligations of MrB in an aggregate amount up to \$1.0 billion, under a reinsurance agreement with MetLife Europe Limited (“MEL”), under which MrB reinsured the guaranteed living benefits and guaranteed death benefits associated with certain unit-linked annuity contracts issued by MEL.

MetLife, Inc., in connection with MRV’s reinsurance of certain universal life and term life insurance risks, committed to the Vermont Department of Banking, Insurance, Securities and Health Care Administration to take necessary action to cause the three protected cells of MRV to maintain total adjusted capital in an amount that is equal to or greater than 200% of each such protected cell’s authorized control level RBC, as defined in Vermont state insurance statutes. See Note 12 of the Notes to the Consolidated Financial Statements.

MetLife, Inc., in connection with the collateral financing arrangement associated with MRC’s reinsurance of a portion of the liabilities associated with the closed block, committed to the South Carolina Department of Insurance to make capital contributions, if necessary, to MRC so that MRC may at all times maintain its total adjusted capital in an amount that is equal to or greater than 200% of the company action level RBC, as defined in South Carolina state insurance statutes as in effect on the date of determination or December 31, 2007, whichever calculation produces the greater capital requirement, or as otherwise required by the South Carolina Department of Insurance. See Note 13 of the Notes to the Consolidated Financial Statements.

MetLife, Inc., in connection with the collateral financing arrangement associated with MetLife Reinsurance Company of South Carolina’s (“MRSC”) reinsurance of ULSG, committed to the South Carolina Department of Insurance to take necessary action to cause MRSC to maintain the greater of capital and surplus of \$250,000 or total adjusted capital in an amount that is equal to or greater than 100% of authorized control level RBC, as defined in South Carolina state insurance statutes. See Note 13 of the Notes to the Consolidated Financial Statements.

MetLife, Inc. has a net worth maintenance agreement with its insurance subsidiary, First MetLife Investors Insurance Company (“First MetLife”). Under this agreement, as amended, MetLife, Inc. agreed, without limitation as to the amount, to cause First MetLife to have capital and surplus of \$10 million, total adjusted capital in an amount that is equal to or greater than 150% of the company action level RBC, as defined by applicable state insurance statutes, and liquidity necessary to enable it to meet its current obligations on a timely basis.



Table of Contents

MetLife, Inc. guarantees obligations arising from derivatives of the following subsidiaries: MrB, MetLife International Holdings, LLC and MetLife Worldwide Holdings, LLC. These subsidiaries are exposed to various risks relating to their ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. These subsidiaries use a variety of strategies to manage these risks, including the use of derivatives. Further, all of the subsidiaries' derivatives are subject to industry standard netting agreements and collateral agreements that limit the unsecured portion of any open derivative position. On a net counterparty basis at December 31, 2015 and 2014, derivative transactions with positive mark-to-market values (in-the-money) were \$583 million and \$499 million, respectively, and derivative transactions with negative mark-to-market values (out-of-the-money) were \$32 million and \$102 million, respectively. To secure the obligations represented by the out-of-the-money transactions, the subsidiaries had provided collateral to their counterparties with an estimated fair value of \$32 million and \$96 million at December 31, 2015 and 2014, respectively. Accordingly, unsecured derivative liabilities guaranteed by MetLife, Inc. were \$0 and \$6 million at December 31, 2015 and 2014, respectively.

MetLife, Inc. also guarantees the obligations of certain of its subsidiaries under committed facilities with third-party banks. See Note 12 of the Notes to the Consolidated Financial Statements.

Acquisitions

During the years ended December 31, 2015, 2014 and 2013, there were no cash outflows from MetLife, Inc. for acquisitions. See Note 3 of the Notes to the Consolidated Financial Statements for information regarding the Company's acquisitions.

Adoption of New Accounting Pronouncements

See Note 1 of the Notes to the Consolidated Financial Statements.

Future Adoption of New Accounting Pronouncements

See Note 1 of the Notes to the Consolidated Financial Statements.

Non-GAAP and Other Financial Disclosures

In this report, the Company presents certain measures of its performance that are not calculated in accordance with GAAP. We believe that these non-GAAP financial measures enhance the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of our business. The following non-GAAP financial measures should not be viewed as substitutes for the most directly comparable financial measures calculated in accordance with GAAP:

Non-GAAP financial measures:

(i) operating revenues

(ii) operating expenses

(iii) operating earnings

(iv) operating earnings available to common shareholders

(v) free cash flow of all holding companies

Comparable GAAP financial measures:

(i) GAAP revenues

(ii) GAAP expenses

(iii) income (loss) from continuing operations, net of income tax

(iv) net income (loss) available to MetLife, Inc.'s common shareholders

(v) MetLife, Inc.'s net cash provided by operating activities

Reconciliations of these measures to the most directly comparable GAAP measures are included below and in "— Results of Operations."

Our definitions of the various non-GAAP and other financial measures discussed in this report may differ from those used by other companies:

Operating earnings is the measure of segment profit or loss we use to evaluate segment performance and allocate resources. Consistent with GAAP accounting guidance for segment reporting, operating earnings is our measure of segment performance. Operating earnings is also a measure by which senior management's and many other employees' performance is evaluated for the purposes of determining their compensation under applicable compensation plans. Operating earnings is defined as operating revenues less operating expenses, both net of income tax. Operating earnings available to common shareholders is defined as operating earnings less preferred stock dividends.





Table of Contents

Operating revenues and operating expenses exclude results of discontinued operations and other businesses that have been or will be sold or exited by MetLife and are referred to as divested businesses. Operating revenues also excludes net investment gains (losses) and net derivative gains (losses). Operating expenses also excludes goodwill impairments.

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

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

• Net investment income: (i) includes amounts for investment hedge adjustments, (ii) includes income from discontinued real estate operations, (iii) excludes post-tax operating earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iv) excludes certain amounts related to contractholder-directed unit-linked investments, and (v) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and

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

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

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

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

• Amortization of DAC and VOBA excludes amounts related to: (i) net investment gains (losses) and net derivative gains (losses), (ii) GMIB Fees and GMIB Costs, and (iii) Market Value Adjustments;

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

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

• Other expenses excludes costs related to: (i) noncontrolling interests, (ii) implementation of new insurance regulatory requirements, and (iii) acquisition and integration costs.

Operating earnings also excludes the recognition of certain contingent assets and liabilities that could not be recognized at acquisition or adjusted for during the measurement period under GAAP business combination accounting guidance. In addition to the tax impact of the adjustments mentioned above, provision for income tax expense (benefit) also includes the impact related to the timing of certain tax credits, as well as certain tax reforms.

Table of Contents

The following additional information is relevant to an understanding of our performance results:

• We sometimes refer to sales activity for various products. These sales statistics do not correspond to revenues under GAAP, but are used as relevant measures of business activity.

• The impact of changes in our foreign currency exchange rates is calculated using the average foreign currency exchange rates for the current period and is applied to each of the comparable periods.

• Operating ROE is defined as operating earnings available to common shareholders, divided by average GAAP common stockholders' equity.

• Operating ROE, excluding AOCI other than FCTA, is defined as operating earnings available to common shareholders divided by average GAAP common stockholders' equity, excluding AOCI other than FCTA.

Allocated equity is defined as the portion of MetLife, Inc.'s common stockholders' equity that management allocates to each of its segments and sub-segments based on local capital requirements and economic capital. See "— Economic Capital." Allocated equity excludes the impact of AOCI, other than FCTA.

The Company uses a measure of free cash flow to facilitate an understanding of its ability to generate cash for reinvestment into its businesses or use in discretionary capital actions. The Company defines free cash flow as the sum of cash available at MetLife's holding companies from dividends from operating subsidiaries, expenses and other net flows of the holding companies, and net contributions from debt to be at or below target leverage ratios. This measure of free cash flow is prior to discretionary capital deployment, including common stock dividends and repurchases, debt reduction and mergers and acquisitions. Free cash flow should not be viewed as a substitute for net cash provided by (used in) operating activities calculated in accordance with GAAP. The free cash flow ratio is typically expressed as a percentage of annual operating earnings available to common shareholders. A reconciliation of net cash provided by operating activities of MetLife, Inc. to free cash flow of all holding companies for the years ended December 31, 2015, 2014 and 2013 is provided below.

Table of Contents

| Reconciliation of Net Cash Provided by Operating Activities of<br>MetLife, Inc. to Free Cash Flow of All Holding Companies  | Years Ended December 31, |          |         |   |
|---|--------------------------|----------|---------|---|
|   | 2015<br>(In millions)    | 2014     | 2013    |   |
| MetLife, Inc. (parent company only) net cash provided by<br>operating activities  | \$1,606                  | \$2,615  | \$1,865 |   |
| Adjustments from net cash provided by operating activities to free<br>cash flow:  |                          |          |         |   |
| Add: Incremental debt to be at or below target leverage ratios  | 1,750                    | 445      | —       |   |
| Add: Capital contributions to subsidiaries  | (667)                    | ) (1,011 | ) (598  | ) |
| Add: Returns of capital from subsidiaries   | 5                        | —        | 567     |   |
| Add: Repayments on and (issuances of) loans to subsidiaries, net  | 461                      | 462      | 245     |   |
| Add: Investment portfolio changes and other, net  | 365                      | 151      | 23      |   |
| MetLife, Inc. (parent company only) free cash flow  | 3,520                    | 2,662    | 2,102   |   |
| Other MetLife holding companies:  |                          |          |         |   |
| Add: Dividends and returns of capital from subsidiaries   | 1,354                    | 1,339    | 822     |   |
| Add: Capital contributions from MetLife, Inc.   | 150                      | —        | 403     |   |
| Add: Capital contributions to subsidiaries  | (27)                     | ) (48    | ) (201  | ) |
| Add: Repayments on and (issuances of) loans to subsidiaries, net  | (510)                    | ) (458   | ) (305  | ) |
| Add: Other expenses   | (729)                    | ) (637   | ) (567  | ) |
| Add: Investment portfolio changes and other, net  | 223                      | 32       | (18     | ) |
| Total other MetLife holding companies free cash flow  | 461                      | 228      | 134     |   |
| Free cash flow of all holding companies   | \$3,981                  | \$2,890  | \$2,236 |   |
| Ratio of free cash flow to operating earnings available to common<br>shareholders:  |                          |          |         |   |
| Free cash flow of all holding companies   | \$3,981                  | \$2,890  | \$2,236 |   |
| Consolidated operating earnings available to common<br>shareholders (1)   | \$5,484                  | \$6,560  | \$6,261 |   |
| Ratio of free cash flow of all holding companies to consolidated<br>operating earnings available to common shareholders (1)   | 73                       | % 44     | % 36    | % |
| Ratio of net cash provided by operating activities to consolidated<br>net income (loss) available to MetLife, Inc.'s common<br>shareholders:                              |                          |          |         |   |
| MetLife, Inc. (parent company only) net cash provided by<br>operating activities  | \$1,606                  | \$2,615  | \$1,865 |   |
| Consolidated net income (loss) available to MetLife, Inc.'s<br>common shareholders (2)  | \$5,152                  | \$6,187  | \$3,246 |   |
| Ratio of net cash provided by operating activities (parent company<br>only) to consolidated net income (loss) available to MetLife, Inc.'s<br>common shareholders (2) (3) | 31                       | % 42     | % 57    | % |

(1) Consolidated operating earnings available to common shareholders for 2015 includes a non-cash charge of \$792 million, net of income tax, related to an uncertain tax position. Excluding this charge from the denominator of the ratio, the adjusted free cash flow ratio would be 63%. See "Risk Factors — Regulatory and Legal Risks — Changes in Tax

Laws or Interpretations of Such Laws Could Reduce Our Earnings and Materially Impact Our Operations by Increasing Our Corporate Taxes and Making Some of Our Products Less Attractive to Consumers” for additional information on this non-cash charge.

(2) Consolidated net income (loss) available to MetLife, Inc.'s common shareholders for 2015 includes a non-cash charge of \$792 million, net of income tax, related to an uncertain tax position. Excluding this charge from the denominator of the ratio, this ratio, as adjusted, would be 27%.

(3) Including the free cash flow of other MetLife, Inc. holding companies of \$461 million, \$228 million and \$134 million for the years ended December 31, 2015, 2014 and 2013, respectively, in the numerator of the ratio, this ratio, as adjusted, would be 40%, 46% and 62%, respectively.

Table of Contents

Finally, in this discussion, we also provide forward-looking guidance on an operating, or non-GAAP, basis. A reconciliation of these non-GAAP measures to the most directly comparable GAAP measures is not accessible on a forward-looking basis because we believe it is not possible to provide other than a range of net investment gains and losses and net derivative gains and losses, which can fluctuate significantly within or outside the range and from period to period and may have a significant impact on GAAP net income.

Subsequent Events

See Note 23 of the Notes to the Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Risk Management

We have developed an integrated process for managing risk, which we conduct through multiple Board and senior management committees (financial and non-financial) within the GRM, ALM Unit, Treasury Department and Investments Department. The risk committee structure is designed to provide a consolidated enterprise-wide assessment and management of risk. The ERC is responsible for reviewing all material risks to the enterprise and deciding on actions, if necessary, in the event risks exceed desired tolerances, taking into consideration industry best practices and the current environment to resolve or mitigate those risks. Additional committees at the MetLife, Inc. and subsidiary insurance company level that manage capital and risk positions, approve ALM strategies and establish corporate business standards, report to the ERC.

Global Risk Management

Independent from the lines of business, the centralized GRM, led by the CRO, collaborates and coordinates across all committees to ensure that all material risks are properly identified, measured, aggregated and reported across the Company. The CRO reports to the CEO and is primarily responsible for maintaining and communicating the Company's enterprise risk policies and for monitoring and analyzing all material risks.

GRM considers and monitors a full range of risks against the Company's solvency, liquidity, earnings, business operations and reputation. GRM's primary responsibilities consist of:

- implementing a corporate risk framework, which outlines our enterprise approach for managing risk;
- developing policies and procedures for managing, measuring, monitoring and controlling those risks identified in the corporate risk framework;
- establishing appropriate corporate risk tolerance levels;
- deploying capital on an economic basis;
- recommending capital allocations on an economic capital basis; and
- reporting to (i) the Finance and Risk Committee of MetLife, Inc.'s Board of Directors; (ii) the Investment Committee of MetLife, Inc.'s Board of Directors; and (iii) the financial and non-financial senior management committees on various aspects of risk.

Asset/Liability Management

We actively manage our assets using an approach that balances quality, diversification, asset/liability matching, liquidity, concentration and investment return. The goals of the investment process are to optimize, net of income tax, risk-adjusted investment income and risk-adjusted total return while ensuring that the assets and liabilities are reasonably managed on a cash flow and duration basis. The ALM process is the shared responsibility of the ALM Unit, GRM, the Portfolio Management Unit, and the senior members of the business segments and is governed by the ALM Committees. The ALM Committees' duties include reviewing and approving target portfolios, establishing investment guidelines and limits and providing oversight of the ALM process on a periodic basis. The directives of the ALM Committees are carried out and monitored through ALM Working Groups which are set up to manage by product type. Generally, our ALM Steering Committee oversees the activities of the underlying ALM Committees. The ALM Steering Committee reports to the ERC.

We establish target asset portfolios for each major insurance product, which represent the investment strategies used to profitably fund our liabilities within acceptable levels of risk. The ALM Working Groups monitor these strategies through regular review of portfolio metrics, such as effective duration, yield curve sensitivity, convexity, liquidity, asset sector concentration and credit quality.



Table of Contents

## Market Risk Exposures

We regularly analyze our exposure to interest rate, equity market price and foreign currency exchange rate risks. As a result of that analysis, we have determined that the estimated fair values of certain assets and liabilities are materially exposed to changes in interest rates, foreign currency exchange rates and changes in the equity markets. We have exposure to market risk through our insurance operations and investment activities. For purposes of this disclosure, “market risk” is defined as the risk of loss resulting from changes in interest rates, foreign currency exchange rates and equity markets.

## Interest Rates

Our exposure to interest rate changes results most significantly from our holdings of fixed maturity securities, as well as our interest rate sensitive liabilities. The fixed maturity securities include U.S. and foreign government bonds, securities issued by government agencies, corporate bonds, mortgage-backed securities and ABS, all of which are mainly exposed to changes in medium- and long-term interest rates. The interest rate sensitive liabilities for purposes of this disclosure include debt, policyholder account balances related to certain investment type contracts, and net embedded derivatives on variable annuities with guaranteed minimum benefits which have the same type of interest rate exposure (medium- and long-term interest rates) as fixed maturity securities. We employ product design, pricing and ALM strategies to reduce the potential effects of interest rate movements. Product design and pricing strategies include the use of surrender charges or restrictions on withdrawals in some products and the ability to reset crediting rates for certain products. ALM strategies include the use of derivatives and duration mismatch limits. See “Risk Factors — Economic Environment and Capital Markets-Related Risks — We Are Exposed to Significant Global Financial and Capital Markets Risks Which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and May Cause Our Net Investment Income to Vary from Period to Period.”

## Foreign Currency Exchange Rates

Our exposure to fluctuations in foreign currency exchange rates against the U.S. dollar results from our holdings in non-U.S. dollar denominated fixed maturity and equity securities, mortgage loans, and certain liabilities, as well as through our investments in foreign subsidiaries. The principal currencies that create foreign currency exchange rate risk in our investment portfolios and liabilities are the Euro, the Japanese yen and the British pound. Selectively, we use U.S. dollar assets to support certain long duration foreign currency liabilities. Through our investments in foreign subsidiaries and joint ventures, we are primarily exposed to the Japanese yen, the Euro, the Polish zloty, the Australian dollar, the Mexican peso, the Chilean peso and the Korean won. In addition to hedging with foreign currency swaps, forwards and options, local surplus in some countries is held entirely or in part in U.S. dollar assets which further minimizes exposure to foreign currency exchange rate fluctuation risk. We have matched much of our foreign currency liabilities in our foreign subsidiaries with their respective foreign currency assets, thereby reducing our risk to foreign currency exchange rate fluctuation. See “Risk Factors — Risks Related to Our Business — Fluctuations in Foreign Currency Exchange Rates Could Negatively Affect Our Profitability.”

## Equity Market

Along with investments in equity securities, we have exposure to equity market risk through certain liabilities that involve long-term guarantees on equity performance such as net embedded derivatives on variable annuities with guaranteed minimum benefits and certain policyholder account balances. We manage this risk on an integrated basis with other risks through our ALM strategies, including the dynamic hedging of certain variable annuity guarantee benefits, as well as reinsurance, in order to limit losses, minimize exposure to large risks, and provide additional capacity for future growth. We also manage equity market risk exposure in our investment portfolio through the use of derivatives. Equity exposures associated with other limited partnership interests are excluded from this discussion as they are not considered financial instruments under GAAP.

## Management of Market Risk Exposures

We use a variety of strategies to manage interest rate, foreign currency exchange rate and equity market risk, including the use of derivatives.



Table of Contents

## Interest Rate Risk Management

To manage interest rate risk, we analyze interest rate risk using various models, including multi-scenario cash flow projection models that forecast cash flows of the liabilities and their supporting investments, including derivatives. These projections involve evaluating the potential gain or loss on most of our in-force business under various increasing and decreasing interest rate environments. The Department of Financial Services regulations require that we perform some of these analyses annually as part of our review of the sufficiency of our regulatory reserves. For several of our legal entities, we maintain segmented operating and surplus asset portfolios for the purpose of ALM and the allocation of investment income to product lines. For each segment, invested assets greater than or equal to the GAAP liabilities and any non-invested assets allocated to the segment are maintained, with any excess allocated to Corporate & Other. The business segments may reflect differences in legal entity, statutory line of business and any product market characteristic which may drive a distinct investment strategy with respect to duration, liquidity or credit quality of the invested assets. Certain smaller entities make use of unsegmented general accounts for which the investment strategy reflects the aggregate characteristics of liabilities in those entities. We measure relative sensitivities of the value of our assets and liabilities to changes in key assumptions utilizing internal models. These models reflect specific product characteristics and include assumptions based on current and anticipated experience regarding lapse, mortality and interest crediting rates. In addition, these models include asset cash flow projections reflecting interest payments, sinking fund payments, principal payments, bond calls, mortgage loan prepayments and defaults.

Common industry metrics, such as duration and convexity, are also used to measure the relative sensitivity of assets and liability values to changes in interest rates. In computing the duration of liabilities, consideration is given to all policyholder guarantees and to how we intend to set indeterminate policy elements such as interest credits or dividends. Each asset portfolio has a duration target based on the liability duration and the investment objectives of that portfolio. Where a liability cash flow may exceed the maturity of available assets, as is the case with certain retirement and group products, we may support such liabilities with equity investments, derivatives or interest rate curve mismatch strategies.

## Foreign Currency Exchange Rate Risk Management

We assume foreign currency exchange rate risk primarily in three ways: investments in foreign subsidiaries, purchases of foreign currency denominated investments and the sale of certain insurance products.

The GRM's Foreign Exchange Committee, in coordination with the Treasury Department, is responsible for managing our exposure to investments in foreign subsidiaries. Exposure limits are established by the Treasury Department and monitored by GRM. The Investments Department manages such exposure.

The Investments Department is responsible for managing the exposure to foreign currency denominated investments. Exposure limits to unhedged foreign currency investments are incorporated into the standing authorizations granted to management by the Board of Directors and are reported to the Board of Directors on a periodic basis.

Management of each of the Company's segments, with oversight from the Foreign Exchange Committee, is responsible for establishing limits and managing any foreign currency exchange rate exposure caused by the sale or issuance of insurance products.

We use foreign currency swaps, forwards and options to mitigate the liability exposure, risk of loss and financial statement volatility associated with our investments in foreign subsidiaries, foreign currency denominated fixed income investments and the sale of certain insurance products.

## Equity Market Risk Management

The issuance of variable annuities exposes us to market risk. This risk is managed by our ALM Unit in partnership with the Investments Department. Equity market risk is also assumed through our investment in equity securities and is managed by our Investments Department. We use derivatives to mitigate our equity exposure both in certain liability guarantees such as variable annuities with guaranteed minimum benefit and equity securities. These derivatives include exchange-traded equity futures, equity index options contracts and equity variance swaps. We also employ reinsurance to manage these exposures.



Table of Contents

## Hedging Activities

We use derivative contracts primarily to hedge a wide range of risks including interest rate risk, foreign currency exchange rate risk, and equity market risk. Derivative hedges are designed to reduce risk on an economic basis while considering their impact on accounting results and GAAP and statutory capital. Our derivative hedge programs vary depending on the type of risk being hedged. Some hedge programs are asset or liability specific while others are portfolio hedges that reduce risk related to a group of liabilities or assets. Our use of derivatives by major hedge programs is as follows:

**Risks Related to Living Guarantee Benefits** — We use a wide range of derivative contracts to mitigate the risk associated with variable annuity living guarantee benefits. These derivatives include equity and interest rate futures, interest rate swaps, currency futures/forwards, equity indexed options and interest rate option contracts and equity variance swaps.

**Minimum Interest Rate Guarantees** — For certain liability contracts, we provide the contractholder a guaranteed minimum interest rate. These contracts include certain fixed annuities and other insurance liabilities. We purchase interest rate floors to reduce risk associated with these liability guarantees.

**Reinvestment Risk in Long Duration Liability Contracts** — Derivatives are used to hedge interest rate risk related to certain long duration liability contracts. Hedges include interest rate swaps and swaptions.

**Foreign Currency Exchange Rate Risk** — We use currency swaps, forwards and options to hedge foreign currency exchange rate risk. These hedges primarily swap foreign currency denominated bonds, investments in foreign subsidiaries or equity market exposures to U.S. dollars.

**General ALM Hedging Strategies** — In the ordinary course of managing our asset/liability risks, we use interest rate futures, interest rate swaps, interest rate caps, interest rate floors and inflation swaps. These hedges are designed to reduce interest rate risk or inflation risk related to the existing assets or liabilities or related to expected future cash flows.

## Risk Measurement: Sensitivity Analysis

We measure market risk related to our market sensitive assets and liabilities based on changes in interest rates, equity market prices and foreign currency exchange rates utilizing a sensitivity analysis. This analysis estimates the potential changes in estimated fair value based on a hypothetical 10% change (increase or decrease) in interest rates, equity market prices and foreign currency exchange rates. We believe that a 10% change (increase or decrease) in these market rates and prices is reasonably possible in the near term. In performing the analysis summarized below, we used market rates at December 31, 2015. The sensitivity analysis separately calculates each of our market risk exposures (interest rate, equity market and foreign currency exchange rate) relating to our trading and non-trading assets and liabilities. We modeled the impact of changes in market rates and prices on the estimated fair values of our market sensitive assets and liabilities as follows:

- the net present values of our interest rate sensitive exposures resulting from a 10% change (increase or decrease) in interest rates;

- the U.S. dollar equivalent estimated fair values of our foreign currency exposures due to a 10% change (increase or decrease) in foreign currency exchange rates; and

- the estimated fair value of our equity positions due to a 10% change (increase or decrease) in equity market prices.

The sensitivity analysis is an estimate and should not be viewed as predictive of our future financial performance. We cannot ensure that our actual losses in any particular period will not exceed the amounts indicated in the table below.

Limitations related to this sensitivity analysis include:

- the market risk information is limited by the assumptions and parameters established in creating the related sensitivity analysis, including the impact of prepayment rates on mortgage loans;

- for the derivatives that qualify as hedges, the impact on reported earnings may be materially different from the change in market values;

- the analysis excludes liabilities pursuant to insurance contracts and real estate holdings; and

- the model assumes that the composition of assets and liabilities remains unchanged throughout the period.

Accordingly, we use such models as tools and not as substitutes for the experience and judgment of our management.

Based on our analysis of the impact of a 10% change (increase or decrease) in market rates and prices, we have

determined that such a change could have a material adverse effect on the estimated fair value of certain assets and liabilities from interest rate, foreign currency exchange rate and equity market exposures.

180

---

Table of Contents

The table below illustrates the potential loss in estimated fair value for each market risk exposure of our market sensitive assets and liabilities at:

|                                     | December 31, 2015<br>(In millions) |
|-------------------------------------|------------------------------------|
| Non-trading:                        |                                    |
| Interest rate risk                  | \$5,833                            |
| Foreign currency exchange rate risk | \$5,663                            |
| Equity market risk                  | \$19                               |
| Trading:                            |                                    |
| Interest rate risk                  | \$2                                |

181

---

Table of Contents

The table below provides additional detail regarding the potential loss in estimated fair value of our trading and non-trading interest sensitive financial instruments by type of asset or liability at:

|  | December 31, 2015  |                                | Assuming a<br>10% Increase<br>in the Yield<br>Curve |
|--|--------------------|--------------------------------|---|
|  | Notional<br>Amount | Estimated<br>Fair<br>Value (1) |   |
|  | (In millions)      |                                |   |
| <b>Assets</b>  |                    |                                |   |
| Fixed maturity securities  |                    | \$351,402                      | \$(5,728 )  |
| Equity securities  |                    | \$3,321                        | —   |
| Fair value option and trading securities:                              |                    |                                |   |
| Actively traded securities   |                    | \$404                          | (5 )  |
| Fair value option general account securities                           |                    | 627                            | (5 )  |
| Total fair value option and trading securities                         |                    | \$1,031                        | (10 )   |
| Mortgage loans   |                    | \$68,539                       | (476 )  |
| Policy loans   |                    | \$13,351                       | (140 )  |
| Short-term investments   |                    | \$9,299                        | (12 )   |
| Other invested assets  |                    | \$699                          | —   |
| Cash and cash equivalents  |                    | \$12,752                       | —   |
| Accrued investment income  |                    | \$3,988                        | —   |
| Premiums, reinsurance and other receivables                            |                    | \$2,905                        | (161 )  |
| Other assets   |                    | \$267                          | (4 )  |
| Net embedded derivatives within asset host contracts (2)               |                    | \$391                          | (20 )   |
| Total assets   |                    |                                | \$(6,551 )  |
| <b>Liabilities (3)</b>   |                    |                                |   |
| Policyholder account balances  |                    | \$125,061                      | \$547   |
| Payables for collateral under securities loaned and other transactions |                    | \$36,871                       | —   |
| Short-term debt  |                    | \$100                          | —   |
| Long-term debt   |                    | \$19,360                       | 389   |
| Collateral financing arrangements                                      |                    | \$3,899                        | —   |
| Junior subordinated debt securities                                    |                    | \$4,029                        | 105   |
| Other liabilities:   |                    |                                |   |
| Trading liabilities  |                    | \$153                          | 3   |
| Other  |                    | \$2,250                        | 133   |
| Net embedded derivatives within liability host contracts (2)           |                    | \$935                          | 470   |
| Total liabilities  |                    |                                | \$1,647   |
| <b>Derivative Instruments</b>  |                    |                                |   |
| Interest rate swaps  | \$97,054           | \$5,554                        | \$(637 )  |
| Interest rate floors   | \$23,837           | \$263                          | (24 )   |
| Interest rate caps   | \$68,928           | \$102                          | 35  |
| Interest rate futures  | \$5,808            | \$(3 )                         | (14 )   |
| Interest rate options  | \$30,234           | \$1,147                        | (205 )  |
| Interest rate forwards   | \$148              | \$24                           | (7 )  |
| Synthetic GICs   | \$4,216            | \$—                            | —   |
| Foreign currency swaps   | \$36,896           | \$(262 )                       | (22 )   |
| Foreign currency forwards  | \$17,325           | \$(67 )                        | (8 )  |
| Currency futures   | \$930              | \$—                            | —   |
| Currency options   | \$17,159           | \$446                          | (14 )   |

Edgar Filing: METLIFE INC - Form 10-K

|                              |          |        |          |   |
|------------------------------|----------|--------|----------|---|
| Credit default swaps         | \$12,181 | \$59   | —        |   |
| Equity futures               | \$7,206  | \$45   | (1       | ) |
| Equity index options         | \$55,682 | \$501  | (36      | ) |
| Equity variance swaps        | \$23,437 | \$(441 | ) 2      |   |
| Total rate of return swaps   | \$3,803  | \$(11  | ) —      |   |
| Total derivative instruments |          |        | \$(931   | ) |
| Net Change                   |          |        | \$(5,835 | ) |

---

182

Table of Contents

Separate account assets and liabilities and contractholder-directed unit-linked investments and associated policyholder account balances, which are interest rate sensitive, are not included herein as any interest rate risk is borne by the contractholder. Mortgage loans, FVO and trading securities and long-term debt exclude \$172 million, \$12 million and \$60 million, respectively, related to CSEs. See Note 8 of the Notes to the Consolidated Financial Statements for information regarding CSEs.

(2) Embedded derivatives are recognized in the consolidated balance sheet in the same caption as the host contract.

Excludes \$206.1 billion of liabilities, at carrying value, pursuant to insurance contracts reported within future policy benefits and other policy-related balances. These liabilities would economically offset a significant portion of the net change in fair value of our financial instruments resulting from a 10% increase in the yield curve.

(3) Interest rate risk increased by \$601 million, or 11%, to \$5.8 billion at December 31, 2015 from \$5.2 billion at December 31, 2014. This change was primarily due to an increase of \$809 million due to increases in interest rates across the U.S. Treasury curve coupled with changes in durations. This increase was partially offset by a decrease in the asset base of \$232 million.



Table of Contents

The table below provides additional detail regarding the potential loss in estimated fair value of our portfolio due to a 10% change in foreign currency exchange rates by type of asset or liability at:

|  | December 31, 2015 |           | Assuming a     |
|--|-------------------|-----------|----------------|
|  | Notional          | Estimated | 10% Increase   |
|  | Amount            | Fair      | in the Foreign |
|  |                   | Value (1) | Exchange       |
|  |                   |           | Rate           |
|  | (In millions)     |           |                |
| <b>Assets</b>  |                   |           |                |
| Fixed maturity securities  |                   | \$351,402 | \$ (7,879 )    |
| Equity securities  |                   | \$3,321   | (95 )          |
| Fair value option and trading securities:                              |                   |           |                |
| Actively traded securities   |                   | \$404     | —              |
| Fair value option general account securities                           |                   | 627       | (63 )          |
| Total fair value option and trading securities                         |                   | \$1,031   | (63 )          |
| Mortgage loans   |                   | \$68,539  | (703 )         |
| Policy loans   |                   | \$13,351  | (144 )         |
| Short-term investments   |                   | \$9,299   | (95 )          |
| Other invested assets  |                   | \$699     | (75 )          |
| Cash and cash equivalents  |                   | \$12,752  | (441 )         |
| Accrued investment income  |                   | \$3,988   | (82 )          |
| Premiums, reinsurance and other receivables                            |                   | \$2,905   | (62 )          |
| Other assets   |                   | \$267     | (6 )           |
| Net embedded derivatives within asset host contracts (2)               |                   | \$391     | (12 )          |
| Total assets   |                   |           | \$ (9,657 )    |
| <b>Liabilities (3)</b>   |                   |           |                |
| Policyholder account balances  |                   | \$125,061 | \$ 3,258       |
| Payables for collateral under securities loaned and other transactions |                   | \$36,871  | 101            |
| Long-term debt   |                   | \$19,360  | 127            |
| Other liabilities  |                   | \$2,403   | 13             |
| Net embedded derivatives within liability host contracts (2)           |                   | \$935     | 111            |
| Total liabilities  |                   |           | \$ 3,610       |
| <b>Derivative Instruments</b>  |                   |           |                |
| Interest rate swaps  | \$97,054          | \$5,554   | \$ (35 )       |
| Interest rate floors   | \$23,837          | \$263     | —              |
| Interest rate caps   | \$68,928          | \$102     | —              |
| Interest rate futures  | \$5,808           | \$(3 )    | (1 )           |
| Interest rate options  | \$30,234          | \$1,147   | (46 )          |
| Interest rate forwards   | \$148             | \$24      | —              |
| Synthetic GICs   | \$4,216           | \$—       | —              |
| Foreign currency swaps   | \$36,896          | \$(262 )  | 362            |
| Foreign currency forwards  | \$17,325          | \$(67 )   | (188 )         |
| Currency futures   | \$930             | \$—       | (91 )          |
| Currency options   | \$17,159          | \$446     | 399            |
| Credit default swaps   | \$12,181          | \$59      | (2 )           |
| Equity futures   | \$7,206           | \$45      | (1 )           |
| Equity index options   | \$55,682          | \$501     | (14 )          |
| Equity variance swaps  | \$23,437          | \$(441 )  | 1              |

Edgar Filing: METLIFE INC - Form 10-K

|                              |         |       |            |
|------------------------------|---------|-------|------------|
| Total rate of return swaps   | \$3,803 | \$(11 | ) —        |
| Total derivative instruments |         |       | \$ 384     |
| Net Change                   |         |       | \$(5,663 ) |

---

184

---

Table of Contents

Does not necessarily represent those financial instruments solely subject to foreign currency exchange rate risk.

- Separate account assets and liabilities and contractholder-directed unit-linked investments and associated policyholder account balances, which are foreign currency exchange rate sensitive, are not included herein as any foreign currency exchange rate risk is borne by the contractholder. Mortgage loans, FVO and trading securities and long-term debt exclude \$172 million, \$12 million and \$60 million, respectively, related to CSEs. See Note 8 of the Notes to Consolidated Financial Statements for information regarding CSEs.
- (2) Embedded derivatives are recognized in the consolidated balance sheet in the same caption as the host contract. Excludes \$206.1 billion of liabilities, at carrying value, pursuant to insurance contracts reported within future policy benefits and other policy-related balances. These liabilities would economically offset a significant portion of the net change in fair value of our financial instruments resulting from a 10% increase in foreign currency exchange rates.
- (3)

Foreign currency exchange rate risk decreased by \$93 million, or 2%, to \$5.7 billion at December 31, 2015 from \$5.8 billion at December 31, 2014. This change was primarily due to a net decrease in exchange risk relating to policyholder account balances, fixed maturity securities and the use of derivatives by the Company.

The table below provides additional detail regarding the potential loss in estimated fair value of our portfolio due to a 10% change in equity by type of asset or liability at:

|  | December 31, 2015  |                                |   |
|--|--------------------|--------------------------------|---|
|  | Notional<br>Amount | Estimated<br>Fair<br>Value (1) | Assuming a<br>10% Increase<br>in Equity<br>Prices |
|  | (In millions)      |                                |   |
| <b>Assets</b>  |                    |                                |   |
| Equity securities  |                    | \$3,321                        | \$332   |
| Net embedded derivatives within asset host contracts (2)     |                    | \$391                          | (20 )   |
| Total assets   |                    |                                | 312   |
| <b>Liabilities</b>   |                    |                                |   |
| Policyholder account balances                                |                    | \$125,061                      | —   |
| Net embedded derivatives within liability host contracts (2) |                    | \$935                          | 979   |
| Total liabilities  |                    |                                | \$979   |
| <b>Derivative Instruments</b>                                |                    |                                |   |
| Interest rate swaps  | \$97,054           | \$5,554                        | \$—   |
| Interest rate floors   | \$23,837           | \$263                          | —   |
| Interest rate caps   | \$68,928           | \$102                          | —   |
| Interest rate futures  | \$5,808            | \$(3                           | ) —   |
| Interest rate options  | \$30,234           | \$1,147                        | —   |
| Interest rate forwards                                       | \$148              | \$24                           | —   |
| Synthetic GICs   | \$4,216            | \$—                            | —   |
| Foreign currency swaps                                       | \$36,896           | \$(262                         | ) —   |
| Foreign currency forwards                                    | \$17,325           | \$(67                          | ) —   |
| Currency futures   | \$930              | \$—                            | —   |
| Currency options   | \$17,159           | \$446                          | —   |
| Credit default swaps   | \$12,181           | \$59                           | —   |
| Equity futures   | \$7,206            | \$45                           | (687 )  |
| Equity index options   | \$55,682           | \$501                          | (258 )  |
| Equity variance swaps  | \$23,437           | \$(441                         | ) 15  |
| Total rate of return swaps                                   | \$3,803            | \$(11                          | ) (380 )  |
| Total derivative instruments                                 |                    |                                | \$(1,310 )  |
| Net Change   |                    |                                | \$(19 )   |

- 
- Does not necessarily represent those financial instruments solely subject to equity price risk. Additionally, separate account assets and liabilities and contractholder-directed unit-linked investments and associated policyholder account balances, which are equity market sensitive, are not included herein as any equity market risk is borne by the contractholder.
- (1)
- (2) Embedded derivatives are recognized in the consolidated balance sheet in the same caption as the host contract.

Table of Contents

Equity price risk decreased by \$59 million to \$19 million at December 31, 2015 from \$78 million at December 31, 2014. This decrease was primarily due to the impact of embedded derivatives offset by the use of derivatives by the Company.

186

---

Table of Contents

## Item 8. Financial Statements and Supplementary Data

## Index to Consolidated Financial Statements, Notes and Schedules

|   | Page       |
|---|------------|
| <u>Report of Independent Registered Public Accounting Firm</u>  | <u>188</u> |
| Financial Statements at December 31, 2015 and 2014 and for the Years Ended December 31, 2015, 2014 and 2013:          |            |
| <u>Consolidated Balance Sheets</u>  | <u>189</u> |
| <u>Consolidated Statements of Operations</u>  | <u>190</u> |
| <u>Consolidated Statements of Comprehensive Income (Loss)</u>   | <u>191</u> |
| <u>Consolidated Statements of Equity</u>  | <u>192</u> |
| <u>Consolidated Statements of Cash Flows</u>  | <u>193</u> |
| <u>Notes to the Consolidated Financial Statements</u>   |            |
| <u>Note 1 — Business, Basis of Presentation and Summary of Significant Accounting Policies</u>                        | <u>195</u> |
| <u>Note 2 — Segment Information</u>   | <u>211</u> |
| <u>Note 3 — Acquisitions and Dispositions</u>   | <u>217</u> |
| <u>Note 4 — Insurance</u>   | <u>218</u> |
| <u>Note 5 — Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles</u>                   | <u>225</u> |
| <u>Note 6 — Reinsurance</u>   | <u>228</u> |
| <u>Note 7 — Closed Block</u>  | <u>232</u> |
| <u>Note 8 — Investments</u>   | <u>234</u> |
| <u>Note 9 — Derivatives</u>   | <u>253</u> |
| <u>Note 10 — Fair Value</u>   | <u>267</u> |
| <u>Note 11 — Goodwill</u>   | <u>288</u> |
| <u>Note 12 — Long-term and Short-term Debt</u>  | <u>290</u> |
| <u>Note 13 — Collateral Financing Arrangements</u>  | <u>293</u> |
| <u>Note 14 — Junior Subordinated Debt Securities</u>  | <u>295</u> |
| <u>Note 15 — Common Equity Units</u>  | <u>296</u> |
| <u>Note 16 — Equity</u>   | <u>296</u> |
| <u>Note 17 — Other Expenses</u>   | <u>314</u> |
| <u>Note 18 — Employee Benefit Plans</u>   | <u>315</u> |
| <u>Note 19 — Income Tax</u>   | <u>326</u> |
| <u>Note 20 — Earnings Per Common Share</u>  | <u>332</u> |
| <u>Note 21 — Contingencies, Commitments and Guarantees</u>  | <u>333</u> |
| <u>Note 22 — Quarterly Results of Operations (Unaudited)</u>  | <u>343</u> |
| <u>Note 23 — Subsequent Events</u>  | <u>344</u> |
| Financial Statement Schedules at December 31, 2015 and 2014 and for the Years Ended December 31, 2015, 2014 and 2013: |            |
| <u>Schedule I — Consolidated Summary of Investments — Other Than Investments in Related Parties</u>                   | <u>345</u> |
| <u>Schedule II — Condensed Financial Information (Parent Company Only)</u>  | <u>346</u> |
| <u>Schedule III — Consolidated Supplementary Insurance Information</u>  | <u>354</u> |
| <u>Schedule IV — Consolidated Reinsurance</u>   | <u>356</u> |

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
MetLife, Inc.

New York, New York

We have audited the accompanying consolidated balance sheets of MetLife, Inc. and subsidiaries (the “Company”) as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedules listed in the Index to Consolidated Financial Statements, Notes and Schedules. These consolidated financial statements and financial statement schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of MetLife, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report, dated February 24, 2016 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

New York, New York

February 24, 2016

Table of Contents

MetLife, Inc.

Consolidated Balance Sheets

December 31, 2015 and 2014

(In millions, except share and per share data)

|   | 2015       | 2014       |
|---|------------|------------|
| Assets  |            |            |
| Investments:  |            |            |
| Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: \$332,964 and \$334,780, respectively; includes \$4,277 and \$4,266, respectively, relating to variable interest entities)   | \$ 351,402 | \$ 365,425 |
| Equity securities available-for-sale, at estimated fair value (cost: \$2,997 and \$3,076, respectively)   | 3,321      | 3,631      |
| Fair value option and trading securities, at estimated fair value (includes \$404 and \$704, respectively, of actively traded securities; and \$13 and \$60, respectively, relating to variable interest entities)  | 15,024     | 16,689     |
| Mortgage loans (net of valuation allowances of \$318 and \$305, respectively; includes \$172 and \$280, respectively, at estimated fair value, relating to variable interest entities; includes \$314 and \$308, respectively, under the fair value option) | 67,102     | 60,118     |
| Policy loans (includes \$4 and \$3, respectively, relating to variable interest entities)   | 11,258     | 11,618     |
| Real estate and real estate joint ventures (includes \$0 and \$8, respectively, relating to variable interest entities; includes \$47 and \$172, respectively, of real estate held-for-sale)  | 8,433      | 10,525     |
| Other limited partnership interests (includes \$27 and \$34, respectively, relating to variable interest entities)  | 7,096      | 8,085      |
| Short-term investments, principally at estimated fair value (includes \$26 and \$20, respectively, relating to variable interest entities)  | 9,299      | 8,621      |
| Other invested assets, principally at estimated fair value (includes \$43 and \$56, respectively, relating to variable interest entities)   | 22,524     | 21,283     |
| Total investments   | 495,459    | 505,995    |
| Cash and cash equivalents, principally at estimated fair value (includes \$85 and \$57, respectively, relating to variable interest entities)   | 12,752     | 10,808     |
| Accrued investment income (includes \$23 and \$21, respectively, relating to variable interest entities)  | 3,988      | 4,120      |
| Premiums, reinsurance and other receivables (includes \$21 and \$21, respectively, relating to variable interest entities)  | 22,702     | 22,244     |
| Deferred policy acquisition costs and value of business acquired (includes \$240 and \$235, respectively, relating to variable interest entities)   | 24,130     | 24,442     |
| Current income tax recoverable  | 161        | —          |
| Goodwill  | 9,477      | 9,872      |
| Other assets (includes \$148 and \$134, respectively, relating to variable interest entities)   | 7,666      | 7,862      |
| Separate account assets (includes \$1,022 and \$1,128, respectively, relating to variable interest entities)  | 301,598    | 316,994    |
| Total assets  | \$ 877,933 | \$ 902,337 |
| Liabilities and Equity  |            |            |
| Liabilities   |            |            |
| Future policy benefits (includes \$716 and \$579, respectively, relating to variable interest entities)   | \$ 191,879 | \$ 189,586 |
| Policyholder account balances (includes \$21 and \$33, respectively, relating to variable interest entities)  | 202,722    | 209,294    |
|   | 14,255     | 14,422     |



Edgar Filing: METLIFE INC - Form 10-K

|  |           |            |
|--|-----------|------------|
| Other policy-related balances (includes \$238 and \$198, respectively, relating to variable interest entities)   |           |            |
| Policyholder dividends payable   | 720       | 684        |
| Policyholder dividend obligation   | 1,783     | 3,155      |
| Payables for collateral under securities loaned and other transactions   | 36,871    | 35,326     |
| Short-term debt  | 100       | 100        |
| Long-term debt (includes \$63 and \$151, respectively, at estimated fair value, relating to variable interest entities)  | 18,023    | 16,286     |
| Collateral financing arrangements  | 4,139     | 4,196      |
| Junior subordinated debt securities  | 3,194     | 3,193      |
| Current income tax payable   | —         | 184        |
| Deferred income tax liability  | 10,592    | 11,821     |
| Other liabilities (includes \$81 and \$80, respectively, relating to variable interest entities)   | 23,561    | 24,437     |
| Separate account liabilities (includes \$1,022 and \$1,128, respectively, relating to variable interest entities)  | 301,598   | 316,994    |
| Total liabilities  | 809,437   | 829,678    |
| Contingencies, Commitments and Guarantees (Note 21)  |           |            |
| Redeemable noncontrolling interests in partially owned consolidated subsidiaries   | 77        | 99         |
| Equity   |           |            |
| MetLife, Inc.'s stockholders' equity:  |           |            |
| Preferred stock, par value \$0.01 per share; \$2,100 aggregate liquidation preference  | —         | 1          |
| Common stock, par value \$0.01 per share; 3,000,000,000 shares authorized; 1,159,590,766 and 1,153,998,144 shares issued, respectively; 1,098,028,525 and 1,131,927,894 shares outstanding, respectively | 12        | 12         |
| Additional paid-in capital   | 30,749    | 30,543     |
| Retained earnings  | 35,519    | 32,020     |
| Treasury stock, at cost; 61,562,241 and 22,070,250 shares, respectively  | (3,102    | ) (1,172 ) |
| Accumulated other comprehensive income (loss)  | 4,771     | 10,649     |
| Total MetLife, Inc.'s stockholders' equity   | 67,949    | 72,053     |
| Noncontrolling interests   | 470       | 507        |
| Total equity   | 68,419    | 72,560     |
| Total liabilities and equity   | \$877,933 | \$902,337  |
| See accompanying notes to the consolidated financial statements.   |           |            |

Table of Contents

MetLife, Inc.

Consolidated Statements of Operations

For the Years Ended December 31, 2015, 2014 and 2013

(In millions, except per share data)

|   | 2015     | 2014     | 2013     |
|---|----------|----------|----------|
| Revenues  |          |          |          |
| Premiums  | \$38,545 | \$39,067 | \$37,674 |
| Universal life and investment-type product policy fees  | 9,507    | 9,946    | 9,451    |
| Net investment income   | 19,281   | 21,153   | 22,232   |
| Other revenues  | 1,983    | 2,030    | 1,920    |
| Net investment gains (losses):  |          |          |          |
| Other-than-temporary impairments on fixed maturity securities   | (84      | ) (43    | ) (106   |
| Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)                  | (6       | ) (17    | ) (60    |
| Other net investment gains (losses)   | 687      | (137     | ) 327    |
| Total net investment gains (losses)   | 597      | (197     | ) 161    |
| Net derivative gains (losses)   | 38       | 1,317    | (3,239   |
| Total revenues  | 69,951   | 73,316   | 68,199   |
| Expenses  |          |          |          |
| Policyholder benefits and claims  | 38,714   | 39,102   | 38,107   |
| Interest credited to policyholder account balances  | 5,610    | 6,943    | 8,179    |
| Policyholder dividends  | 1,388    | 1,376    | 1,259    |
| Other expenses  | 16,769   | 17,091   | 16,602   |
| Total expenses  | 62,481   | 64,512   | 64,147   |
| Income (loss) from continuing operations before provision for income tax  | 7,470    | 8,804    | 4,052    |
| Provision for income tax expense (benefit)  | 2,148    | 2,465    | 661      |
| Income (loss) from continuing operations, net of income tax   | 5,322    | 6,339    | 3,391    |
| Income (loss) from discontinued operations, net of income tax   | —        | (3       | ) 2      |
| Net income (loss)   | 5,322    | 6,336    | 3,393    |
| Less: Net income (loss) attributable to noncontrolling interests  | 12       | 27       | 25       |
| Net income (loss) attributable to MetLife, Inc.   | 5,310    | 6,309    | 3,368    |
| Less: Preferred stock dividends   | 116      | 122      | 122      |
| Preferred stock repurchase premium  | 42       | —        | —        |
| Net income (loss) available to MetLife, Inc.'s common shareholders  | \$5,152  | \$6,187  | \$3,246  |
| Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders per common share: |          |          |          |
| Basic   | \$4.61   | \$5.48   | \$2.94   |
| Diluted   | \$4.57   | \$5.42   | \$2.91   |
| Net income (loss) available to MetLife, Inc.'s common shareholders per common share:  |          |          |          |
| Basic   | \$4.61   | \$5.48   | \$2.94   |
| Diluted   | \$4.57   | \$5.42   | \$2.91   |
| Cash dividends declared per common share  | \$1.475  | \$1.325  | \$1.010  |

See accompanying notes to the consolidated financial statements.

Table of Contents

MetLife, Inc.

Consolidated Statements of Comprehensive Income (Loss)

For the Years Ended December 31, 2015, 2014 and 2013

(In millions)

|  | 2015    | 2014       | 2013       |
|--|---------|------------|------------|
| Net income (loss) (1)  | \$5,322 | \$6,336    | \$3,393    |
| Other comprehensive income (loss):   |         |            |            |
| Unrealized investment gains (losses), net of related offsets                                 | (7,443  | ) 10,103   | (8,086 )   |
| Unrealized gains (losses) on derivatives   | 589     | 1,386      | (899 )     |
| Foreign currency translation adjustments   | (1,624  | ) (1,444   | ) (975 )   |
| Defined benefit plans adjustment   | 354     | (970       | ) 1,292    |
| Other comprehensive income (loss), before income tax   | (8,124  | ) 9,075    | (8,668 )   |
| Income tax (expense) benefit related to items of other comprehensive income (loss)           | 2,266   | (3,528     | ) 2,329    |
| Other comprehensive income (loss), net of income tax   | (5,858  | ) 5,547    | (6,339 )   |
| Comprehensive income (loss)  | (536    | ) 11,883   | (2,946 )   |
| Less: Comprehensive income (loss) attributable to noncontrolling interest, net of income tax | 32      | 29         | (21 )      |
| Comprehensive income (loss) attributable to MetLife, Inc.                                    | \$(568  | ) \$11,854 | \$(2,925 ) |

Net income (loss) attributable to noncontrolling interests excludes losses of redeemable noncontrolling interests of less than \$1 million for the year ended December 31, 2015. Net income (loss) attributable to noncontrolling interests (1) excludes gains of redeemable noncontrolling interests of less than \$1 million for each of the years ended December 31, 2014 and 2013.

See accompanying notes to the consolidated financial statements.

Table of Contents

MetLife, Inc.

Consolidated Statements of Equity

For the Years Ended December 31, 2015, 2014 and 2013

(In millions)

|   | Preferred<br>Stock | Common<br>Stock | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Treasury<br>Stock<br>at Cost | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Total<br>MetLife, Inc.<br>Stockholders'<br>Equity | Noncontrolling<br>Interests<br>(1) | Total<br>Equity |
|---|--------------------|-----------------|----------------------------------|----------------------|------------------------------|---|---|------------------------------------|-----------------|
| Balance at<br>December 31,<br>2012                                    | \$1                | \$11            | \$ 28,011                        | \$ 25,205            | \$(172 )                     | \$ 11,397   | \$ 64,453   | \$ 384                             | \$64,837        |
| Common stock<br>issuance  |                    |                 | 1,000                            |                      |                              |   | 1,000   |                                    | 1,000           |
| Stock-based<br>compensation   |                    |                 | 305                              |                      |                              |   | 305   |                                    | 305             |
| Dividends on<br>preferred stock                                       |                    |                 |                                  | (122 )               |                              |   | (122 )  |                                    | (122 )          |
| Dividends on<br>common stock  |                    |                 |                                  | (1,119 )             |                              |   | (1,119 )  |                                    | (1,119 )        |
| Change in equity<br>of noncontrolling<br>interests                    |                    |                 | (39 )                            |                      |                              |   | (39 )   | 180                                | 141             |
| Net income (loss)   |                    |                 |                                  | 3,368                |                              |   | 3,368   | 25                                 | 3,393           |
| Other<br>comprehensive<br>income (loss), net<br>of income tax         |                    |                 |                                  |                      |                              | (6,293 )  | (6,293 )  | (46 )                              | (6,339 )        |
| Balance at<br>December 31,<br>2013                                    | 1                  | 11              | 29,277                           | 27,332               | (172 )                       | 5,104   | 61,553  | 543                                | 62,096          |
| Treasury stock<br>acquired in<br>connection with<br>share repurchases |                    |                 |                                  |                      | (1,000 )                     |   | (1,000 )  |                                    | (1,000 )        |
| Common stock<br>issuance  |                    | 1               | 999                              |                      |                              |   | 1,000   |                                    | 1,000           |
| Stock-based<br>compensation   |                    |                 | 267                              |                      |                              |   | 267   |                                    | 267             |
| Dividends on<br>preferred stock                                       |                    |                 |                                  | (122 )               |                              |   | (122 )  |                                    | (122 )          |
| Dividends on<br>common stock  |                    |                 |                                  | (1,499 )             |                              |   | (1,499 )  |                                    | (1,499 )        |
| Change in equity<br>of noncontrolling<br>interests                    |                    |                 |                                  |                      |                              |   | —   | (65 )                              | (65 )           |
| Net income (loss)   |                    |                 |                                  | 6,309                |                              |   | 6,309   | 27                                 | 6,336           |
| Other<br>comprehensive  |                    |                 |                                  |                      |                              | 5,545   | 5,545   | 2                                  | 5,547           |

|  |      |      |          |          |           |          |          |       |          |
|--|------|------|----------|----------|-----------|----------|----------|-------|----------|
| income (loss), net of income tax                             |      |      |          |          |           |          |          |       |          |
| Balance at December 31, 2014                                 | 1    | 12   | 30,543   | 32,020   | (1,172 )  | 10,649   | 72,053   | 507   | 72,560   |
| Repurchase of preferred stock                                | (1 ) |      | (1,459 ) |          |           |          | (1,460 ) |       | (1,460 ) |
| Preferred stock repurchase premium                           |      |      |          | (42 )    |           |          | (42 )    |       | (42 )    |
| Preferred stock issuance                                     |      |      | 1,483    |          |           |          | 1,483    |       | 1,483    |
| Treasury stock acquired in connection with share repurchases |      |      |          |          | (1,930 )  |          | (1,930 ) |       | (1,930 ) |
| Stock-based compensation                                     |      |      | 182      |          |           |          | 182      |       | 182      |
| Dividends on preferred stock                                 |      |      |          | (116 )   |           |          | (116 )   |       | (116 )   |
| Dividends on common stock                                    |      |      |          | (1,653 ) |           |          | (1,653 ) |       | (1,653 ) |
| Change in equity of noncontrolling interests                 |      |      |          |          |           |          | —        | (69 ) | (69 )    |
| Net income (loss)  |      |      |          | 5,310    |           |          | 5,310    | 12    | 5,322    |
| Other comprehensive income (loss), net of income tax         |      |      |          |          |           | (5,878 ) | (5,878 ) | 20    | (5,858 ) |
| Balance at December 31, 2015                                 | \$—  | \$12 | \$30,749 | \$35,519 | \$(3,102) | \$4,771  | \$67,949 | \$470 | \$68,419 |

Net income (loss) attributable to noncontrolling interests excludes losses of redeemable noncontrolling interests of less than \$1 million for the year ended December 31, 2015. Net income (loss) attributable to noncontrolling (1) interests excludes gains of redeemable noncontrolling interests of less than \$1 million for each of the years ended December 31, 2014 and 2013.

See accompanying notes to the consolidated financial statements.

Table of Contents

MetLife, Inc.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2015, 2014 and 2013

(In millions)

|  | 2015      | 2014      | 2013      |
|--|-----------|-----------|-----------|
| Cash flows from operating activities   |           |           |           |
| Net income (loss)  | \$5,322   | \$6,336   | \$3,393   |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |           |           |           |
| Depreciation and amortization expenses   | 693       | 713       | 714       |
| Amortization of premiums and accretion of discounts associated with investments, net               | (1,141)   | (611)     | (167)     |
| (Gains) losses on investments and from sales of businesses, net                                    | (597)     | 202       | (155)     |
| (Gains) losses on derivatives, net   | 1,451     | (21)      | 5,122     |
| (Income) loss from equity method investments, net of dividends or distributions                    | 481       | 327       | 99        |
| Interest credited to policyholder account balances   | 5,610     | 6,943     | 8,179     |
| Universal life and investment-type product policy fees   | (9,507)   | (9,946)   | (9,451)   |
| Change in fair value option and trading securities   | 784       | (739)     | (1,433)   |
| Change in residential mortgage loans held-for-sale, net  | —         | —         | 373       |
| Change in accrued investment income  | 138       | 207       | 293       |
| Change in premiums, reinsurance and other receivables  | (837)     | (650)     | (582)     |
| Change in deferred policy acquisition costs and value of business acquired, net                    | 491       | 1,134     | (920)     |
| Change in income tax   | 825       | 2,075     | 871       |
| Change in other assets   | 2,752     | 2,573     | 1,767     |
| Change in insurance-related liabilities and policy-related balances                                | 6,366     | 5,847     | 6,897     |
| Change in other liabilities  | 1,134     | 1,885     | 1,008     |
| Other, net   | 164       | 101       | 123       |
| Net cash provided by (used in) operating activities  | 14,129    | 16,376    | 16,131    |
| Cash flows from investing activities   |           |           |           |
| Sales, maturities and repayments of:   |           |           |           |
| Fixed maturity securities  | 146,732   | 118,526   | 117,523   |
| Equity securities  | 1,117     | 490       | 725       |
| Mortgage loans   | 12,647    | 14,128    | 12,881    |
| Real estate and real estate joint ventures   | 3,256     | 1,012     | 356       |
| Other limited partnership interests  | 1,827     | 823       | 807       |
| Purchases of:  |           |           |           |
| Fixed maturity securities  | (148,799) | (130,197) | (117,826) |
| Equity securities  | (996)     | (530)     | (943)     |
| Mortgage loans   | (20,449)  | (17,464)  | (14,677)  |
| Real estate and real estate joint ventures   | (1,298)   | (2,282)   | (1,880)   |
| Other limited partnership interests  | (1,429)   | (1,764)   | (1,356)   |
| Cash received in connection with freestanding derivatives  | 2,690     | 1,760     | 1,567     |
| Cash paid in connection with freestanding derivatives  | (4,211)   | (4,003)   | (6,710)   |
| Cash received under repurchase agreements  | 199       | —         | —         |
| Cash paid under repurchase agreements  | (199)     | —         | —         |
| Cash received under reverse repurchase agreements  | 199       | —         | —         |
| Cash paid under reverse repurchase agreements  | (199)     | —         | —         |

Edgar Filing: METLIFE INC - Form 10-K

|   |           |      |           |       |
|---|-----------|------|-----------|-------|
| Sales of businesses, net of cash and cash equivalents disposed of \$0, \$323 and \$14, respectively   | —         | 436  | 393       |       |
| Sale of bank deposits   | —         | —    | (6,395    | )     |
| Purchases of businesses, net of cash and cash equivalents acquired of \$0, \$0 and \$20, respectively | —         | —    | (1,840    | )     |
| Purchases of investments in insurance joint ventures  | —         | (277 | )         | —     |
| Net change in policy loans  | 287       | (27  | )         | (112  |
| Net change in short-term investments  | (777      | )    | 5,167     | 2,955 |
| Net change in other invested assets   | (936      | )    | (512      | )     |
| Other, net  | (59       | )    | (341      | )     |
| Net cash provided by (used in) investing activities   | \$(10,398 | )    | \$(15,055 | )     |
| See accompanying notes to the consolidated financial statements.                                      |           |      | \$(15,165 | )     |

193

---

Table of Contents

MetLife, Inc.

Consolidated Statements of Cash Flows — (continued)

For the Years Ended December 31, 2015, 2014 and 2013

(In millions)

|   | 2015     | 2014      | 2013      |
|---|----------|-----------|-----------|
| Cash flows from financing activities  |          |           |           |
| Policyholder account balances:  |          |           |           |
| Deposits  | \$92,904 | \$89,520  | \$79,193  |
| Withdrawals   | (94,621) | ) (88,037 | ) (84,874 |
| Net change in payables for collateral under securities loaned and other transactions      | 1,544    | 5,031     | (3,276)   |
| Net change in short-term debt   | —        | (75       | ) 75      |
| Long-term debt issued   | 3,893    | 1,000     | 1,372     |
| Long-term debt repaid   | (1,438)  | ) (2,862  | ) (1,746  |
| Collateral financing arrangements repaid  | (57      | ) —       | —         |
| Cash received in connection with redeemable noncontrolling interests                      | —        | —         | 774       |
| Common stock issued, net of issuance costs  | —        | 1,000     | 1,000     |
| Treasury stock acquired in connection with share repurchases                              | (1,930   | ) (1,000  | ) —       |
| Preferred stock issued, net of issuance costs   | 1,483    | —         | —         |
| Repurchase of preferred stock   | (1,460   | ) —       | —         |
| Preferred stock repurchase premium  | (42      | ) —       | —         |
| Dividends on preferred stock  | (116     | ) (122    | ) (122    |
| Dividends on common stock   | (1,653   | ) (1,499  | ) (1,119  |
| Other, net  | 198      | (700      | ) (184    |
| Net cash provided by (used in) financing activities                                       | (1,295   | ) 2,256   | (8,907    |
| Effect of change in foreign currency exchange rates on cash and cash equivalents balances | (492     | ) (354    | ) (212    |
| Change in cash and cash equivalents   | 1,944    | 3,223     | (8,153)   |
| Cash and cash equivalents, beginning of year  | 10,808   | 7,585     | 15,738    |
| Cash and cash equivalents, end of year  | \$12,752 | \$10,808  | \$7,585   |
| Supplemental disclosures of cash flow information:  |          |           |           |
| Net cash paid (received) for:   |          |           |           |
| Interest  | \$1,178  | \$1,213   | \$1,270   |
| Income tax  | \$1,127  | \$748     | \$677     |
| Non-cash transactions:  |          |           |           |
| Business acquisitions:  |          |           |           |
| Assets acquired   | \$—      | \$—       | \$2,988   |
| Liabilities assumed   | —        | —         | (972)     |
| Noncontrolling interests assumed  | —        | —         | (176)     |
| Cash paid, excluding transaction costs of \$0, \$0 and \$17, respectively                 | \$—      | \$—       | \$1,840   |
| Fixed maturity securities received in connection with pension risk transfer transactions  | \$903    | \$—       | \$—       |
| Deconsolidation of real estate investment vehicles:                                       |          |           |           |
| Reduction of redeemable noncontrolling interests  | \$—      | \$774     | \$—       |
| Reduction of long-term debt   | \$571    | \$413     | \$—       |
| Reduction of real estate and real estate joint ventures                                   | \$688    | \$1,132   | \$—       |
| See accompanying notes to the consolidated financial statements.                          |          |           |           |





Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements

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

Business

“MetLife” and the “Company” refer to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliates. MetLife is a global provider of life insurance, annuities, employee benefits and asset management. MetLife is organized into six segments: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the “Americas”); Asia; and Europe, the Middle East and Africa (“EMEA”).

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the consolidated financial statements. In applying these policies and estimates, management makes subjective and complex judgments that frequently require assumptions about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company’s business and operations. Actual results could differ from estimates.

Consolidation

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

Certain international subsidiaries have a fiscal year cutoff of November 30th. Accordingly, the Company’s consolidated financial statements reflect the assets and liabilities of such subsidiaries as of November 30, 2015 and 2014 and the operating results of such subsidiaries for the years ended November 30, 2015, 2014 and 2013.

Discontinued Operations

The results of operations of a component of the Company that has either been disposed of or is classified as held-for-sale are reported in discontinued operations if certain criteria are met. Effective January 1, 2014, the Company adopted new guidance regarding reporting of discontinued operations for disposals or classifications as held-for-sale that have not been previously reported in the consolidated financial statements. A disposal of a component is reported in discontinued operations if the disposal represents a strategic shift that has or will have a major effect on the Company’s operations and financial results. See “— Adoption of New Accounting Pronouncements.”

Separate Accounts

Separate accounts are established in conformity with insurance laws. Generally, the assets of the separate accounts cannot be used to settle the liabilities that arise from any other business of the Company. Separate account assets are subject to general account claims only to the extent the value of such assets exceeds the separate account liabilities. The Company reports separately, as assets and liabilities, investments held in separate accounts and liabilities of the separate accounts if:

- such separate accounts are legally recognized;
- assets supporting the contract liabilities are legally insulated from the Company’s general account liabilities;
- investments are directed by the contractholder; and
- all investment performance, net of contract fees and assessments, is passed through to the contractholder.

The Company reports separate account assets at their fair value which is based on the estimated fair values of the underlying assets comprising the individual separate account portfolios. Investment performance (including investment income, net investment gains (losses) and changes in unrealized gains (losses)) and the corresponding amounts credited to contractholders of such separate accounts are offset within the same line in the statements of operations. Separate accounts credited with a contractual investment return are combined on a line-by-line basis with the Company’s general account assets, liabilities, revenues and expenses and the accounting for these investments is consistent with the methodologies described herein for similar financial instruments held within the general account. Unit-linked separate account investments that are directed by contractholders but do not meet one or more of the other above criteria are included in fair value option (“FVO”) and trading securities.



Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

The Company's revenues reflect fees charged to the separate accounts, including mortality charges, risk charges, policy administration fees, investment management fees and surrender charges. Such fees are included in universal life and investment-type product policy fees in the statements of operations.

## Reclassifications

Certain amounts in the prior years' consolidated financial statements and related footnotes thereto have been reclassified to conform with the current year presentation as discussed throughout the Notes to the Consolidated Financial Statements.

## Summary of Significant Accounting Policies

The following are the Company's significant accounting policies with references to notes providing additional information on such policies and critical accounting estimates relating to such policies.

| Accounting Policy   | Note |
|---|------|
| Insurance   | 4    |
| Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles | 5    |
| Reinsurance   | 6    |
| Investments   | 8    |
| Derivatives   | 9    |
| Fair Value  | 10   |
| Goodwill  | 11   |
| Employee Benefit Plans  | 18   |
| Income Tax  | 19   |
| Litigation Contingencies  | 21   |

## Insurance

## Future Policy Benefit Liabilities and Policyholder Account Balances

The Company establishes liabilities for amounts payable under insurance policies. Generally, amounts are payable over an extended period of time and related liabilities are calculated as the present value of future expected benefits to be paid reduced by the present value of future expected premiums. Such liabilities are established based on methods and underlying assumptions in accordance with GAAP and applicable actuarial standards. Principal assumptions used in the establishment of liabilities for future policy benefits are mortality, morbidity, policy lapse, renewal, retirement, disability incidence, disability terminations, investment returns, inflation, expenses and other contingent events as appropriate to the respective product type and geographical area. These assumptions are established at the time the policy is issued and are intended to estimate the experience for the period the policy benefits are payable. Utilizing these assumptions, liabilities are established on a block of business basis. For long duration insurance contracts, assumptions such as mortality, morbidity and interest rates are "locked in" upon the issuance of new business. However, significant adverse changes in experience on such contracts may require the establishment of premium deficiency reserves. Such reserves are determined based on the then current assumptions and do not include a provision for adverse deviation.

Premium deficiency reserves may also be established for short duration contracts to provide for expected future losses. These reserves are based on actuarial estimates of the amount of loss inherent in that period, including losses incurred for which claims have not been reported. The provisions for unreported claims are calculated using studies that measure the historical length of time between the incurred date of a claim and its eventual reporting to the Company. Anticipated investment income is considered in the calculation of premium deficiency losses for short duration contracts.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

Liabilities for universal and variable life policies with secondary guarantees (“ULSG”) and paid-up guarantees are determined by estimating the expected value of death benefits payable when the account balance is projected to be zero and recognizing those benefits ratably over the accumulation period based on total expected assessments. The assumptions used in estimating the secondary and paid-up guarantee liabilities are consistent with those used for amortizing deferred policy acquisition costs (“DAC”), and are thus subject to the same variability and risk as further discussed herein. The assumptions of investment performance and volatility for variable products are consistent with historical experience of appropriate underlying equity indices, such as the Standard & Poor’s Ratings Services (“S&P”) 500 Index. The benefits used in calculating the liabilities are based on the average benefits payable over a range of scenarios.

The Company regularly reviews its estimates of liabilities for future policy benefits and compares them with its actual experience. Differences result in changes to the liability balances with related charges or credits to benefit expenses in the period in which the changes occur.

Policyholder account balances relate to contract or contract features where the Company has no significant insurance risk.

The Company issues directly and assumes through reinsurance certain variable annuity products with guaranteed minimum benefits that provide the policyholder a minimum return based on their initial deposit (i.e., the benefit base) less withdrawals. These guarantees are accounted for as insurance liabilities or as embedded derivatives depending on how and when the benefit is paid. Specifically, a guarantee is accounted for as an embedded derivative if a guarantee is paid without requiring (i) the occurrence of specific insurable event, or (ii) the policyholder to annuitize.

Alternatively, a guarantee is accounted for as an insurance liability if the guarantee is paid only upon either (i) the occurrence of a specific insurable event, or (ii) annuitization. In certain cases, a guarantee may have elements of both an insurance liability and an embedded derivative and in such cases the guarantee is split and accounted for under both models.

Guarantees accounted for as insurance liabilities in future policy benefits include guaranteed minimum death benefits (“GMDBs”), the portion of guaranteed minimum income benefits (“GMIBs”) that require annuitization, and the life-contingent portion of guaranteed minimum withdrawal benefits (“GMWBs”).

Guarantees accounted for as embedded derivatives in policyholder account balances include the non life-contingent portion of GMWBs, guaranteed minimum accumulation benefits (“GMABs”) and the portion of GMIBs that do not require annuitization. At inception, the Company attributes to the embedded derivative a portion of the projected future guarantee fees to be collected from the policyholder equal to the present value of projected future guaranteed benefits. Any additional fees represent “excess” fees and are reported in universal life and investment-type product policy fees.

**Other Policy-Related Balances**

Other policy-related balances include policy and contract claims, unearned revenue liabilities, premiums received in advance, policyholder dividends due and unpaid, policyholder dividends left on deposit and negative value of business acquired.

The liability for policy and contract claims generally relates to incurred but not reported death, disability, long-term care and dental claims, as well as claims which have been reported but not yet settled. The liability for these claims is based on the Company’s estimated ultimate cost of settling all claims. The Company derives estimates for the development of incurred but not reported claims principally from analyses of historical patterns of claims by business line. The methods used to determine these estimates are continually reviewed. Adjustments resulting from this continuous review process and differences between estimates and payments for claims are recognized in policyholder benefits and claims expense in the period in which the estimates are changed or payments are made.

The unearned revenue liability relates to universal life-type and investment-type products and represents policy charges for services to be provided in future periods. The charges are deferred as unearned revenue and amortized using the product’s estimated gross profits and margins, similar to DAC as discussed further herein. Such amortization

is recorded in universal life and investment-type product policy fees.

The Company accounts for the prepayment of premiums on its individual life, group life and health contracts as premiums received in advance and applies the cash received to premiums when due.

See “— Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles” for a discussion of negative value of business acquired.

197

---

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

## Recognition of Insurance Revenues and Deposits

Premiums related to traditional life, annuity contracts with life contingencies, long-duration accident & health, and credit insurance policies are recognized as revenues when due from policyholders. Policyholder benefits and expenses are provided to recognize profits over the estimated lives of the insurance policies. When premiums are due over a significantly shorter period than the period over which benefits are provided, any excess profit is deferred and recognized into earnings in a constant relationship to insurance in-force or, for annuities, the amount of expected future policy benefit payments.

Premiums related to short-duration non-medical health and disability, accident & health, and certain credit insurance contracts are recognized on a pro rata basis over the applicable contract term.

Deposits related to universal life-type and investment-type products are credited to policyholder account balances.

Revenues from such contracts consist of fees for mortality, policy administration and surrender charges and are recorded in universal life and investment-type product policy fees in the period in which services are provided.

Amounts that are charged to earnings include interest credited and benefit claims incurred in excess of related policyholder account balances.

Premiums related to property & casualty contracts are recognized as revenue on a pro rata basis over the applicable contract term. Unearned premiums, representing the portion of premium written related to the unexpired coverage, are also included in future policy benefits.

Premiums, policy fees, policyholder benefits and expenses are presented net of reinsurance.

## Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles

The Company incurs significant costs in connection with acquiring new and renewal insurance business. Costs that are related directly to the successful acquisition or renewal of insurance contracts are capitalized as DAC. Such costs include:

- incremental direct costs of contract acquisition, such as commissions;
- the portion of an employee's total compensation and benefits related to time spent selling, underwriting or processing the issuance of new and renewal insurance business only with respect to actual policies acquired or renewed;
- other essential direct costs that would not have been incurred had a policy not been acquired or renewed; and
- the costs of direct-response advertising, the primary purpose of which is to elicit sales to customers who could be shown to have responded specifically to the advertising and that results in probable future benefits.

All other acquisition-related costs, including those related to general advertising and solicitation, market research, agent training, product development, unsuccessful sales and underwriting efforts, as well as all indirect costs, are expensed as incurred.

Value of business acquired ("VOBA") is an intangible asset resulting from a business combination that represents the excess of book value over the estimated fair value of acquired insurance, annuity, and investment-type contracts in-force at the acquisition date. The estimated fair value of the acquired liabilities is based on projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns, nonperformance risk adjustment and other factors. Actual experience on the purchased business may vary from these projections.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

DAC and VOBA are amortized as follows:

| Products:  | In proportion to the following over estimated lives of the contracts:  |
|--|--|
| <ul style="list-style-type: none"> <li>• Nonparticipating and non-dividend-paying traditional contracts:               <ul style="list-style-type: none"> <li>• Term insurance</li> <li>• Nonparticipating whole life insurance</li> <li>• Traditional group life insurance</li> <li>• Non-medical health insurance</li> <li>• Accident &amp; health insurance</li> </ul> </li> <li>• Participating, dividend-paying traditional contracts</li> <li>• Fixed and variable universal life contracts</li> <li>• Fixed and variable deferred annuity contracts</li> <li>• Credit insurance contracts</li> <li>• Property &amp; casualty insurance contracts</li> <li>• Other short-duration contracts</li> </ul> | <ul style="list-style-type: none"> <li>Actual and expected future gross premiums.</li> <li>Actual and expected future gross margins.</li> <li>Actual and expected future gross profits.</li> <li>Actual and future earned premiums.</li> </ul> |

See Note 5 for additional information on DAC and VOBA amortization. Amortization of DAC and VOBA is included in other expenses.

The recovery of DAC and VOBA is dependent upon the future profitability of the related business. DAC and VOBA are aggregated in the financial statements for reporting purposes.

The Company generally has two different types of sales inducements which are included in other assets: (i) the policyholder receives a bonus whereby the policyholder's initial account balance is increased by an amount equal to a specified percentage of the customer's deposit; and (ii) the policyholder receives a higher interest rate using a dollar cost averaging method than would have been received based on the normal general account interest rate credited. The Company defers sales inducements and amortizes them over the life of the policy using the same methodology and assumptions used to amortize DAC. The amortization of sales inducements is included in policyholder benefits and claims. Each year, or more frequently if circumstances indicate a potential recoverability issue exists, the Company reviews deferred sales inducements ("DSI") to determine the recoverability of the asset.

Value of distribution agreements acquired ("VODA") is reported in other assets and represents the present value of expected future profits associated with the expected future business derived from the distribution agreements acquired as part of a business combination. Value of customer relationships acquired ("VOCRA") is also reported in other assets and represents the present value of the expected future profits associated with the expected future business acquired through existing customers of the acquired company or business. The VODA and VOCRA associated with past business combinations are amortized over useful lives ranging from 10 to 40 years and such amortization is included in other expenses. Each year, or more frequently if circumstances indicate a possible impairment exists, the Company reviews VODA and VOCRA to determine whether the asset is impaired.

For certain acquired blocks of business, the estimated fair value of the in-force contract obligations exceeded the book value of assumed in-force insurance policy liabilities, resulting in negative VOBA, which is presented separately from VOBA as an additional insurance liability. The fair value of the in-force contract obligations is based on projections by each block of business. Negative VOBA is amortized over the policy period in proportion to the approximate consumption of losses included in the liability usually expressed in terms of insurance in-force or account value. Such amortization is recorded as a contra-expense in other expenses.

**Reinsurance**

For each of its reinsurance agreements, the Company determines whether the agreement provides indemnification against loss or liability relating to insurance risk in accordance with applicable accounting standards. Cessions under reinsurance agreements do not discharge the Company's obligations as the primary insurer. The Company reviews all



contractual features, including those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims.

199

---

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

For reinsurance of existing in-force blocks of long-duration contracts that transfer significant insurance risk, the difference, if any, between the amounts paid (received), and the liabilities ceded (assumed) related to the underlying contracts is considered the net cost of reinsurance at the inception of the reinsurance agreement. The net cost of reinsurance is recorded as an adjustment to DAC and recognized as a component of other expenses on a basis consistent with the way the acquisition costs on the underlying reinsured contracts would be recognized. Subsequent amounts paid (received) on the reinsurance of in-force blocks, as well as amounts paid (received) related to new business, are recorded as ceded (assumed) premiums; and ceded (assumed) premiums, reinsurance and other receivables (future policy benefits) are established.

For prospective reinsurance of short-duration contracts that meet the criteria for reinsurance accounting, amounts paid (received) are recorded as ceded (assumed) premiums and ceded (assumed) unearned premiums. Unearned premiums are reflected as a component of premiums, reinsurance and other receivables (future policy benefits). Such amounts are amortized through earned premiums over the remaining contract period in proportion to the amount of insurance protection provided. For retroactive reinsurance of short-duration contracts that meet the criteria of reinsurance accounting, amounts paid (received) in excess of the related insurance liabilities ceded (assumed) are recognized immediately as a loss and are reported in the appropriate line item within the statement of operations. Any gain on such retroactive agreement is deferred and is amortized as part of DAC, primarily using the recovery method. Amounts currently recoverable under reinsurance agreements are included in premiums, reinsurance and other receivables and amounts currently payable are included in other liabilities. Assets and liabilities relating to reinsurance agreements with the same reinsurer may be recorded net on the balance sheet, if a right of offset exists within the reinsurance agreement. In the event that reinsurers do not meet their obligations to the Company under the terms of the reinsurance agreements, reinsurance recoverable balances could become uncollectible. In such instances, reinsurance recoverable balances are stated net of allowances for uncollectible reinsurance.

Premiums, fees and policyholder benefits and claims include amounts assumed under reinsurance agreements and are net of reinsurance ceded. Amounts received from reinsurers for policy administration are reported in other revenues. With respect to GMIBs, a portion of the directly written GMIBs are accounted for as insurance liabilities, but the associated reinsurance agreements contain embedded derivatives. These embedded derivatives are included in premiums, reinsurance and other receivables with changes in estimated fair value reported in policyholder benefits and claims.

If the Company determines that a reinsurance agreement does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk, the Company records the agreement using the deposit method of accounting. Deposits received are included in other liabilities and deposits made are included within premiums, reinsurance and other receivables. As amounts are paid or received, consistent with the underlying contracts, the deposit assets or liabilities are adjusted. Interest on such deposits is recorded as other revenues or other expenses, as appropriate. Periodically, the Company evaluates the adequacy of the expected payments or recoveries and adjusts the deposit asset or liability through other revenues or other expenses, as appropriate.

**Investments****Net Investment Income and Net Investment Gains (Losses)**

Income from investments is reported within net investment income, unless otherwise stated herein. Gains and losses on sales of investments, impairment losses and changes in valuation allowances are reported within net investment gains (losses), unless otherwise stated herein.

**Fixed Maturity and Equity Securities**

The majority of the Company's fixed maturity and equity securities are classified as available-for-sale ("AFS") 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) ("OCI"), net of policy-related amounts and deferred income taxes. All security transactions are recorded on a trade date basis. Investment gains and losses on sales are determined on a specific identification basis.

Interest income and prepayment fees are recognized when earned. Interest income is recognized using an effective yield method giving effect to amortization of premiums and accretion of discounts. Dividends on equity securities are recognized when declared.

200

---

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

The Company periodically evaluates fixed maturity and equity securities for impairment. 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, as well as an analysis of the gross unrealized losses by severity and/or age as described in Note 8 "— Evaluation of AFS Securities for OTTI and Evaluating Temporarily Impaired AFS Securities."

For fixed maturity securities in an unrealized loss position, an other-than-temporary impairment ("OTTI") is recognized in earnings when it is anticipated that the amortized cost will not be recovered. When either: (i) the Company has the intent to sell the security; or (ii) it is more likely than not that the Company will be required to sell the security before recovery, the OTTI recognized in earnings is the entire difference between the security's amortized cost and estimated fair value. If neither of these conditions exists, the difference between the amortized cost of the security and the present value of projected future cash flows expected to be collected is recognized as an OTTI in earnings ("credit loss"). If the estimated fair value is less than the present value of projected future cash flows expected to be collected, this portion of OTTI related to other-than-credit factors ("noncredit loss") is recorded in OCI.

With respect to equity securities, the Company considers in its OTTI analysis its intent and ability to hold a particular equity security for a period of time sufficient to allow for the recovery of its estimated fair value to an amount equal to or greater than cost. If a sale decision is made for an equity security and recovery to an amount at least equal to cost prior to the sale is not expected, the security will be deemed to be other-than-temporarily impaired in the period that the sale decision was made and an OTTI loss will be recorded in earnings. The OTTI loss recognized is the entire difference between the security's cost and its estimated fair value.

**FVO and Trading Securities**

FVO and trading securities are stated at estimated fair value and include investments for which the FVO has been elected ("FVO Securities") and investments that are actively purchased and sold ("Actively traded securities"). FVO Securities include:

fixed maturity and equity securities held-for-investment by the general account to support asset and liability management strategies for certain insurance products and investments in certain separate accounts ("FVO general account securities"); and

contractholder-directed investments supporting unit-linked variable annuity type liabilities which do not qualify for presentation and reporting as separate account summary total assets and liabilities. These investments are primarily mutual funds and, to a lesser extent, fixed maturity and equity securities, short-term investments and cash and cash equivalents. The investment returns on these investments inure to contractholders and are offset by a corresponding change in Policyholder account balances through interest credited to policyholder account balances ("FVO contractholder-directed unit-linked investments").

Actively traded securities principally include fixed maturity securities and short sale agreement liabilities, which are included in other liabilities.

Changes in estimated fair value of these securities are included in net investment income, except for certain securities included in FVO Securities where changes are included in net investment gains (losses).

**Mortgage Loans**

The Company disaggregates its mortgage loan investments into three portfolio segments: commercial, agricultural and residential. The accounting policies that are applicable to all portfolio segments are presented below and the accounting policies related to each of the portfolio segments are included in Note 8.

**Mortgage Loans Held-For-Investment**

Mortgage loans held-for-investment are stated at unpaid principal balance, adjusted for any unamortized premium or discount, deferred fees or expenses, and are net of valuation allowances. Interest income and prepayment fees are recognized when earned. Interest income is recognized using an effective yield method giving effect to amortization of premiums and accretion of discounts.



Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

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

Also included in mortgage loans held-for-investment are commercial mortgage loans held by consolidated securitization entities (“CSEs”) and residential mortgage loans for which the FVO was elected, which are stated at estimated fair value. Changes in estimated fair value are recognized in net investment gains (losses) for commercial mortgage loans held by CSEs — FVO, and net investment income for residential mortgage loans — FVO.

**Mortgage Loans Held-For-Sale**

Mortgage loans held-for-sale that were previously designated as held-for-investment and mortgage loans originated with the intent to sell for which FVO was not elected, are stated at the lower of amortized cost or estimated fair value.

**Policy Loans**

Policy loans are stated at unpaid principal balances. Interest income is recorded as earned using the contractual interest rate. Generally, accrued interest is capitalized on the policy’s anniversary date. Valuation allowances are not established for policy loans, as they are fully collateralized by the cash surrender value of the underlying insurance policies. Any unpaid principal and accrued interest is deducted from the cash surrender value or the death benefit prior to settlement of the insurance policy.

**Real Estate**

Real estate held-for-investment is stated at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful life of the asset (typically 20 to 55 years). Rental income is recognized on a straight-line basis over the term of the respective leases. The Company periodically reviews its real estate held-for-investment for impairment and tests for recoverability whenever events or changes in circumstances indicate the carrying value may not be recoverable and exceeds its estimated fair value. Properties whose carrying values are greater than their undiscounted cash flows are written down to their estimated fair value, which is generally computed using the present value of expected future cash flows discounted at a rate commensurate with the underlying risks. Real estate for which the Company commits to a plan to sell within one year and actively markets in its current condition for a reasonable price in comparison to its estimated fair value is classified as held-for-sale. Real estate held-for-sale is stated at the lower of depreciated cost or estimated fair value less expected disposition costs and is not depreciated.

**Real Estate Joint Ventures and Other Limited Partnership Interests**

The Company uses the equity method of accounting for equity securities when it has significant influence or at least 20% interest and for real estate joint ventures and other limited partnership interests (“investees”) when it has more than a minor ownership interest or more than a minor influence over the investee’s operations, but does not have a controlling financial interest. The Company generally recognizes its share of the investee’s earnings on a three-month lag in instances where the investee’s financial information is not sufficiently timely or when the investee’s reporting period differs from the Company’s reporting period.

The Company uses the cost method of accounting for investments in which it has virtually no influence over the investee’s operations. The Company recognizes distributions on cost method investments as earned or received. Because of the nature and structure of these cost method investments, they do not meet the characteristics of an equity security in accordance with applicable accounting standards.

The Company routinely evaluates its equity method and cost method investments for impairment. For equity method investees, the Company considers financial and other information provided by the investee, other known information and inherent risks in the underlying investments, as well as future capital commitments, in determining whether an impairment has occurred. The Company considers its cost method investments for impairment when the carrying value of such investments exceeds the net asset value (“NAV”). The Company takes into consideration the severity and duration of this excess when determining whether the cost method investment is impaired.

**Short-term Investments**

Short-term investments include securities and other investments with remaining maturities of one year or less, but greater than three months, at the time of purchase and are stated at estimated fair value or amortized cost, which approximates estimated fair value.



Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

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

Other Invested Assets

Other invested assets consist principally of the following:

Freestanding derivatives with positive estimated fair values which are described in “— Derivatives” below.

Tax credit and renewable energy partnerships which derive a significant source of investment return in the form of income tax credits or other tax incentives. Where tax credits are guaranteed by a creditworthy third party, the investment is accounted for under the effective yield method. Otherwise, the investment is accounted for under the equity method.

Leveraged leases which are recorded net of non-recourse debt. Income is recognized by applying the leveraged lease’s estimated rate of return to the net investment in the lease. The Company regularly reviews residual values for impairment.

Direct financing leases gross investment is equal to the minimum lease payments plus the unguaranteed residual value. Income is recorded by applying the pre-tax internal rate of return to the investment balance. The Company regularly reviews lease receivables for impairment. Certain direct financing leases are linked to inflation.

Funds withheld represent a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements. The Company recognizes interest on funds withheld at rates defined by the terms of the agreement which may be contractually specified or directly related to the underlying investments.

Investments in operating joint ventures that engage in insurance underwriting activities are accounted for under the equity method.

Securities Lending Program

Securities lending transactions, whereby blocks of securities are loaned to third parties, primarily brokerage firms and commercial banks, are treated as financing arrangements and the associated liability is recorded at the amount of cash received. The Company obtains collateral at the inception of the loan, usually cash, in an amount generally equal to 102% of the estimated fair value of the securities loaned, and maintains it at a level greater than or equal to 100% for the duration of the loan. Securities loaned under such transactions may be sold or re-pledged by the transferee. The Company is liable to return to the counterparties the cash collateral received. Security collateral on deposit from counterparties in connection with securities lending transactions may not be sold or re-pledged, unless the counterparty is in default, and is not reflected in the Company’s financial statements. The Company monitors the estimated fair value of the securities loaned on a daily basis and additional collateral is obtained as necessary throughout the duration of the loan. Income and expenses associated with securities lending transactions are reported as investment income and investment expense, respectively, within net investment income.

Derivatives

Freestanding Derivatives

Freestanding derivatives are carried on the Company’s balance sheet either as assets within other invested assets or as liabilities within other liabilities at estimated fair value. The Company does not offset the estimated fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement.

Accruals on derivatives are generally recorded in accrued investment income or within other liabilities. However, accruals that are not scheduled to settle within one year are included with the derivatives carrying value in other invested assets or other liabilities.



Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

If a derivative is not designated as an accounting hedge or its use in managing risk does not qualify for hedge accounting, changes in the estimated fair value of the derivative are reported in net derivative gains (losses) except as follows:

Statement of Operations Presentation:

Policyholder benefits and claims

Net investment income

Derivative:

- Economic hedges of variable annuity guarantees included in future policy benefits
- Economic hedges of equity method investments in joint ventures
- All derivatives held in relation to trading portfolios
- Derivatives held within contractholder-directed unit-linked investments

Hedge Accounting

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

Fair value hedge (a hedge of the estimated fair value of a recognized asset or liability) - in net derivative gains (losses), consistent with the change in estimated fair value of the hedged item attributable to the designated risk being hedged.

Cash flow hedge (a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability) - effectiveness in OCI (deferred gains or losses on the derivative are reclassified into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item); ineffectiveness in net derivative gains (losses).

Net investment in a foreign operation hedge - effectiveness in OCI, consistent with the translation adjustment for the hedged net investment in the foreign operation; ineffectiveness in net derivative gains (losses).

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

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

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

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

is still probable of occurrence, the changes in estimated fair value of derivatives recorded in OCI related to discontinued cash flow hedges are released into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item.

204

---

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

When hedge accounting is discontinued because it is no longer probable that the forecasted transactions will occur on the anticipated date or within two months of that date, the derivative continues to be carried on the balance sheet at its estimated fair value, with changes in estimated fair value recognized currently in net derivative gains (losses).

Deferred gains and losses of a derivative recorded in OCI pursuant to the discontinued cash flow hedge of a forecasted transaction that is no longer probable are recognized immediately in net derivative gains (losses).

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

**Embedded Derivatives**

The Company sells variable annuities and issues certain insurance products and investment contracts and is a party to certain reinsurance agreements that have embedded derivatives. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated. The embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative if:

- the combined instrument is not accounted for in its entirety at estimated fair value with changes in estimated fair value recorded in earnings;

- the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract; and

- a separate instrument with the same terms as the embedded derivative would qualify as a derivative instrument.

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

**Fair Value**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In most cases, the exit price and the transaction (or entry) price will be the same at initial recognition.

Subsequent to initial recognition, fair values are based on unadjusted quoted prices for identical assets or liabilities in active markets that are readily and regularly obtainable. When such quoted prices are not available, fair values are based on quoted prices in markets that are not active, quoted prices for similar but not identical assets or liabilities, or other observable inputs. If these inputs are not available, or observable inputs are not determinable, unobservable inputs and/or adjustments to observable inputs requiring management judgment are used to determine the estimated fair value of assets and liabilities.

**Goodwill**

Goodwill represents the future economic benefits arising from net assets acquired in a business combination that are not individually identified and recognized. Goodwill is calculated as the excess of cost over the estimated fair value of such net assets acquired, is not amortized, and is tested for impairment based on a fair value approach at least annually or more frequently if events or circumstances indicate that there may be justification for conducting an interim test.

The Company performs its annual goodwill impairment testing during the third quarter of each year based upon data

as of the close of the second quarter. Goodwill associated with a business acquisition is not tested for impairment during the year the business is acquired unless there is a significant identified impairment event.

205

---

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

The impairment test is performed at the reporting unit level, which is the operating segment or a business one level below the operating segment, if discrete financial information is prepared and regularly reviewed by management at that level. For purposes of goodwill impairment testing, if the carrying value of a reporting unit exceeds its estimated fair value, there may be an indication of impairment. In such instances, the implied fair value of the goodwill is determined in the same manner as the amount of goodwill that would be determined in a business combination. The excess of the carrying value of goodwill over the implied fair value of goodwill would be recognized as an impairment and recorded as a charge against net income.

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

**Employee Benefit Plans**

Certain subsidiaries of MetLife, Inc. sponsor and/or administer various plans that provide defined benefit pension and other postretirement benefits covering eligible employees and sales representatives. Measurement dates used for all of the subsidiaries' defined benefit pension and other postretirement benefit plans correspond with the fiscal year ends of sponsoring subsidiaries, which are December 31 for U.S. and most non-U.S. subsidiaries and November 30 for certain non-U.S. subsidiaries.

The Company recognizes the funded status of each of its defined pension and postretirement benefit plans, measured as the difference between the fair value of plan assets and the benefit obligation, which is the projected benefit obligation ("PBO") for pension benefits and the accumulated postretirement benefit obligation ("APBO") for other postretirement benefits in other assets or other liabilities.

Actuarial gains and losses result from differences between the actual experience and the assumed experience on plan assets or PBO during a particular period and are recorded in accumulated OCI ("AOCI"). To the extent such gains and losses exceed 10% of the greater of the PBO or the estimated fair value of plan assets, the excess is amortized into net periodic benefit costs over the average projected future service years of the active employees. In addition, prior service costs (credit) are recognized in AOCI at the time of the amendment and then amortized to net periodic benefit costs over the average projected future service years of the active employees affected by the change.

Net periodic benefit costs are determined using management estimates and actuarial assumptions and are comprised of service cost, interest cost, settlement and curtailment costs, expected return on plan assets, amortization of net actuarial (gains) losses, and amortization of prior service costs (credit). Fair value is used to determine the expected return on plan assets.

The subsidiaries also sponsor defined contribution plans for substantially all U.S. employees under which a portion of employee contributions is matched. Applicable matching contributions are made each payroll period. Accordingly, the Company recognizes compensation cost for current matching contributions. As all contributions are transferred currently as earned to the defined contribution plans, no liability for matching contributions is recognized in the balance sheets.

**Income Tax**

MetLife, Inc. and its includable life insurance and non-life insurance subsidiaries file a consolidated U.S. federal income tax return in accordance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"). Non-includable subsidiaries file either separate individual corporate tax returns or separate consolidated tax returns. The Company's accounting for income taxes represents management's best estimate of various events and transactions. Deferred tax assets and liabilities resulting from temporary differences between the financial reporting and tax bases of assets and liabilities are measured at the balance sheet date using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse.



Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

The realization of deferred tax assets depends upon the existence of sufficient taxable income within the carryback or carryforward periods under the tax law in the applicable tax jurisdiction. Valuation allowances are established when management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Significant judgment is required in determining whether valuation allowances should be established, as well as the amount of such allowances. When making such determination the Company considers many factors, including:

- the nature, frequency, and amount of cumulative financial reporting income and losses in recent years;
- the jurisdiction in which the deferred tax asset was generated;
- the length of time that carryforward can be utilized in the various taxing jurisdiction;
- future taxable income exclusive of reversing temporary differences and carryforwards;
- future reversals of existing taxable temporary differences;
- taxable income in prior carryback years; and
- tax planning strategies.

The Company may be required to change its provision for income taxes when estimates used in determining valuation allowances on deferred tax assets significantly change or when receipt of new information indicates the need for adjustment in valuation allowances. Additionally, the effect of changes in tax laws, tax regulations, or interpretations of such laws or regulations, is recognized in net income tax expense (benefit) in the period of change.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Unrecognized tax benefits due to tax uncertainties that do not meet the threshold are included within other liabilities and are charged to earnings in the period that such determination is made.

The Company classifies interest recognized as interest expense and penalties recognized as a component of income tax expense.

Litigation Contingencies

The Company is a party to a number of legal actions and is involved in a number of regulatory investigations. Given the inherent unpredictability of these matters, it is difficult to estimate the impact on the Company's financial position. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Except as otherwise disclosed in Note 21, legal costs are recognized as incurred. On a quarterly and annual basis, the Company reviews relevant information with respect to liabilities for litigation, regulatory investigations and litigation-related contingencies to be reflected in the Company's financial statements.

Other Accounting PoliciesStock-Based Compensation

The Company grants certain employees and directors stock-based compensation awards under various plans that are subject to specific vesting conditions. With the exception of performance shares granted in 2015, 2014 and 2013 which are re-measured quarterly, the cost of all stock-based transactions is measured at fair value at grant date and recognized over the period during which a grantee is required to provide services in exchange for the award. Although the terms of the Company's stock-based plans do not accelerate vesting upon retirement, or the attainment of retirement eligibility, the requisite service period subsequent to attaining such eligibility is considered non-substantive. Accordingly, the Company recognizes compensation expense related to stock-based awards over the shorter of the requisite service period or the period to attainment of retirement eligibility. An estimation of future forfeitures of stock-based awards is incorporated into the determination of compensation expense when recognizing expense over the requisite service period.

Cash and Cash Equivalents

The Company considers all highly liquid securities and other investments purchased with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are stated at

amortized cost, which approximates estimated fair value.

207

---



Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

## Property, Equipment, Leasehold Improvements and Computer Software

Property, equipment and leasehold improvements, which are included in other assets, are stated at cost, less accumulated depreciation and amortization. Depreciation is determined using the straight-line method over the estimated useful lives of the assets, as appropriate. The estimated life is generally 40 years for company occupied real estate property, from one to 25 years for leasehold improvements, and from three to seven years for all other property and equipment. The cost basis of the property, equipment and leasehold improvements was \$2.0 billion at both December 31, 2015 and 2014. Accumulated depreciation and amortization of property, equipment and leasehold improvements was \$1.1 billion and \$1.0 billion at December 31, 2015 and 2014, respectively. Related depreciation and amortization expense was \$216 million, \$182 million and \$183 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Computer software, which is included in other assets, is stated at cost, less accumulated amortization. Purchased software costs, as well as certain internal and external costs incurred to develop internal-use computer software during the application development stage, are capitalized. Such costs are amortized generally over a four-year period using the straight-line method. The cost basis of computer software was \$2.2 billion and \$1.9 billion at December 31, 2015 and 2014, respectively. Accumulated amortization of capitalized software was \$1.5 billion and \$1.3 billion at December 31, 2015 and 2014, respectively. Related amortization expense was \$212 million, \$212 million and \$216 million for the years ended December 31, 2015, 2014 and 2013, respectively.

## Other Revenues

Other revenues include, in addition to items described elsewhere herein, advisory fees, broker-dealer commissions and fees, administrative service fees, and changes in account value relating to corporate-owned life insurance (“COLI”). Such fees and commissions are recognized in the period in which services are performed. Under certain COLI contracts, if the Company reports certain unlikely adverse results in its financial statements, withdrawals would not be immediately available and would be subject to market value adjustment, which could result in a reduction of the account value.

## Policyholder Dividends

Policyholder dividends are approved annually by the insurance subsidiaries’ boards of directors. The aggregate amount of policyholder dividends is related to actual interest, mortality, morbidity and expense experience for the year, as well as management’s judgment as to the appropriate level of statutory surplus to be retained by the insurance subsidiaries.

## Foreign Currency

Assets, liabilities and operations of foreign affiliates and subsidiaries are recorded based on the functional currency of each entity. The determination of the functional currency is made based on the appropriate economic and management indicators. For most of the Company’s foreign operations, the local currency is the functional currency. For certain other foreign operations, such as Japan, the local currency and one or more other currencies qualify as functional currencies. Assets and liabilities of foreign affiliates and subsidiaries are translated from the functional currency to U.S. dollars at the exchange rates in effect at each year-end and revenues and expenses are translated at the average exchange rates during the year. The resulting translation adjustments are charged or credited directly to OCI, net of applicable taxes. Gains and losses from foreign currency transactions, including the effect of re-measurement of monetary assets and liabilities to the appropriate functional currency, are reported as part of net investment gains (losses) in the period in which they occur.

## Earnings Per Common Share

Basic earnings per common share are computed based on the weighted average number of common shares, or their equivalent, outstanding during the period. The difference between the number of shares assumed issued and number of shares assumed purchased represents the dilutive shares. Diluted earnings per common share include the dilutive effect of the assumed: (i) exercise or issuance of stock-based awards using the treasury stock method; (ii) settlement of stock purchase contracts underlying common equity units using the treasury stock method; and (iii) settlement of

accelerated common stock repurchase contracts. Under the treasury stock method, exercise or issuance of stock-based awards and settlement of stock purchase contracts underlying common equity units is assumed to occur with the proceeds used to purchase common stock at the average market price for the period.

208

---

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

## Adoption of New Accounting Pronouncements

Effective November 18, 2014, the Company adopted new guidance on when, if ever, the cost of acquiring an entity should be used to establish a new accounting basis (“pushdown”) in the acquired entity’s separate financial statements. The guidance provides an acquired entity and its subsidiaries with an irrevocable option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. If a reporting entity elects to apply pushdown accounting, its stand-alone financial statements would reflect the acquirer’s new basis in the acquired entity’s assets and liabilities. The election to apply pushdown accounting should be determined by an acquired entity for each individual change-in-control event in which an acquirer obtains control of the acquired entity; however, an entity that does not elect to apply pushdown accounting in the period of a change-in-control can later elect to retrospectively apply pushdown accounting to the most recent change-in-control transaction as a change in accounting principle. The new guidance did not have a material impact on the consolidated financial statements upon adoption.

Effective January 1, 2014, the Company adopted new guidance regarding reporting of discontinued operations and disclosures of disposals of components of an entity. The guidance increases the threshold for a disposal to qualify as a discontinued operation, expands the disclosures for discontinued operations and requires new disclosures for certain disposals that do not meet the definition of a discontinued operation. Disposals must now represent a strategic shift that has or will have a major effect on the entity’s operations and financial results to qualify as discontinued operations. Effective January 1, 2014, the Company adopted new guidance regarding the presentation of an unrecognized tax benefit. The new guidance requires that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. However, when the carryforwards are not available at the reporting date to settle any additional income taxes that would result from the disallowance of a tax position or the applicable tax law does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit will be presented in the financial statements as a liability and will not be combined with the related deferred tax asset. The adoption was prospectively applied and resulted in a reduction to other liabilities and a corresponding increase to deferred income tax liability in the amount of \$277 million.

Effective January 1, 2014, the Company adopted new guidance on other expenses. The objective of this standard is to address how health insurers should recognize and classify in their income statements fees mandated by the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act. The amendments in this standard specify that the liability for the fee should be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable with a corresponding deferred cost that is amortized to expense using the straight-line method of allocation unless another method better allocates the fee over the calendar year that it is payable. In accordance with the adoption of the new accounting pronouncement on January 1, 2014, the Company recorded \$57 million in other liabilities, and a corresponding deferred cost, in other assets.

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

Effective January 1, 2013, the Company adopted guidance regarding comprehensive income that requires an entity to provide information about the amounts reclassified out of AOCI by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to

other disclosures required under GAAP that provide additional detail about those amounts. The adoption was prospectively applied and resulted in additional disclosures in Note 16.

209

---

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

Effective January 1, 2013, the Company adopted guidance regarding balance sheet offsetting disclosures which requires an entity to disclose information about offsetting and related arrangements for derivatives, including bifurcated embedded derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions, to enable users of its financial statements to understand the effects of those arrangements on its financial position. Entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The adoption was retrospectively applied and resulted in additional disclosures related to derivatives in Note 9.

## Future Adoption of New Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board (“FASB”) issued new guidance (Accounting Standards Update (“ASU”) 2016-01, Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities) on the recognition and measurement of financial instruments. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for the instrument-specific credit risk provision. The new guidance changes the current accounting guidance related to (i) the classification and measurement of certain equity investments, (ii) the presentation of changes in the fair value of financial liabilities measured under the FVO that are due to instrument-specific credit risk, and (iii) certain disclosures associated with the fair value of financial instruments. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In May 2015, the FASB issued new guidance on short-duration insurance contracts (ASU 2015-09, Financial Services - Insurance (Topic 944): Disclosures about Short-Duration Contracts). The amendments in this new guidance are effective for annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016. The new guidance should be applied retrospectively by providing comparative disclosures for each period presented, except for those requirements that apply only to the current period. The new guidance requires insurance entities to provide users of financial statements with more transparent information about initial claim estimates and subsequent adjustments to these estimates, including information on: (i) reconciling from the claim development table to the balance sheet liability, (ii) methodologies and judgments in estimating claims, and (iii) the timing, and frequency of claims. The adoption will not have an impact on the Company’s consolidated financial statements other than expanded disclosures in Note 4.

In May 2015, the FASB issued new guidance on fair value measurement (ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)), effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years and which should be applied retrospectively to all periods presented. Earlier application is permitted. The amendments in this ASU remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using NAV per share (or its equivalent) practical expedient. In addition, the amendments remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. The adoption of this new guidance will not have a material impact on the Company’s consolidated financial statements.

In April 2015, the FASB issued new guidance on accounting for fees paid in a cloud computing arrangement (ASU 2015-05, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement), effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption of the new guidance is permitted and an entity can elect to adopt the guidance either: (1) prospectively to all arrangements entered into or materially modified after the effective date; or (2) retrospectively. The new guidance provides that all software licenses included in cloud computing arrangements be accounted for consistent with other licenses of intangible assets. However, if a cloud computing arrangement does not include a software license, the arrangement should be accounted for as a service contract, the accounting for which did not change. The adoption of this new guidance will not have a material impact on the

Company's consolidated financial statements.

In February 2015, the FASB issued certain amendments to the consolidation analysis to improve consolidation guidance for legal entities (ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis), effective for fiscal years beginning after December 15, 2015 and interim periods within those years and early adoption is permitted. The new standard is intended to improve targeted areas of the consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures. The amendments in this ASU affect the consolidation evaluation for reporting organizations. In addition, the amendments in this ASU simplify and improve current GAAP by reducing the number of consolidation models. The adoption of this new guidance will not have a material impact on the Company's consolidated financial statements.

210

---

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

In May 2014, the FASB issued a comprehensive new revenue recognition standard (ASU 2014-09, Revenue from Contracts with Customers (Topic 606)), effective for fiscal years beginning after December 15, 2016 and interim periods within those years and should be applied retrospectively. In August 2015, the FASB amended the guidance to defer the effective date by one year, effective for the fiscal years beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The new guidance will supersede nearly all existing revenue recognition guidance under GAAP; however, it will not impact the accounting for insurance contracts, leases, financial instruments and guarantees. For those contracts that are impacted by the new guidance, the guidance will require an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled, in exchange for those goods or services. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

## 2. Segment Information

MetLife is organized into six segments, reflecting three broad geographic regions: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the “Americas”); Asia; and EMEA. In addition, the Company reports certain of its results of operations in Corporate & Other.

On January 12, 2016, the Company announced its plan to pursue the separation of a substantial portion of its Retail segment, which is organized into two U.S. businesses, Life & Other and Annuities, as well as certain portions of its Corporate Benefit Funding segment and Corporate & Other (the “Separation”). See Note 23.

## Americas

The Americas consists of the following segments:

## Retail

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

## Group, Voluntary &amp; Worksite Benefits

The Group, Voluntary & Worksite Benefits segment offers a broad range of protection products and services to individuals and corporations, as well as other institutions and their respective employees. Group, Voluntary & Worksite Benefits insurance products and services include life, dental, group short- and long-term disability and accidental death and dismemberment (“AD&D”) coverages. In addition, the Group, Voluntary & Worksite Benefits segment offers property & casualty insurance, including private passenger automobile, homeowners and personal excess liability, which is offered to employees on a voluntary basis, long-term care, critical illness, vision and accident & health coverages, as well as prepaid legal plans.

## Corporate Benefit Funding

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





Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 2. Segment Information (continued)

## Latin America

The Latin America segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include life insurance, accident & health insurance, group medical, dental, credit insurance, endowment and retirement & savings products written in Latin America. The Latin America segment also includes U.S. direct business, comprised of group and individual products sold through sponsoring organizations, affinity groups and direct to consumer. Products included are life, dental, group short- and long-term disability, AD&D coverages, property & casualty and other accident & health coverages, as well as non-insurance products such as identity protection.

## Asia

The Asia segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include whole life, term life, variable life, universal life, accident & health insurance, fixed and variable annuities, credit insurance and endowment products.

## EMEA

The EMEA segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include life insurance, accident & health insurance, credit insurance, annuities, endowment and retirement & savings products.

## Corporate &amp; Other

Corporate & Other contains the excess capital, as well as certain charges and activities, not allocated to the segments, including external integration costs, internal resource costs for associates committed to acquisitions, enterprise-wide strategic initiative restructuring charges, various start-up businesses (including expatriate benefits insurance and the investment management business through which the Company offers fee-based investment management services to institutional clients) and certain run-off businesses. Corporate & Other also includes assumed reinsurance of certain variable annuity products from the Company's former operating joint venture in Japan. Under this in-force reinsurance agreement, the Company reinsures living and death benefit guarantees issued in connection with variable annuity products. Additionally, Corporate & Other includes interest expense related to the majority of the Company's outstanding debt and expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings.

## Financial Measures and Segment Accounting Policies

Operating earnings is the measure of segment profit or loss the Company uses to evaluate segment performance and allocate resources. Consistent with GAAP guidance for segment reporting, operating earnings is the Company's measure of segment performance and is reported below. Operating earnings should not be viewed as a substitute for income (loss) from continuing operations, net of income tax. The Company believes the presentation of operating earnings as the Company measures it for management purposes enhances the understanding of its performance by highlighting the results of operations and the underlying profitability drivers of the business.

Operating earnings is defined as operating revenues less operating expenses, both net of income tax.

Operating revenues and operating expenses exclude results of discontinued operations and other businesses that have been or will be sold or exited by MetLife and are referred to as divested businesses. Operating revenues also excludes net investment gains (losses) and net derivative gains (losses). Operating expenses also excludes goodwill impairments.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 2. Segment Information (continued)

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

• Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity GMIB fees (“GMIB Fees”); Net investment income: (i) includes investment hedge adjustments which represent earned income on derivatives and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment, (ii) includes income from discontinued real estate operations, (iii) excludes post-tax operating earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iv) excludes certain amounts related to contractholder-directed unit-linked investments and (v) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and

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

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

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

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

• Amortization of DAC and VOBA excludes amounts related to: (i) net investment gains (losses) and net derivative gains (losses), (ii) GMIB Fees and GMIB Costs and (iii) Market Value Adjustments;

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

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

• Other expenses excludes costs related to: (i) noncontrolling interests, (ii) implementation of new insurance regulatory requirements and (iii) acquisition and integration costs.

Operating earnings also excludes the recognition of certain contingent assets and liabilities that could not be recognized at acquisition or adjusted for during the measurement period under GAAP business combination accounting guidance. In addition to the tax impact of the adjustments mentioned above, provision for income tax expense (benefit) also includes the impact related to the timing of certain tax credits, as well as certain tax reforms. Set forth in the tables below is certain financial information with respect to the Company’s segments, as well as Corporate & Other, for the years ended December 31, 2015, 2014 and 2013 and at December 31, 2015 and 2014. The segment accounting policies are the same as those used to prepare the Company’s consolidated financial statements, except for operating earnings adjustments as defined above. In addition, segment accounting policies include the method of capital allocation described below.

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

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 2. Segment Information (continued)

The Company's economic capital model, coupled with considerations of local capital requirements, aligns segment allocated equity with emerging standards and consistent risk principles. The model applies statistics-based risk evaluation principles to the material risks to which the Company is exposed. These consistent risk principles include calibrating required economic capital shock factors to a specific confidence level and time horizon while applying an industry standard method for the inclusion of diversification benefits among risk types. The Company's management is responsible for the ongoing production and enhancement of the economic capital model and reviews its approach periodically to ensure that it remains consistent with emerging industry practice standards.

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

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

| Year Ended December 31, 2015                                | Operating Results                     |                           |               |              |               |               |              |                   |               |             |                    |
|---|---------------------------------------|---------------------------|---------------|--------------|---------------|---------------|--------------|-------------------|---------------|-------------|--------------------|
|   | Americas                              |                           |               |              | Total         | Asia          | EMEA         | Corporate & Other | Total         | Adjustments | Total Consolidated |
| Retail  | Group, Voluntary & Workplace Benefits | Corporate Benefit Funding | Latin America |              |               |               |              |                   |               |             |                    |
| (In millions)   |                                       |                           |               |              |               |               |              |                   |               |             |                    |
| <b>Revenues</b>   |                                       |                           |               |              |               |               |              |                   |               |             |                    |
| Premiums  | \$7,228                               | \$16,358                  | \$3,019       | \$2,891      | \$29,496      | \$6,937       | \$2,036      | \$79              | \$38,548      | \$(3)       | \$38,545           |
| Universal life and investment-type product policy fees      | 4,933                                 | 740                       | 259           | 1,116        | 7,048         | 1,542         | 424          | 99                | 9,113         | 394         | 9,507              |
| Net investment income                                       | 7,814                                 | 1,898                     | 5,710         | 1,047        | 16,469        | 2,675         | 326          | 319               | 19,789        | (508)       | 19,281             |
| Other revenues  | 989                                   | 451                       | 286           | 42           | 1,768         | 105           | 61           | 86                | 2,020         | (37)        | 1,983              |
| Net investment gains (losses)                               | —                                     | —                         | —             | —            | —             | —             | —            | —                 | —             | 597         | 597                |
| Net derivative gains (losses)                               | —                                     | —                         | —             | —            | —             | —             | —            | —                 | —             | 38          | 38                 |
| <b>Total revenues</b>                                       | <b>20,964</b>                         | <b>19,447</b>             | <b>9,274</b>  | <b>5,096</b> | <b>54,781</b> | <b>11,259</b> | <b>2,847</b> | <b>583</b>        | <b>69,470</b> | <b>481</b>  | <b>69,951</b>      |
| <b>Expenses</b>   |                                       |                           |               |              |               |               |              |                   |               |             |                    |
| Policyholder benefits and claims and policyholder dividends | 9,995                                 | 15,170                    | 5,447         | 2,625        | 33,237        | 5,275         | 988          | 65                | 39,565        | 537         | 40,102             |
| Interest credited to policyholder account balances          | 2,198                                 | 151                       | 1,184         | 349          | 3,882         | 1,309         | 120          | 23                | 5,334         | 276         | 5,610              |
| Capitalization of DAC                                       | (1,048)                               | (151)                     | (19)          | (426)        | (1,644)       | (1,720)       | (472)        | (1)               | (3,837)       | —           | (3,837)            |
| Amortization of DAC and VOBA                                | 1,561                                 | 164                       | 21            | 303          | 2,049         | 1,256         | 497          | —                 | 3,802         | 134         | 3,936              |
| Amortization of negative VOBA                               | —                                     | —                         | —             | (1)          | (1)           | (309)         | (16)         | —                 | (326)         | (35)        | (361)              |
| Interest expense on debt                                    | (1)                                   | —                         | 3             | —            | 2             | —             | —            | 1,198             | 1,200         | 8           | 1,208              |

Edgar Filing: METLIFE INC - Form 10-K

|   |         |        |         |       |         |         |       |           |         |       |         |
|---|---------|--------|---------|-------|---------|---------|-------|-----------|---------|-------|---------|
| Other expenses  | 4,855   | 2,703  | 512     | 1,666 | 9,736   | 3,611   | 1,469 | 990       | 15,806  | 17    | 15,823  |
| Total expenses  | 17,560  | 18,037 | 7,148   | 4,516 | 47,261  | 9,422   | 2,586 | 2,275     | 61,544  | 937   | 62,481  |
| Provision for income tax expense (benefit)                  | 956     | 499    | 739     | 7     | 2,201   | 457     | 21    | (353)     | 2,326   | (178) | 2,148   |
| Operating earnings  | \$2,448 | \$911  | \$1,387 | \$573 | \$5,319 | \$1,380 | \$240 | \$(1,339) | 5,600   |       |         |
| Adjustments to:   |         |        |         |       |         |         |       |           |         |       |         |
| Total revenues  |         |        |         |       |         |         |       |           | 481     |       |         |
| Total expenses  |         |        |         |       |         |         |       |           | (937)   |       |         |
| Provision for income tax (expense) benefit                  |         |        |         |       |         |         |       |           | 178     |       |         |
| Income (loss) from continuing operations, net of income tax |         |        |         |       |         |         |       |           | \$5,322 |       | \$5,322 |

214

---

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 2. Segment Information (continued)

| At December 31, 2015         | Retail        | Group,<br>Voluntary<br>& Worksite<br>Benefits | Corporate<br>Benefit<br>Funding | Latin<br>America | Asia (1)  | EMEA     | Corporate<br>& Other | Total     |
|------------------------------|---------------|---|---------------------------------|------------------|-----------|----------|----------------------|-----------|
|                              | (In millions) |   |                                 |                  |           |          |                      |           |
| Total assets                 | \$347,257     | \$46,476                                      | \$225,015                       | \$65,266         | \$113,895 | \$26,767 | \$53,257             | \$877,933 |
| Separate account assets      | \$159,782     | \$638   | \$82,157                        | \$46,061         | \$8,964   | \$3,996  | \$—                  | \$301,598 |
| Separate account liabilities | \$159,782     | \$638   | \$82,157                        | \$46,061         | \$8,964   | \$3,996  | \$—                  | \$301,598 |

(1) Total assets includes \$90.0 billion of assets from the Japan operations which represents 10% of total consolidated assets.

| Year Ended December<br>31, 2014                                   | Operating Results<br>Americas |   |                                 |                  |          |         |         |                      |          |             |                       |
|---|-------------------------------|---|---------------------------------|------------------|----------|---------|---------|----------------------|----------|-------------|-----------------------|
|   | Retail                        | Group,<br>Voluntary<br>& Worksite<br>Benefits | Corporate<br>Benefit<br>Funding | Latin<br>America | Total    | Asia    | EMEA    | Corporate<br>& Other | Total    | Adjustments | Total<br>Consolidated |
|   | (In millions)                 |   |                                 |                  |          |         |         |                      |          |             |                       |
| Revenues  |                               |   |                                 |                  |          |         |         |                      |          |             |                       |
| Premiums  | \$7,280                       | \$15,979                                      | \$2,768                         | \$3,039          | \$29,066 | \$7,566 | \$2,309 | \$81                 | \$39,022 | \$45        | \$39,067              |
| Universal life and<br>investment-type product<br>policy fees      | 5,074                         | 716   | 226                             | 1,239            | 7,255    | 1,693   | 466     | 127                  | 9,541    | 405         | 9,946                 |
| Net investment income   | 7,887                         | 1,861   | 5,684                           | 1,229            | 16,661   | 2,886   | 428     | 509                  | 20,484   | 669         | 21,153                |
| Other revenues  | 1,059                         | 420   | 286                             | 35               | 1,800    | 106     | 60      | 67                   | 2,033    | (3)         | 2,030                 |
| Net investment gains<br>(losses)                                  | —                             | —   | —                               | —                | —        | —       | —       | —                    | —        | (197)       | (197)                 |
| Net derivative gains<br>(losses)                                  | —                             | —   | —                               | —                | —        | —       | —       | —                    | —        | 1,317       | 1,317                 |
| Total revenues  | 21,300                        | 18,976  | 8,964                           | 5,542            | 54,782   | 12,251  | 3,263   | 784                  | 71,080   | 2,236       | 73,316                |
| Expenses  |                               |   |                                 |                  |          |         |         |                      |          |             |                       |
| Policyholder benefits and<br>claims and<br>policyholder dividends | 9,851                         | 14,897  | 5,106                           | 2,786            | 32,640   | 5,724   | 1,053   | 61                   | 39,478   | 1,000       | 40,478                |
| Interest credited to<br>policyholder account<br>balances          | 2,245                         | 156   | 1,140                           | 394              | 3,935    | 1,544   | 148     | 34                   | 5,661    | 1,282       | 6,943                 |
| Capitalization of DAC   | (969)                         | (143)   | (31)                            | (445)            | (1,588)  | (1,914) | (680)   | —                    | (4,182)  | (1)         | (4,183)               |
| Amortization of DAC and<br>VOBA                                   | 1,515                         | 149   | 19                              | 334              | 2,017    | 1,397   | 613     | —                    | 4,027    | 105         | 4,132                 |
| Amortization of negative<br>VOBA                                  | —                             | —   | —                               | (1)              | (1)      | (364)   | (31)    | —                    | (396)    | (46)        | (442)                 |
| Interest expense on debt  | 1                             | 1   | 9                               | —                | 11       | —       | —       | 1,167                | 1,178    | 38          | 1,216                 |
| Other expenses  | 4,711                         | 2,571   | 492                             | 1,810            | 9,584    | 3,975   | 1,846   | 849                  | 16,254   | 114         | 16,368                |
| Total expenses  | 17,354                        | 17,631  | 6,735                           | 4,878            | 46,598   | 10,362  | 2,949   | 2,111                | 62,020   | 2,492       | 64,512                |

Edgar Filing: METLIFE INC - Form 10-K

|   |         |       |         |       |         |         |       |         |          |    |         |
|---|---------|-------|---------|-------|---------|---------|-------|---------|----------|----|---------|
| Provision for income tax expense (benefit)                  | 1,130   | 467   | 771     | 96    | 2,464   | 582     | 29    | (697 )  | 2,378    | 87 | 2,465   |
| Operating earnings  | \$2,816 | \$878 | \$1,458 | \$568 | \$5,720 | \$1,307 | \$285 | \$(630) | 6,682    |    |         |
| Adjustments to:   |         |       |         |       |         |         |       |         |          |    |         |
| Total revenues  |         |       |         |       |         |         |       |         | 2,236    |    |         |
| Total expenses  |         |       |         |       |         |         |       |         | (2,492 ) |    |         |
| Provision for income tax (expense) benefit                  |         |       |         |       |         |         |       |         | (87 )    |    |         |
| Income (loss) from continuing operations, net of income tax |         |       |         |       |         |         |       |         | \$6,339  |    | \$6,339 |

| At December 31, 2014         | Retail        | Group,<br>Voluntary<br>&<br>Worksite<br>Benefits | Corporate<br>Benefit<br>Funding | Latin<br>America | Asia (1)  | EMEA     | Corporate<br>& Other | Total     |
|------------------------------|---------------|--|---------------------------------|------------------|-----------|----------|----------------------|-----------|
|                              | (In millions) |  |                                 |                  |           |          |                      |           |
| Total assets                 | \$359,188     | \$46,483   | \$228,543                       | \$72,259         | \$117,894 | \$29,217 | \$48,753             | \$902,337 |
| Separate account assets      | \$171,726     | \$669  | \$81,150                        | \$50,301         | \$9,078   | \$4,070  | \$—                  | \$316,994 |
| Separate account liabilities | \$171,726     | \$669  | \$81,150                        | \$50,301         | \$9,078   | \$4,070  | \$—                  | \$316,994 |

(1) Total assets includes \$95.0 billion of assets from the Japan operations which represents 11% of total consolidated assets.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 2. Segment Information (continued)

| Year Ended December 31, 2013                                | Operating Results Americas |                                       |                           |               |          |         |         |                   |          |         | Total Adjustments | Total Consolidated |
|---|----------------------------|---------------------------------------|---------------------------|---------------|----------|---------|---------|-------------------|----------|---------|-------------------|--------------------|
|   | Retail                     | Group, Voluntary & Workplace Benefits | Corporate Benefit Funding | Latin America | Total    | Asia    | EMEA    | Corporate & Other | Total    |         |                   |                    |
|   | (In millions)              |                                       |                           |               |          |         |         |                   |          |         |                   |                    |
| Revenues  |                            |                                       |                           |               |          |         |         |                   |          |         |                   |                    |
| Premiums  | \$6,528                    | \$15,250                              | \$2,767                   | \$2,870       | \$27,415 | \$7,801 | \$2,297 | \$70              | \$37,583 | \$91    | \$37,674          |                    |
| Universal life and investment-type product policy fees      | 4,912                      | 688                                   | 247                       | 991           | 6,838    | 1,722   | 386     | 139               | 9,085    | 366     | 9,451             |                    |
| Net investment income                                       | 7,796                      | 1,833                                 | 5,506                     | 1,145         | 16,280   | 2,943   | 425     | 746               | 20,394   | 1,838   | 22,232            |                    |
| Other revenues  | 1,018                      | 418                                   | 278                       | 23            | 1,737    | 92      | 97      | 28                | 1,954    | (34)    | 1,920             |                    |
| Net investment gains (losses)                               | —                          | —                                     | —                         | —             | —        | —       | —       | —                 | —        | 161     | 161               |                    |
| Net derivative gains (losses)                               | —                          | —                                     | —                         | —             | —        | —       | —       | —                 | —        | (3,239) | (3,239)           |                    |
| Total revenues  | 20,254                     | 18,189                                | 8,798                     | 5,029         | 52,270   | 12,558  | 3,205   | 983               | 69,016   | (817)   | 68,199            |                    |
| Expenses  |                            |                                       |                           |               |          |         |         |                   |          |         |                   |                    |
| Policyholder benefits and claims and policyholder dividends | 9,028                      | 14,227                                | 5,180                     | 2,487         | 30,922   | 5,755   | 1,039   | 30                | 37,746   | 1,620   | 39,366            |                    |
| Interest credited to policyholder account balances          | 2,331                      | 155                                   | 1,233                     | 417           | 4,136    | 1,690   | 147     | 42                | 6,015    | 2,164   | 8,179             |                    |
| Capitalization of DAC                                       | (1,309)                    | (141)                                 | (27)                      | (452)         | (1,929)  | (2,143) | (714)   | —                 | (4,786)  | —       | (4,786)           |                    |
| Amortization of DAC and VOBA                                | 1,384                      | 140                                   | 23                        | 311           | 1,858    | 1,542   | 683     | —                 | 4,083    | (533)   | 3,550             |                    |
| Amortization of negative VOBA                               | —                          | —                                     | —                         | (2)           | (2)      | (427)   | (95)    | —                 | (524)    | (55)    | (579)             |                    |
| Interest expense on debt                                    | —                          | 1                                     | 9                         | —             | 10       | —       | 1       | 1,148             | 1,159    | 123     | 1,282             |                    |
| Other expenses  | 5,101                      | 2,379                                 | 481                       | 1,722         | 9,683    | 4,317   | 1,812   | 784               | 16,596   | 539     | 17,135            |                    |
| Total expenses  | 16,535                     | 16,761                                | 6,899                     | 4,483         | 44,678   | 10,734  | 2,873   | 2,004             | 60,289   | 3,858   | 64,147            |                    |
| Provision for income tax expense (benefit)                  | 1,107                      | 480                                   | 667                       | 83            | 2,337    | 565     | 51      | (609)             | 2,344    | (1,683) | 3661              |                    |
| Operating earnings  | \$2,612                    | \$948                                 | \$1,232                   | \$463         | \$5,255  | \$1,259 | \$281   | \$(412)           | 6,383    |         |                   |                    |
| Adjustments to:   |                            |                                       |                           |               |          |         |         |                   |          |         |                   |                    |
| Total revenues  |                            |                                       |                           |               |          |         |         |                   | (817)    | )       |                   |                    |
| Total expenses  |                            |                                       |                           |               |          |         |         |                   | (3,858)  | )       |                   |                    |
| Provision for income tax (expense) benefit                  |                            |                                       |                           |               |          |         |         |                   | 1,683    |         |                   |                    |
| Income (loss) from continuing operations, net of income tax |                            |                                       |                           |               |          |         |         |                   | \$3,391  |         | \$3,391           |                    |

The following table presents total premiums, universal life and investment-type product policy fees and other revenues by major product groups of the Company's segments, as well as Corporate & Other:

Years Ended December 31,  
2015                      2014                      2013

Edgar Filing: METLIFE INC - Form 10-K

|                               | (In millions) |          |          |
|-------------------------------|---------------|----------|----------|
| Life insurance                | \$23,037      | \$23,483 | \$23,189 |
| Accident & health insurance   | 13,090        | 13,336   | 13,214   |
| Annuities                     | 9,653         | 9,984    | 8,987    |
| Property & casualty insurance | 3,504         | 3,524    | 3,270    |
| Non-insurance                 | 751           | 716      | 385      |
| Total                         | \$50,035      | \$51,043 | \$49,045 |

216

---



Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 2. Segment Information (continued)

The following table presents total premiums, universal life and investment-type product policy fees and other revenues associated with the Company's U.S. and foreign operations:

|          | Years Ended December 31, |          |          |
|----------|--------------------------|----------|----------|
|          | 2015                     | 2014     | 2013     |
|          | (In millions)            |          |          |
| U.S.     | \$35,042                 | \$34,536 | \$32,529 |
| Foreign: |                          |          |          |
| Japan    | 6,264                    | 6,917    | 7,373    |
| Other    | 8,729                    | 9,590    | 9,143    |
| Total    | \$50,035                 | \$51,043 | \$49,045 |

Revenues derived from any customer did not exceed 10% of consolidated premiums, universal life and investment-type product policy fees and other revenues for the years ended December 31, 2015, 2014 and 2013.

## 3. Acquisitions and Dispositions

## 2014 Disposition

In May 2014, the Company completed the sale of its wholly-owned subsidiary, MetLife Assurance Limited ("MAL"), for \$702 million (£418 million) in net cash consideration. As a result of the sale, a loss of \$633 million (\$442 million, net of income tax), was recorded for the year ended December 31, 2014, which includes a reduction to goodwill of \$60 million (\$51 million, net of income tax), as well as \$77 million (\$50 million, net of income tax) related to net investments in foreign operation hedges. The loss is reflected within net investment gains (losses) on the consolidated statements of operations and comprehensive income (loss). Compared to the expected loss at the time of the sales agreement, the actual loss on the sale was increased by net income from MAL of \$77 million for the year ended December 31, 2014. MAL's results of operations are included in continuing operations. They were historically included in the Corporate Benefit Funding segment.

## 2013 Acquisition

In October 2013, MetLife completed the acquisition of Administradora de Fondos de Pensiones Provida S.A. ("ProVida"), the largest private pension fund administrator in Chile based on assets under management and number of pension fund contributors. The acquisition of ProVida supports the Company's growth strategy in emerging markets and further strengthens the Company's overall position in Chile. Revenues and net income of \$100 million and \$42 million, respectively, resulting from the acquisition of ProVida since the acquisition date, were included in the consolidated statement of operations within the Latin America segment for the year ended December 31, 2013.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 4. Insurance

## Insurance Liabilities

Insurance liabilities are comprised of future policy benefits, policyholder account balances and other policy-related balances. Information regarding insurance liabilities by segment, as well as Corporate & Other, was as follows at:

|                                      | December 31,  |           |
|--------------------------------------|---------------|-----------|
|                                      | 2015          | 2014      |
|                                      | (In millions) |           |
| Retail                               | \$140,085     | \$136,778 |
| Group, Voluntary & Worksite Benefits | 31,245        | 30,328    |
| Corporate Benefit Funding            | 112,208       | 115,440   |
| Latin America                        | 14,335        | 15,596    |
| Asia                                 | 83,510        | 86,483    |
| EMEA                                 | 19,009        | 20,520    |
| Corporate & Other                    | 8,464         | 8,157     |
| Total                                | \$408,856     | \$413,302 |

Future policy benefits are measured as follows:

| Product Type:  | Measurement Assumptions:   |
|--|--|
| Participating life   | Aggregate of (i) net level premium reserves for death and endowment policy benefits (calculated based upon the non-forfeiture interest rate, ranging from 3% to 7% for domestic business and 1% to 11% for international business and mortality rates guaranteed in calculating the cash surrender values described in such contracts); and (ii) the liability for terminal dividends for domestic business.   |
| Nonparticipating life  | Aggregate of the present value of expected future benefit payments and related expenses less the present value of expected future net premiums. Assumptions as to mortality and persistency are based upon the Company's experience when the basis of the liability is established. Interest rate assumptions for the aggregate future policy benefit liabilities range from 2% to 11% for domestic business and less than 1% to 13% for international business. |
| Individual and group traditional fixed annuities after annuitization | Present value of expected future payments. Interest rate assumptions used in establishing such liabilities range from 2% to 11% for domestic business and less than 1% to 12% for international business.  |
| Non-medical health insurance   | The net level premium method and assumptions as to future morbidity, withdrawals and interest, which provide a margin for adverse deviation. Interest rate assumptions used in establishing such liabilities range from 4% to 7% (primarily related to domestic business).   |
| Disabled lives   | Present value of benefits method and experience assumptions as to claim terminations, expenses and interest. Interest rate assumptions used in establishing such liabilities range from 2% to 8% for domestic business and 1% to 9% for international business.  |
| Property & casualty insurance  | The amount estimated for claims that have been reported but not settled and claims incurred but not reported are based upon the Company's historical experience and other actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation.   |

Participating business represented 4% and 5% of the Company's life insurance in-force at December 31, 2015 and 2014, respectively. Participating policies represented 19%, 18% and 19% of gross traditional life insurance premiums for the years ended December 31, 2015, 2014 and 2013, respectively.

Policyholder account balances are equal to: (i) policy account values, which consist of an accumulation of gross premium payments and investment performance; (ii) credited interest, ranging from less than 1% to 13% for domestic business and 0% to 15% for international business, less expenses, mortality charges and withdrawals; and (iii) fair

value adjustments relating to business combinations.

218

---

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

4. Insurance (continued)

Guarantees

The Company issues directly and assumes through reinsurance variable annuity products with guaranteed minimum benefits. GMABs and the portions of both non-life-contingent GMWBs and GMIBs that do not require annuitization are accounted for as embedded derivatives in policyholder account balances and are further discussed in Note 9.

Guarantees accounted for as insurance liabilities include:

Guarantee:

- GMDBs
- A return of purchase payment upon death even if the account value is reduced to zero.
  - An enhanced death benefit may be available for an additional fee.

- GMIBs
- After a specified period of time determined at the time of issuance of the variable annuity contract, a minimum accumulation of purchase payments, even if the account value is reduced to zero, that can be annuitized to receive a monthly income stream that is not less than a specified amount.
  - Certain contracts also provide for a guaranteed lump sum return of purchase premium in lieu of the annuitization benefit.

- GMWBs
- A return of purchase payment via partial withdrawals, even if the account value is reduced to zero, provided that cumulative withdrawals in a contract year do not exceed a certain limit.
  - Certain contracts include guaranteed withdrawals that are life contingent.

The Company also issues other annuity contracts that apply a lower rate on funds deposited if the contractholder elects to surrender the contract for cash and a higher rate if the contractholder elects to annuitize. These guarantees include benefits that are payable in the event of death, maturity or at annuitization. Certain other annuity contracts contain guaranteed annuitization benefits that may be above what would be provided by the current account value of the contract. Additionally, the Company issues universal and variable life contracts where the Company contractually guarantees to the contractholder a secondary guarantee or a guaranteed paid-up benefit.

Measurement Assumptions:

- Present value of expected death benefits in excess of the projected account balance recognizing the excess ratably over the accumulation period based on the present value of total expected assessments. Assumptions are consistent with those used for amortizing DAC, and are thus subject to the same variability and risk.
- Investment performance and volatility assumptions are consistent with the historical experience of the appropriate underlying equity index, such as the S&P 500 Index.
- Benefit assumptions are based on the average benefits payable over a range of scenarios.

- Present value of expected income benefits in excess of the projected account balance at any future date of annuitization and recognizing the excess ratably over the accumulation period based on present value of total expected assessments.

- Assumptions are consistent with those used for estimating GMDB liabilities.

- Calculation incorporates an assumption for the percentage of the potential annuitizations that may be elected by the contractholder.

- Expected value of the life contingent payments and expected assessments using assumptions consistent with those used for estimating the GMDB liabilities.



Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

## 4. Insurance (continued)

Information regarding the liabilities for guarantees (excluding base policy liabilities and embedded derivatives) relating to annuity and universal and variable life contracts was as follows:

|                                  | Annuity Contracts |         | Universal and Variable Life Contracts |                    | Total   |
|----------------------------------|-------------------|---------|---------------------------------------|--------------------|---------|
|                                  | GMDBs             | GMIBs   | Secondary Guarantees                  | Paid-Up Guarantees |         |
|                                  | (In millions)     |         |                                       |                    |         |
| Direct and Assumed               |                   |         |                                       |                    |         |
| Balance at January 1, 2013       | \$567             | \$1,635 | \$4,785                               | \$246              | \$7,233 |
| Incurred guaranteed benefits (1) | 200               | 229     | (64                                   | ) 20               | 385     |
| Paid guaranteed benefits         | (82               | ) (13   | ) (23                                 | ) —                | (118    |
| Balance at December 31, 2013     | 685               | 1,851   | 4,698                                 | 266                | 7,500   |
| Incurred guaranteed benefits (1) | 310               | 262     | 411                                   | 22                 | 1,005   |
| Paid guaranteed benefits         | (59               | ) —     | (17                                   | ) —                | (76     |
| Balance at December 31, 2014     | 936               | 2,113   | 5,092                                 | 288                | 8,429   |
| Incurred guaranteed benefits (1) | 319               | 417     | 452                                   | 18                 | 1,206   |
| Paid guaranteed benefits         | (48               | ) (1    | ) (28                                 | ) —                | (77     |
| Balance at December 31, 2015     | \$1,207           | \$2,529 | \$5,516                               | \$306              | \$9,558 |
| Ceded                            |                   |         |                                       |                    |         |
| Balance at January 1, 2013       | \$56              | \$9     | \$753                                 | \$173              | \$991   |
| Incurred guaranteed benefits     | (5                | ) —     | 175                                   | 14                 | 184     |
| Paid guaranteed benefits         | (10               | ) (2    | ) —                                   | —                  | (12     |
| Balance at December 31, 2013     | 41                | 7       | 928                                   | 187                | 1,163   |
| Incurred guaranteed benefits     | 9                 | —       | 134                                   | 15                 | 158     |
| Paid guaranteed benefits         | (12               | ) —     | —                                     | —                  | (12     |
| Balance at December 31, 2014     | 38                | 7       | 1,062                                 | 202                | 1,309   |
| Incurred guaranteed benefits     | 32                | —       | 195                                   | 13                 | 240     |
| Paid guaranteed benefits         | (36               | ) —     | —                                     | —                  | (36     |
| Balance at December 31, 2015     | \$34              | \$7     | \$1,257                               | \$215              | \$1,513 |
| Net                              |                   |         |                                       |                    |         |
| Balance at January 1, 2013       | \$511             | \$1,626 | \$4,032                               | \$73               | \$6,242 |
| Incurred guaranteed benefits     | 205               | 229     | (239                                  | ) 6                | 201     |
| Paid guaranteed benefits         | (72               | ) (11   | ) (23                                 | ) —                | (106    |
| Balance at December 31, 2013     | 644               | 1,844   | 3,770                                 | 79                 | 6,337   |
| Incurred guaranteed benefits     | 301               | 262     | 277                                   | 7                  |         |