METLIFE INC
Form 10-Q
May 05, 2010

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

Form 10-Q

(Mark One)

þ	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2010
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	FOR THE TRANSITION PERIOD FROM TO

Commission file number: 001-15787

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

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

(212) 578-2211
(Registrant s telephone number, including area code)

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

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

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

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

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

At April 30, 2010, 820,152,497 shares of the registrant s common stock, $0.01 par value per share, were outstanding.

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As used in this Form 10-Q, MetLife, the Company, we, our and us refer to MetLife, Inc., a Delaware corporation incorporated in 1999 (the Holding Company), and its subsidiaries, including Metropolitan Life Insurance Company (MLIC).

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including the Management s Discussion and Analysis of Financial Condition and Results of Operations, may contain or incorporate by reference information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as anticipate, estimate, expect, project, intend, plan, believe and other words and terms of similar meaning in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results. See Management s Discussion and Analysis of Financial Condition and Results of Operations.

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 MetLife s actual future results. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife, Inc. s filings with the U.S. Securities and Exchange Commission (the SEC). These factors include: (i) difficult and adverse conditions in the global and domestic capital and credit markets; (ii) continued volatility and further deterioration of the capital and credit markets, which may affect the Company s ability to seek financing or access its credit facilities; (iii) uncertainty about the effectiveness of the U.S. government s plan to stabilize the financial system by injecting capital into financial institutions, purchasing large amounts of illiquid, mortgage-backed and other securities from financial institutions, or otherwise; (iv) exposure to financial and capital market risk; (v) changes in general economic conditions, including the performance of financial markets and interest rates, which may affect the Company s ability to raise capital, generate fee income and market-related revenue and finance statutory reserve requirements and may require the Company to pledge collateral or make payments related to declines in value of specified assets; (vi) potential liquidity and other risks resulting from MetLife s participation in a securities lending program and other transactions; (vii) investment losses and defaults, and changes to investment valuations; (viii) impairments of goodwill and realized losses or market value impairments to illiquid assets; (ix) defaults on the Company s mortgage loans; (x) the impairment of other financial institutions; (xi) MetLife s ability to identify any future acquisitions and consummate such acquisitions, including the acquisition of American Life Insurance Company (Alico), and to successfully integrate acquired businesses with minimal disruption; (xii) economic, political, currency and other risks relating to the Company s international operations; (xiii) MetLife, Inc. s primary reliance, as a holding company, on dividends from its subsidiaries to meet debt payment obligations and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends; (xiv) downgrades in MetLife, Inc. s and its affiliates claims paying ability, financial strength or credit ratings; (xv) ineffectiveness of risk management policies and procedures, including with respect to guaranteed benefits (which may be affected by fair value adjustments arising from changes in the Company s own credit spread) on certain of the Company s variable annuity products; (xvi) availability and effectiveness of reinsurance or indemnification arrangements; (xvii) discrepancies between actual claims experience and assumptions used in setting prices for the Company s products and establishing the liabilities for the Company s obligations for future policy benefits and claims; (xviii) catastrophe losses; (xix) 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;

(xx) unanticipated changes in industry trends; (xxi) changes in accounting standards, practices and/or policies; (xxii) changes in assumptions related to deferred policy acquisition costs (DAC), value of business acquired (VOBA) or goodwill; (xxiii) increased expenses relating to pension and postretirement benefit plans; (xxiv) deterioration in the experience of the closed block established in connection with the reorganization of

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MLIC; (xxv) adverse results or other consequences from litigation, arbitration or regulatory investigations; (xxvi) discrepancies between actual experience and assumptions used in establishing liabilities related to other contingencies or obligations; (xxvii) regulatory, legislative or tax changes that may affect the cost of, or demand for, the Company s products or services; (xxviii) the effects of business disruption or economic contraction due to terrorism, other hostilities, or natural catastrophes; (xxix) the effectiveness of the Company s programs and practices in avoiding giving its associates incentives to take excessive risks; (xxx) other risks and uncertainties described from time to time in MetLife, Inc. s filings with the SEC; and (xxxi) any of the foregoing factors as they relate to Alico and its operations.

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

Note Regarding Reliance on Statements in Our Contracts

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

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

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

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

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

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

Part I Financial Information

Item 1. ***Financial Statements***

MetLife, Inc.

Interim Condensed Consolidated Balance Sheets
March 31, 2010 (Unaudited) and December 31, 2009

(In millions, except share and per share data)

	March 31, 2010	December 31, 2009
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $238,061 and $229,709, respectively; includes $3,144 and $3,171, respectively, relating to variable interest entities)	$ 239,566	$ 227,642
Equity securities available-for-sale, at estimated fair value (cost: $3,106 and $3,187, respectively)	3,066	3,084
Trading securities, at estimated fair value (cost: $2,978 and $2,249, respectively; includes $274 and $0, respectively, relating to variable interest entities)	3,039	2,384
Mortgage loans:		
Held-for-investment, at amortized cost (net of valuation allowances of $751 and $721, respectively; includes $7,065 and $0, respectively, relating to variable interest entities)	55,433	48,181
Held-for-sale, principally at estimated fair value	2,003	2,728
Mortgage loans, net	57,436	50,909
Policy loans	10,146	10,061
Real estate and real estate joint ventures held-for-investment (includes $19 and $18, respectively, relating to variable interest entities)	6,826	6,852
Real estate held-for-sale	40	44
Other limited partnership interests (includes $226 and $236, respectively, relating to variable interest entities)	5,753	5,508
Short-term investments	8,019	8,374
Other invested assets (includes $110 and $137, respectively, relating to variable interest entities)	12,327	12,709
Total investments	346,218	327,567
Cash and cash equivalents (includes $267 and $68, respectively, relating to variable interest entities)	9,202	10,112
Accrued investment income (includes $39 and $0, respectively, relating to variable interest entities)	3,392	3,173
Premiums, reinsurance and other receivables	17,554	16,752

Deferred policy acquisition costs and value of business acquired	18,697	19,256
Current income tax recoverable		316
Deferred income tax assets	149	1,228
Goodwill	5,049	5,047
Other assets (includes $10 and $16, respectively, relating to variable interest entities)	6,869	6,822
Separate account assets	158,436	149,041
Total assets	$ 565,566	$ 539,314
Liabilities and Stockholders Equity		
Liabilities		
Future policy benefits	$ 137,516	$ 135,879
Policyholder account balances	141,734	138,673
Other policyholder funds	8,682	8,446
Policyholder dividends payable	745	761
Payables for collateral under securities loaned and other transactions	25,982	24,196
Bank deposits	10,032	10,211
Short-term debt	318	912
Long-term debt (includes $7,164 and $64, respectively, relating to variable interest entities)	20,177	13,220
Collateral financing arrangements	5,297	5,297
Junior subordinated debt securities	3,191	3,191
Current income tax payable	66	
Other liabilities (includes $96 and $26, respectively, relating to variable interest entities)	17,211	15,989
Separate account liabilities	158,436	149,041
Total liabilities	529,387	505,816
Contingencies, Commitments and Guarantees (Note 8)		
Stockholders Equity		
MetLife, Inc. s stockholders equity:		
Preferred stock, par value $0.01 per share; 200,000,000 shares authorized; 84,000,000 shares issued and outstanding; $2,100 aggregate liquidation preference	1	1
Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 822,586,896 and 822,359,818 shares issued at March 31, 2010 and December 31, 2009, respectively; 819,393,009 and 818,833,810 shares outstanding at March 31, 2010 and December 31, 2009, respectively	8	8
Additional paid-in capital	16,871	16,859
Retained earnings	20,294	19,501
Treasury stock, at cost; 3,193,887 and 3,526,008 shares at March 31, 2010 and December 31, 2009, respectively	(172)	(190)
Accumulated other comprehensive loss	(1,191)	(3,058)
Total MetLife, Inc. s stockholders equity	35,811	33,121
Noncontrolling interests	368	377
Total equity	36,179	33,498
Total liabilities and stockholders equity	$ 565,566	$ 539,314

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statements of Operations
For the Three Months Ended March 31, 2010 and 2009 (Unaudited)

(In millions, except per share data)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Revenues		
Premiums	$ 6,854	$ 6,122
Universal life and investment-type product policy fees	1,407	1,183
Net investment income	4,344	3,261
Other revenues	513	554
Net investment gains (losses):		
Other-than-temporary impairments on fixed maturity securities	(151)	(553)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive loss	59	
Other net investment gains (losses), net	164	(353)
Total net investment gains (losses)	72	(906)
Total revenues	13,190	10,214
Expenses		
Policyholder benefits and claims	7,537	6,582
Interest credited to policyholder account balances	1,143	1,168
Policyholder dividends	377	424
Other expenses	2,942	3,002
Total expenses	11,999	11,176
Income (loss) from continuing operations before provision for income tax	1,191	(962)
Provision for income tax expense (benefit)	358	(377)
Income (loss) from continuing operations, net of income tax	833	(585)
Income (loss) from discontinued operations, net of income tax	1	37
Net income (loss)	834	(548)
Less: Net income (loss) attributable to noncontrolling interests	(1)	(4)
Net income (loss) attributable to MetLife, Inc.	835	(544)
Less: Preferred stock dividends	30	30
Net income (loss) available to MetLife, Inc. s common shareholders	$ 805	$ (574)

Income (loss) from continuing operations, net of income tax, available to MetLife, Inc. s common shareholders per common share:				
Basic	$	0.98	$	(0.76)
Diluted	$	0.97	$	(0.76)
Net income (loss) available to MetLife, Inc. s common shareholders per common share:				
Basic	$	0.98	$	(0.71)
Diluted	$	0.97	$	(0.71)

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statements of Stockholders Equity
For the Three Months Ended March 31, 2010 (Unaudited)

(In millions)

						Accumulated Other Comprehensive Loss					
	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Net Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairments	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total MetLife, Inc. s Stockholders Equity	Noncontrolli Interests
ecember 31,	$ 1	$ 8	$ 16,859	$ 19,501	$ (190)	$ (817)	$ (513)	$ (183)	$ (1,545)	$ 33,121	$ 377
effect of counting t of income tax				(12)		31	11			30	
anuary 1, 2010	1	8	16,859	19,489	(190)	(786)	(502)	(183)	(1,545)	33,151	377
compensation			12		18					30	
n preferred				(30)						(30)	
quity of ng interests											(14)
sive income											
(loss)				835						835	(1)
rehensive s):											
gains (losses) e instruments, e tax						78				78	
nvestment s), net of ts and income						1,696	(29)			1,667	(1)
ency djustments, net x								61		61	7
									19	19	

efit plans net of income											
rehensive s)										1,825	6
sive income										2,660	5
larch 31, 2010	$ 1	$ 8	$ 16,871	$ 20,294	$ (172)	$ 988	$ (531)	$ (122)	$ (1,526)	$ 35,811	$ 368

See accompanying notes to the interim condensed consolidated financial statements.

MetLife, Inc.

Interim Condensed Consolidated Statements of Stockholders Equity (Continued)
For the Three Months Ended March 31, 2009 (Unaudited)

(In millions)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Loss: Net Unrealized Investment Gains (Losses)	Accumulated Other Comprehensive Loss: Foreign Currency Translation Adjustments	Accumulated Other Comprehensive Loss: Defined Benefit Plans Adjustment	Total MetLife, Inc. s Stockholders Equity	Noncontrolling Interests	Total Equity
ce at mber 31,	$ 1	$ 8	$ 15,811	$ 22,403	$ (236)	$ (12,564)	$ (246)	$ (1,443)	$ 23,734	$ 251	$ 23,985
mon stock nce newly d shares			1,035						1,035		1,035
ury stock actions, net			20		6				26		26
ral of -based ensation			(6)						(6)		(6)
ends on rred stock				(30)					(30)		(30)
ge in y of ontrolling sts										80	80
prehensive ne (loss):											
oss				(544)					(544)	(4)	(548)
rehensive ne (loss):											
alized (losses) rivative ments, net come tax						19			19		19
alized tment						(924)			(924)	(8)	(932)

(losses), f related s and ne tax gn ncy ation tments, net come tax							(240)		(240)		(240)
ed benefit tment, net come tax								40	40		40
, rehensive ne (loss)									(1,105)	(8)	(1,113)
prehensive ne (loss)									(1,649)	(12)	(1,661)
nce at h 31, 2009	$ 1	$ 8	$ 16,860	$ 21,829	$ (230)	$ (13,469)	$ (486)	$ (1,403)	$ 23,110	$ 319	$ 23,429

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2010 and 2009 (Unaudited)

(In millions)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Net cash provided by (used in) operating activities	$ 2,871	$ (985)
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	14,896	18,118
Equity securities	255	356
Mortgage loans	1,152	1,105
Real estate and real estate joint ventures	18	37
Other limited partnership interests	97	394
Purchases of:		
Fixed maturity securities	(22,518)	(24,229)
Equity securities	(134)	(481)
Mortgage loans	(1,156)	(984)
Real estate and real estate joint ventures	(176)	(174)
Other limited partnership interests	(166)	(162)
Cash received in connection with freestanding derivatives	465	2,427
Cash paid in connection with freestanding derivatives	(725)	(1,124)
Sales of businesses, net of cash disposed of $0 and $180, respectively		(46)
Net change in policy loans	(85)	(49)
Net change in short-term investments	386	2,982
Net change in other invested assets	128	267
Other, net	(35)	(55)
Net cash used in investing activities	(7,598)	(1,618)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	17,321	22,392
Withdrawals	(14,194)	(23,065)
Net change in bank deposits	(218)	604
Net change in payables for collateral under securities loaned and other transactions	1,786	(6,718)
Net change in short-term debt	(594)	3,219
Long-term debt issued	163	469
Long-term debt repaid	(322)	(112)

Collateral financing arrangements issued				50
Debt issuance costs				(3)
Common stock issued to settle stock forward contracts				1,035
Dividends on preferred stock		(30)		(30)
Other, net		(67)		(9)
Net cash provided by (used in) financing activities		3,845		(2,168)
Effect of change in foreign currency exchange rates on cash balances		(28)		(44)
Change in cash and cash equivalents		(910)		(4,815)
Cash and cash equivalents, beginning of period		10,112		24,239
Cash and cash equivalents, end of period	$	9,202	$	19,424
Cash and cash equivalents, subsidiaries held-for-sale, beginning of period	$		$	32
Cash and cash equivalents, subsidiaries held-for-sale, end of period	$		$	

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MetLife, Inc.

Interim Condensed Consolidated Statements of Cash Flows (Continued)
For the Three Months Ended March 31, 2010 and 2009 (Unaudited)

(In millions)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Cash and cash equivalents, from continuing operations, beginning of period	$ 10,112	$ 24,207
Cash and cash equivalents, from continuing operations, end of period	$ 9,202	$ 19,424
Supplemental disclosures of cash flow information:		
Net cash paid (received) during the period for:		
Interest	$ 258	$ 113
Income tax	$ (88)	$ 85
Non-cash transactions during the period:		
Remarketing of debt securities:		
Fixed maturity securities redeemed	$	$ 32
Long-term debt issued	$	$ 1,035
Junior subordinated debt securities redeemed	$	$ 1,067
Real estate and real estate joint ventures acquired in satisfaction of debt	$ 8	$ 1

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

1. Business, Basis of Presentation and Summary of Significant Accounting Policies

Business

MetLife or the Company refers to MetLife, Inc., a Delaware corporation incorporated in 1999 (the Holding Company), and its subsidiaries, including Metropolitan Life Insurance Company (MLIC). MetLife is a leading provider of insurance, employee benefits and financial services with operations throughout the United States and the Latin America, Asia Pacific and Europe, Middle East and India regions. Through its subsidiaries and affiliates, MetLife offers life insurance, annuities, auto and homeowners insurance, retail banking and other financial services to individuals, as well as group insurance and retirement & savings products and services to corporations and other institutions.

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the interim condensed consolidated financial statements.

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

The accompanying interim condensed consolidated financial statements include the accounts of the Holding Company 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. See Adoption of New Accounting Pronouncements. Closed block assets, liabilities, revenues and expenses are combined on a line-by-line basis with the assets, liabilities, revenues and expenses outside the closed block based on the nature of the particular item. See Note 6. Intercompany accounts and transactions have been eliminated.

The Company uses the equity method of accounting for investments in equity securities in which it has a significant influence or more than a 20% interest and for real estate joint ventures and other limited partnership interests in which it has more than a minor equity interest or more than a minor influence over the joint venture s or partnership s operations, but does not have a controlling interest and is not the primary beneficiary. The Company uses the cost method of accounting for investments in real estate joint ventures and other limited partnership interests in which it has a minor equity investment and virtually no influence over the joint venture s or the partnership s operations.

Certain amounts in the prior year periods interim condensed consolidated financial statements have been reclassified to conform with the 2010 presentation. Such reclassifications include $604 million reclassified from policyholder account balances to net change in bank deposits within cash flows from financing activities in the consolidated statements of cash flows for the three months ended March 31, 2009. In addition, $2,427 million and ($1,124) million were reclassified from net change in other invested assets to cash received in connection with freestanding derivatives and cash paid in connection with freestanding derivatives, respectively, within cash flows from investing activities in the consolidated statements of cash flows for the three months ended March 31, 2009. See also Note 14 for reclassifications related to discontinued operations.

The accompanying interim condensed consolidated financial statements reflect all adjustments (including normal recurring adjustments) necessary to present fairly the consolidated financial position of the Company at March 31, 2010, its consolidated results of operations for the three months ended March 31, 2010 and 2009, its consolidated cash flows for the three months ended March 31, 2010 and 2009, and its consolidated statements of stockholders equity for the three months ended March 31, 2010 and 2009, in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2009 consolidated balance sheet

MetLife, Inc.

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

data was derived from audited consolidated financial statements included in MetLife s Annual Report on Form 10-K for the year ended December 31, 2009 (the 2009 Annual Report) filed with the U.S. Securities and Exchange Commission (SEC), which includes all disclosures required by GAAP. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company included in the 2009 Annual Report.

Adoption of New Accounting Pronouncements

Financial Instruments

Effective January 1, 2010, the Company adopted new guidance related to financial instrument transfers and consolidation of VIEs. The financial instrument transfer guidance eliminates the concept of a qualified special purpose entity (QSPE), eliminates the guaranteed mortgage securitization exception, changes the criteria for achieving sale accounting when transferring a financial asset and changes the initial recognition of retained beneficial interests. The new consolidation guidance changes the definition of the primary beneficiary as well as the method of determining whether an entity is a primary beneficiary of a VIE from a quantitative model to a qualitative model. Under the new qualitative model, the entity that has both the ability to direct the most significant activities of the VIE and the obligation to absorb losses or receive benefits that could be significant to the VIE is considered to be the primary beneficiary of the VIE. The guidance also changes when reassessment is needed and requires enhanced disclosures, including the effects of a company s involvement with VIEs on its financial statements.

As a result of the adoption of this guidance, the Company consolidated certain former QSPEs that were previously accounted for as fixed maturity commercial mortgage-backed securities and equity security collateralized debt obligations. The Company also elected the fair value option for all of the consolidated assets and liabilities of these entities. Upon consolidation, the Company recorded $278 million of securities classified as trading securities, $6,769 million of commercial mortgage loans and $6,822 million of long-term debt based on estimated fair values at January 1, 2010 and de-recognized $179 million in fixed maturity securities and less than $1 million in equity securities. The consolidation also resulted in a decrease in retained earnings of $12 million, net of income tax, and an increase in accumulated other comprehensive income of $42 million, net of income tax, as of January 1, 2010. For the three months ended March 31, 2010, the Company recorded $109 million of net investment income on the consolidated assets, $106 million of interest expense in other expenses on the related long-term debt, and $10 million in net investment gains to remeasure the assets and liabilities at their estimated fair values as of March 31, 2010.

In addition, the Company also deconsolidated certain partnerships for which the Company does not have the power to direct activities and for which the Company has concluded it is no longer the primary beneficiary. These deconsolidations did not result in a cumulative effect adjustment to retained earnings and did not have a material impact on the Company s consolidated financial statements.

Also effective January 1, 2010, the Company adopted new guidance that indefinitely defers the above changes relating to the Company s interests in entities that have all the attributes of an investment company or for which it is industry practice to apply measurement principles for financial reporting that are consistent with those applied by an investment company. As a result of the deferral, the above guidance did not apply to certain real estate joint ventures and other limited partnership interests held by the Company.

Fair Value

Effective January 1, 2010, the Company adopted new guidance that requires new disclosures about significant transfers in and/or out of Levels 1 and 2 of the fair value hierarchy and activity in Level 3 (Accounting Standards Update (ASU) 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*). In addition, this guidance provides clarification of existing disclosure requirements

MetLife, Inc.

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

about level of disaggregation and inputs and valuation techniques. The adoption of this guidance did not have an impact on the Company s consolidated financial statements.

Future Adoption of New Accounting Pronouncements

In April 2010, the Financial Accounting Standards Board issued new guidance regarding accounting for investment funds determined to be variable interest entities (VIEs) (ASU 2010-15, *How Investments Held through Separate Accounts Affect an Insurer s Consolidation Analysis of Those Investments*). Under this guidance, an insurance entity would not be required to consolidate a voting-interest investment fund when it holds the majority of the voting interests of the fund through its separate accounts. In addition, an insurance entity would not consider the interests held through separate accounts for the benefit of policyholders in the insurer s evaluation of its economics in a VIE, unless the separate account contract holder is a related party. The guidance is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2010. The Company does not expect the adoption of this new guidance to have a material impact on its consolidated financial statements.

2. Pending Acquisition

On March 7, 2010, the Holding Company entered into a stock purchase agreement (the Stock Purchase Agreement) with ALICO Holdings LLC (the Seller) and American International Group, Inc., pursuant to which the Holding Company agreed to acquire all of the issued and outstanding capital stock of American Life Insurance Company (Alico) and Delaware American Life Insurance Company. The transaction is expected to close by the end of 2010, subject to certain regulatory approvals and determinations, as well as other customary closing conditions.

Pursuant to the Stock Purchase Agreement, the Holding Company will (i) pay $6.8 billion to the Seller in cash, and (ii) issue to the Seller (a) 78,239,712 shares of its common stock, (b) 6,857,000 shares of Series B Contingent Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock of the Holding Company, which will be convertible into approximately 68,570,000 shares of the Holding Company s common stock upon a favorable vote of the Holding Company s stockholders and (c) $3.0 billion aggregate stated amount of equity units of the Holding Company (together, the Securities), consisting of (x) forward purchase contracts obligating the holder to purchase a variable number of shares of the Holding Company s common stock on three specified future dates (to be determined at closing, approximately two, three and four years after closing, with an aggregate purchase price of $1 billion payable on each of those dates) for a fixed amount per purchase contract, and (y) an interest in shares of the Holding Company s preferred stock. At a future date, the interest in the preferred stock forming part of the equity units will be mandatorily exchanged for an interest in debt securities of the Company, which will be subject to remarketing and sold to investors. Holders of the equity units who elect to include their debt securities in a remarketing can use the proceeds thereof to meet their obligations under the forward purchase contracts. The aggregate amount of the Holding Company s common stock to be issued to the Seller in connection with the transaction is expected to be 214.6 million to 231.5 million shares, consisting of 78.2 million shares to be issued at closing, 68.6 million shares to be issued upon conversion of the Series B Contingent Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock (with the stockholder vote on such conversion to be held within one year after the closing) and between 67.8 million and 84.7 million shares of common stock, in total, issuable upon settlement of the purchase contracts forming part of the equity units (in three tranches approximately two, three and four years after the closing). The ownership of the Securities is subject to an investor rights agreement, which grants to the Seller certain rights and sets forth certain agreements with respect to the Seller s ownership, voting and transfer of the Securities. The Seller has indicated that it intends to monetize the Securities over time, subject to market conditions, following the lapse of agreed-upon minimum holding periods. See Note 7 for discussion of a related commitment letter signed by the Holding Company with various financial institutions for a senior credit facility.

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MetLife, Inc.

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

3. Investments

Fixed Maturity and Equity Securities Available-for-Sale

The following tables present the cost or amortized cost, gross unrealized gain and loss, estimated fair value of the Company s fixed maturity and equity securities and the percentage that each sector represents by the respective total holdings for the periods shown. The unrealized loss amounts presented below include the noncredit loss component of other-than-temporary impairment (OTTI) loss:

	March 31, 2010					
	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Temporary Loss	Gross Unrealized OTTI Loss	Estimated Fair Value	% of Total
	(In millions)					
Fixed Maturity Securities:						
U.S. corporate securities	$ 72,883	$ 3,230	$ 1,973	$ 7	$ 74,133	31.0%
Residential mortgage-backed securities (RMBS)	43,786	1,351	1,550	607	42,980	17.9
Foreign corporate securities	38,869	2,180	944		40,105	16.7
U.S. Treasury, agency and government guaranteed securities (1)	30,981	778	1,018		30,741	12.8
Commercial mortgage-backed securities (CMBS)	16,680	507	692		16,495	6.9
Asset-backed securities (ABS)	14,686	254	871	177	13,892	5.8
Foreign government securities	11,969	1,272	77		13,164	5.5
State and political subdivision securities	8,188	185	334		8,039	3.4
Other fixed maturity securities	19		2		17	
Total fixed maturity securities (2),(3)	$ 238,061	$ 9,757	$ 7,461	$ 791	$ 239,566	100.0%
Equity Securities:						
Common stock	$ 1,507	$ 117	$ 8	$	$ 1,616	52.7%
Non-redeemable preferred stock (2)	1,599	90	239		1,450	47.3
Total equity securities (4)	$ 3,106	$ 207	$ 247	$	$ 3,066	100.0%

	December 31, 2009					
	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Temporary Loss	Gross Unrealized OTTI Loss	Estimated Fair Value	% of Total
	(In millions)					

Fixed Maturity Securities:						
U.S. corporate securities	$ 72,075	$ 2,821	$ 2,699	$ 10	$ 72,187	31.7%
RMBS	45,343	1,234	1,957	600	44,020	19.3
Foreign corporate securities	37,254	2,011	1,226	9	38,030	16.7
U.S. Treasury, agency and government guaranteed securities (1)	25,712	745	1,010		25,447	11.2
CMBS	16,555	191	1,106	18	15,622	6.9
ABS	14,272	189	1,077	222	13,162	5.8
Foreign government securities	11,010	1,076	139		11,947	5.2
State and political subdivision securities	7,468	151	411		7,208	3.2
Other fixed maturity securities	20	1	2		19	
Total fixed maturity securities (2),(3)	$ 229,709	$ 8,419	$ 9,627	$ 859	$ 227,642	100.0%
Equity Securities:						
Common stock	$ 1,537	$ 92	$ 8	$	$ 1,621	52.6%
Non-redeemable preferred stock (2)	1,650	80	267		1,463	47.4
Total equity securities (4)	$ 3,187	$ 172	$ 275	$	$ 3,084	100.0%

MetLife, Inc.

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

(1) The Company has classified within the U.S. Treasury, agency and government guaranteed securities caption certain corporate fixed maturity securities issued by U.S. financial institutions that were guaranteed by the Federal Deposit Insurance Corporation (FDIC) pursuant to the FDIC s Temporary Liquidity Guarantee Program (FDIC Program) of $323 million and $407 million at estimated fair value with unrealized gains of $3 million and $2 million at March 31, 2010 and December 31, 2009, respectively.

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

Classification Consolidated Balance Sheets	Classification Sector Table	Primary Issuers	March 31, 2010 Estimated Fair Value	December 31, 2009 Estimated Fair Value
			(In millions)	
Equity securities	Non-redeemable preferred stock	Non-U.S. financial institutions	$ 1,134	$ 988
Equity securities	Non-redeemable preferred stock	U.S. financial institutions	$ 300	$ 349
Fixed maturity securities	Foreign corporate securities	Non-U.S. financial institutions	$ 2,630	$ 2,626
Fixed maturity securities	U.S. corporate securities	U.S. financial institutions	$ 65	$ 91

(3) Redeemable preferred stock with stated maturity dates are included in the U.S. corporate securities sector within fixed maturity securities. These securities, commonly referred to as capital securities , are primarily issued by U.S. financial institutions and have cumulative interest deferral features. The Company held $2.7 billion and $2.5 billion at estimated fair value of such securities at March 31, 2010 and December 31, 2009, respectively.

(4) Equity securities primarily consist of investments in common and preferred stocks, including certain perpetual hybrid securities and mutual fund interests. Privately-held equity securities were $1.0 billion and $1.0 billion at estimated fair value at March 31, 2010 and December 31, 2009, respectively.

All below investment grade, non-income producing and National Association of Insurance Commissioners (NAIC) amounts and percentages presented herein, are based on rating agency designations and equivalent ratings of the

NAIC, with the exception of non-agency RMBS held by the Company s domestic insurance subsidiaries. Non-agency RMBS, including RMBS backed by sub-prime mortgage loans reported within ABS, held by the Company s domestic insurance subsidiaries are presented based on final ratings from the revised NAIC rating methodology (i.e., NAIC 1 6) which became effective December 31, 2009 (which may not correspond to rating agency designations). All rating agency (i.e., Aaa/AAA) amounts or percentages presented herein are without adjustment for the revised NAIC methodology which became effective December 31, 2009.

MetLife, Inc.

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

The following table presents selected information about certain fixed maturity securities held by the Company at:

	March 31, 2010	December 31, 2009
	(In millions)	
Below investment grade or non-rated fixed maturity securities:		
Estimated fair value	$ 20,475	$ 20,201
Net unrealized loss	$ 1,820	$ 2,609
Non-income producing fixed maturity securities:		
Estimated fair value	$ 151	$ 312
Net unrealized loss	$ 30	$ 31
Fixed maturity securities credit enhanced by financial guarantor insurers by sector at estimated fair value:		
State and political subdivision securities	$ 2,225	$ 2,154
U.S. corporate securities	1,780	1,750
ABS	816	803
Other	97	43
Total fixed maturity securities credit enhanced by financial guarantor insurers	$ 4,918	$ 4,750
Ratings of the financial guarantor insurers providing the credit enhancement:		
Portion rated Aa/AA	19%	18%
Portion rated A	2%	2%
Portion rated Baa/BBB	37%	36%

Concentrations of Credit Risk (Fixed Maturity Securities) Summary. The following section contains a summary of the concentrations of credit risk related to fixed maturity securities holdings.

The Company was not exposed to any concentrations of credit risk of any single issuer greater than 10% of the Company s stockholders equity, other than the U.S. and Mexican government securities described below. The Company s holdings in U.S. Treasury, agency and government guaranteed fixed maturity securities at estimated fair value were $30.7 billion and $25.4 billion at March 31, 2010 and December 31, 2009, respectively. The Company s holdings in Mexican government and certain Mexican government agency fixed maturity securities at estimated fair value were $4.4 billion and $4.8 billion at March 31, 2010 and December 31, 2009, respectively.

Concentrations of Credit Risk (Fixed Maturity Securities) U.S. and Foreign Corporate Securities. The Company maintains a diversified portfolio of corporate fixed maturity securities across industries and issuers. This portfolio does not have exposure to any single issuer in excess of 1% of total investments. The tables below present

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

the major industry types that comprise the corporate fixed maturity securities holdings, the largest exposure to a single issuer and the combined holdings in the ten issuers to which it had the largest exposure at:

	March 31, 2010		December 31, 2009	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(In millions)			
Corporate fixed maturity securities by industry type:				
Foreign (1)	$ 40,105	35.1%	$ 38,030	34.5%
Industrial	18,066	15.8	17,246	15.6
Consumer	17,625	15.4	16,924	15.4
Utility	15,530	13.6	14,785	13.4
Finance	13,302	11.6	13,756	12.5
Communications	6,592	5.8	6,580	6.0
Other	3,018	2.7	2,896	2.6
Total	$ 114,238	100.0%	$ 110,217	100.0%

(1) Includes U.S. dollar-denominated debt obligations of foreign obligors and other foreign fixed maturity security investments.

	March 31, 2010		December 31, 2009	
	Estimated Fair Value	% of Total Investments	Estimated Fair Value	% of Total Investments
	(In millions)			
Concentrations within corporate fixed maturity securities:				
Largest exposure to a single issuer	$ 938	0.3%	$ 1,038	0.3%
Holdings in ten issuers with the largest exposures	$ 6,888	2.0%	$ 7,506	2.3%

Concentrations of Credit Risk (Fixed Maturity Securities) RMBS. The table below presents the Company s RMBS holdings and portion rated Aaa/AAA and portion rated NAIC 1 at:

	March 31, 2010		December 31, 2009	
	Estimated Fair	% of	Estimated Fair	% of

	Value	Total	Value	Total
	(In millions)			
By security type:				
Collateralized mortgage obligations	$ 23,796	55.4%	$ 24,480	55.6%
Pass-through securities	19,184	44.6	19,540	44.4
Total RMBS	$ 42,980	100.0%	$ 44,020	100.0%
By risk profile:				
Agency	$ 32,551	75.7%	$ 33,334	75.7%
Prime	6,442	15.0	6,775	15.4
Alternative residential mortgage loans	3,987	9.3	3,911	8.9
Total RMBS	$ 42,980	100.0%	$ 44,020	100.0%
Portion rated Aaa/AAA	$ 37,308	86.8%	$ 35,626	80.9%
Portion rated NAIC 1	$ 37,534	87.3%	$ 38,464	87.4%

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MetLife, Inc.

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

Collateralized mortgage obligations are a type of mortgage-backed security 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 a type of asset-backed security that is 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.

Prime residential mortgage lending includes the origination of residential mortgage loans to the most creditworthy borrowers with high quality credit profiles. Alternative residential mortgage loans (Alt-A) are 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.

The following tables present the Company s investment in Alt-A RMBS by vintage year (vintage year refers to the year of origination and not to the year of purchase) and certain other selected data:

	March 31, 2010		December 31, 2009	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(In millions)			
Vintage Year:				
2004 & Prior	$ 104	2.6%	$ 109	2.8%
2005	1,350	33.9	1,395	35.7
2006	911	22.8	825	21.1
2007	830	20.8	814	20.8
2008	7	0.2		
2009	750	18.8	768	19.6
2010	35	0.9		
Total	$ 3,987	100.0%	$ 3,911	100.0%

	March 31, 2010		December 31, 2009	
	Amount	% of Total	Amount	% of Total
	(In millions)			
Net unrealized loss	$ 1,072		$ 1,248	
Rated Aa/AA or better		33.6%		26.3%
Rated NAIC 1		33.9%		31.3%
By collateral type:				
Fixed rate mortgage loans collateral		89.6%		89.3%

Hybrid adjustable rate mortgage loans collateral	10.4	10.7
Total Alt-A RMBS	100.0%	100.0%

Concentrations of Credit Risk (Fixed Maturity Securities) CMBS. The Company s holdings in CMBS were $16.5 billion and $15.6 billion at estimated fair value at March 31, 2010 and December 31, 2009, respectively. The Company had no exposure to CMBS index securities at March 31, 2010 and December 31, 2009. The Company held commercial real estate collateralized debt obligations securities of $116 million and $111 million at estimated fair value at March 31, 2010 and December 31, 2009, respectively.

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MetLife, Inc.

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

The following tables present the Company s holdings of CMBS by rating agency designation and by vintage year at:

	March 31, 2010											
	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	E
	(In millions)											
or	$ 7,413	$ 7,642	$ 298	$ 279	$ 127	$ 112	$ 40	$ 35	$ 21	$ 15	$ 7,899	$
	2,333	2,441	115	92	80	54	83	64	58	46	2,669	
	2,916	2,956	60	42	78	52	54	38	11	12	3,119	
	1,690	1,648	45	40	50	31	40	19	87	33	1,912	
	843	672	78	50	123	89	22	21	10	7	1,076	
	5	5									5	
	$ 15,200	$ 15,364	$ 596	$ 503	$ 458	$ 338	$ 239	$ 177	$ 187	$ 113	$ 16,680	$
tribution		93.1%		3.1%		2.0%		1.1%		0.7%		

	December 31, 2009											
	Aaa		Aa		A		Baa		Below Investment Grade		Tota	
	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	I
	(In millions)											
r	$ 6,836	$ 6,918	$ 394	$ 365	$ 162	$ 140	$ 52	$ 41	$ 36	$ 18	$ 7,480	
	2,240	2,255	200	166	114	71	133	87	88	58	2,775	
	2,956	2,853	144	108	85	65	39	24	57	51	3,281	
	1,087	1,009	162	139	380	323	187	129	123	48	1,939	
	432	314	13	12	361	257	234	153	35	13	1,075	
	5	5									5	

	$ 13,556	$ 13,354	$ 913	$ 790	$ 1,102	$ 856	$ 645	$ 434	$ 339	$ 188	$ 16,555
ribution		85.4%		5.1%		5.5%		2.8%		1.2%	

Concentrations of Credit Risk (Fixed Maturity Securities) ABS. The Company s holdings in ABS were $13.9 billion and $13.2 billion at estimated fair value at March 31, 2010 and December 31, 2009, respectively. The Company s ABS are diversified both by collateral type and by issuer.

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MetLife, Inc.

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

The following table presents the collateral type and certain other information about ABS held by the Company at:

	March 31, 2010		December 31, 2009	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(In millions)			
By collateral type:				
Credit card loans	$ 7,331	52.8%	$ 7,057	53.6%
Student loans	2,140	15.4	1,855	14.1
RMBS backed by sub-prime mortgage loans	1,071	7.7	1,044	7.9
Automobile loans	861	6.2	963	7.3
Other loans	2,489	17.9	2,243	17.1
Total	$ 13,892	100.0%	$ 13,162	100.0%
Portion rated Aaa/AAA	$ 10,526	75.8%	$ 9,354	71.1%
Portion rated NAIC 1	$ 12,340	88.8%	$ 11,573	87.9%
RMBS backed by sub-prime mortgage loans portion credit enhanced by financial guarantor insurers		38.9%		37.6%
Of the 38.9% and 37.6% credit enhanced, the financial guarantor insurers were rated as follows:				
By financial guarantor insurers rated Aa/AA		21.8%		17.2%
By financial guarantor insurers rated A		7.5%		7.9%

The following tables present the Company s holdings of ABS supported by sub-prime mortgage loans by rating agency designation and by vintage year at:

March 31, 2010

	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estim Fai Valu
	(In millions)											
& Prior	$ 56	$ 48	$ 65	$ 53	$ 14	$ 11	$ 7	$ 6	$ 95	$ 57	$ 237	$ [illegible]
	88	66	321	232	34	25	3	2	46	30	492	[illegible]

	60	49	195	137	37	28	54	34	201	136	547	3
		1	65	32			23	7	103	66	191	
			78	36					33	15	111	
	$ 204	$ 164	$ 724	$ 490	$ 85	$ 64	$ 87	$ 49	$ 478	$ 304	$ 1,578	$ 1,
gs Distribution	15.3%		45.8%		6.0%		4.6%		28.3%		10	

MetLife, Inc.

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

	December 31, 2009											
	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estim Fai Valu
	(In millions)											
& Prior	$ 57	$ 48	$ 73	$ 58	$ 11	$ 8	$ 7	$ 6	$ 98	$ 56	$ 246	$
	99	68	316	222	39	27	24	15	31	15	509	
	64	45	226	144	40	26	24	18	209	139	563	
	6	6	62	22			22	5	115	72	205	
			78	28					36	16	114	
	$ 226	$ 167	$ 755	$ 474	$ 90	$ 61	$ 77	$ 44	$ 489	$ 298	$ 1,637	$ 1,
s Distribution		16.0%		45.4%		5.8%		4.2%		28.6%		10

The rating distribution of the Company s ABS supported by sub-prime mortgage loans were as follows at:

	March 31, 2010	December 31, 2009
NAIC 1	69.3%	69.1%
NAIC 2	5.1%	4.2%
NAIC 3	12.4%	12.2%
NAIC 4	9.2%	6.2%
NAIC 5	3.9%	8.3%
NAIC 6	0.1%	%

Concentrations of Credit Risk (Equity Securities). The Company was not exposed to any concentrations of credit risk in its equity securities holdings of any single issuer greater than 10% of the Company s stockholders equity at March 31, 2010 and December 31, 2009.

Maturities of Fixed Maturity Securities. The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date (excluding scheduled sinking funds), are as follows:

	March 31, 2010		December 31, 2009	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)			
Due in one year or less	$ 7,542	$ 7,659	$ 6,845	$ 6,924
Due after one year through five years	41,331	42,594	38,408	39,399
Due after five years through ten years	43,474	45,280	40,448	41,568
Due after ten years	70,562	70,666	67,838	66,947
Subtotal	162,909	166,199	153,539	154,838
RMBS, CMBS and ABS	75,152	73,367	76,170	72,804
Total fixed maturity securities	$ 238,061	$ 239,566	$ 229,709	$ 227,642

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

MetLife, Inc.

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

Evaluating Available-for-Sale Securities for Other-Than-Temporary Impairment

As described more fully in Note 1 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report, the Company performs a regular evaluation, on a security-by-security basis, of its available-for-sale securities holdings in accordance with its impairment policy in order to evaluate whether such investments are other-than-temporarily impaired. As described more fully in Note 1 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report, effective April 1, 2009, the Company adopted new OTTI guidance that amends the methodology for determining for fixed maturity securities whether an OTTI exists, and for certain fixed maturity securities, changes how the amount of the OTTI loss that is charged to earnings is determined. There was no change in the OTTI methodology for equity securities.

With respect to fixed maturity securities, the Company considers, among other impairment criteria, whether it has the intent to sell a particular impaired fixed maturity security. The Company s intent to sell a particular impaired fixed maturity security considers broad portfolio management objectives such as asset/liability duration management, issuer and industry segment exposures, interest rate views and the overall total return focus. In following these portfolio management objectives, changes in facts and circumstances that were present in past reporting periods may trigger a decision to sell securities that were held in prior reporting periods. Decisions to sell are based on current conditions or the Company s need to shift the portfolio to maintain its portfolio management objectives including liquidity needs or duration targets on asset/liability managed portfolios. The Company attempts to anticipate these types of changes and if a sale decision has been made on an impaired security, the security will be deemed other-than-temporarily impaired in the period that the sale decision was made and an OTTI loss will be recorded in earnings. In certain circumstances, the Company may determine that it does not intend to sell a particular security but that it is more likely than not that it will be required to sell that security before recovery of the decline in estimated fair value below amortized cost. In such instances, the fixed maturity security will be deemed other-than-temporarily impaired in the period during which it was determined more likely than not that the security will be required to be sold and an OTTI loss will be recorded in earnings. If the Company does not have the intent to sell (i.e., has not made the decision to sell) and it does not believe that it is more likely than not that it will be required to sell the security before recovery of its amortized cost, an impairment assessment is made, as described in Note 1 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report. Prior to April 1, 2009, the Company s assessment of OTTI for fixed maturity securities was performed in the same manner as described below for equity securities.

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 value to an amount equal to or greater than cost. Decisions to sell equity securities are based on current conditions in relation to the same broad portfolio management considerations in a manner consistent with that described above for fixed maturity securities.

With respect to perpetual hybrid securities, some of which are classified as fixed maturity securities and some of which are classified as equity securities, within non-redeemable preferred stock, the Company considers in its OTTI analysis whether there has been any deterioration in credit of the issuer and the likelihood of recovery in value of the securities that are in a severe and extended unrealized loss position. The Company also considers whether any perpetual hybrid securities with an unrealized loss, regardless of credit rating, have deferred any dividend payments.

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

Net Unrealized Investment Gains (Losses)

The components of net unrealized investment gains (losses), included in accumulated other comprehensive loss, are as follows at:

	March 31, 2010	December 31, 2009
	(In millions)	
Fixed maturity securities that were temporarily impaired	$ 2,296	$ (1,208)
Fixed maturity securities with noncredit OTTI losses in other comprehensive loss	(791)	(859)
Total fixed maturity securities	1,505	(2,067)
Equity securities	(40)	(103)
Derivatives	(17)	(144)
Other	71	71
Subtotal	1,519	(2,243)
Amounts allocated from:		
Insurance liability loss recognition	(355)	(118)
DAC and VOBA related to noncredit OTTI losses recognized in other comprehensive loss	(11)	71
DAC and VOBA	(549)	145
Subtotal	(915)	98
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in other comprehensive loss	271	275
Deferred income tax benefit (expense)	(420)	539
Net unrealized investment gains (losses)	455	(1,331)
Net unrealized investment gains (losses) attributable to noncontrolling interests	2	1
Net unrealized investment gains (losses) attributable to MetLife, Inc.	$ 457	$ (1,330)

Fixed maturity securities with noncredit OTTI losses in accumulated other comprehensive loss, as presented above, of $791 million at March 31, 2010, includes $859 million recognized prior to January 1, 2010, $59 million ($17 million, net of DAC) of noncredit losses recognized in the three months ended March 31, 2010, $16 million transferred to retained earnings in connection with the adoption of new guidance related to the consolidation of VIEs (see Note 1), and $111 million of subsequent increases in estimated fair value during the three months ended March 31, 2010 on such securities for which a noncredit loss was previously recognized in accumulated other comprehensive loss.

Fixed maturity securities with noncredit OTTI losses in accumulated other comprehensive loss, as presented above, of $859 million at December 31, 2009, includes $126 million related to the transition adjustment recorded in 2009 upon the adoption of new guidance on the recognition and presentation of OTTI, $939 million ($857 million, net of DAC) of noncredit losses recognized in the year ended December 31, 2009 (as more fully described in Note 1 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report) and $206 million of subsequent increases in estimated fair value during the year ended December 31, 2009 on such securities for which a noncredit loss was previously recognized in accumulated other comprehensive loss.

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

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

	Three Months Ended March 31, 2010 (In millions)
Balance, beginning of period	$ (1,330)
Cumulative effect of change in accounting principle, net of income tax	42
Fixed maturity securities on which noncredit OTTI losses have been recognized	52
Unrealized investment gains (losses) during the period	3,646
Unrealized investment gains (losses) relating to:	
Insurance liability gain (loss) recognition	(237)
DAC and VOBA related to noncredit OTTI losses recognized in other comprehensive loss	(82)
DAC and VOBA	(694)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in other comprehensive loss	1
Deferred income tax benefit (expense)	(942)
Net unrealized investment gains (losses)	456
Net unrealized investment gains (losses) attributable to noncontrolling interests	1
Balance, end of period	$ 457
Change in net unrealized investment gains (losses)	$ 1,786
Change in net unrealized investment gains (losses) attributable to noncontrolling interests	1
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	$ 1,787

Continuous Gross Unrealized Loss and OTTI Loss for Fixed Maturity and Equity Securities Available-for-Sale by Sector

The following tables present the estimated fair value and gross unrealized loss of the Company s fixed maturity and equity securities in an unrealized loss position, aggregated by sector and by length of time that the securities have been in a continuous unrealized loss position. The unrealized loss amounts presented below include the noncredit component of OTTI loss. Fixed maturity securities on which a noncredit OTTI loss has been recognized in accumulated other comprehensive loss are categorized by length of time as being less than 12 months or equal to or greater than 12 months in a continuous unrealized loss position based on the point in

MetLife, Inc.

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

time that the estimated fair value initially declined to below the amortized cost basis and not the period of time since the unrealized loss was deemed a noncredit OTTI loss.

	March 31, 2010					
	Less than 12 Months		Equal to or Greater than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
	(In millions, except number of securities)					
Fixed Maturity Securities:						
U.S. corporate securities	$ 8,057	$ 253	$ 15,649	$ 1,727	$ 23,706	$ 1,980
RMBS	4,284	103	9,102	2,054	13,386	2,157
Foreign corporate securities	4,587	161	6,144	783	10,731	944
U.S. Treasury, agency and government guaranteed securities	14,077	890	890	128	14,967	1,018
CMBS	566	12	2,862	680	3,428	692
ABS	1,413	91	4,510	957	5,923	1,048
Foreign government securities	575	24	518	53	1,093	77
State and political subdivision securities	2,123	61	1,737	273	3,860	334
Other fixed maturity securities	16	2			16	2
Total fixed maturity securities	$ 35,698	$ 1,597	$ 41,412	$ 6,655	$ 77,110	$ 8,252
Equity Securities:						
Common stock	67	7	7	1	74	8
Non-redeemable preferred stock	41	7	986	232	1,027	239
Total equity securities	$ 108	$ 14	$ 993	$ 233	$ 1,101	$ 247
Total number of securities in an unrealized loss position	2,288		3,049			

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

	December 31, 2009					
	Less than 12 Months		Equal to or Greater than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
	(In millions, except number of securities)					
Fixed Maturity Securities:						
U.S. corporate securities	$ 8,641	$ 395	$ 18,004	$ 2,314	$ 26,645	$ 2,709
RMBS	5,623	119	10,268	2,438	15,891	2,557
Foreign corporate securities	3,786	139	7,282	1,096	11,068	1,235
U.S. Treasury, agency and government guaranteed securities	15,051	990	51	20	15,102	1,010
CMBS	2,052	29	5,435	1,095	7,487	1,124
ABS	1,259	143	5,875	1,156	7,134	1,299
Foreign government securities	2,318	55	507	84	2,825	139
State and political subdivision securities	2,086	94	1,843	317	3,929	411
Other fixed maturity securities	6	2			6	2
Total fixed maturity securities	$ 40,822	$ 1,966	$ 49,265	$ 8,520	$ 90,087	$ 10,486
Equity Securities:						
Common stock	56	7	14	1	70	8
Non-redeemable preferred stock	66	41	930	226	996	267
Total equity securities	$ 122	$ 48	$ 944	$ 227	$ 1,066	$ 275
Total number of securities in an unrealized loss position	2,210		3,333			

Aging of Gross Unrealized Loss and OTTI Loss for Fixed Maturity and Equity Securities Available-for-Sale

The following tables present the cost or amortized cost, gross unrealized loss, including the portion of OTTI loss on fixed maturity securities recognized in accumulated other comprehensive loss, gross unrealized loss as a

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

percentage of cost or amortized cost and number of securities for fixed maturity and equity securities where the estimated fair value had declined and remained below cost or amortized cost by less than 20%, or 20% or more at:

	March 31, 2010					
	Cost or Amortized Cost		Gross Unrealized Loss		Number of Securities	
	Less than 20%	20% or more	Less than 20%	20% or more	Less than 20%	20% or more
	(In millions, except number of securities)					
Fixed Maturity Securities:						
Less than six months	$ 31,552	$ 1,823	$ 849	$ 480	1,686	127
Six months or greater but less than nine months	1,271	317	92	90	116	26
Nine months or greater but less than twelve months	3,961	290	468	92	101	26
Twelve months or greater	35,978	10,170	2,835	3,346	2,308	584
Total	$ 72,762	$ 12,600	$ 4,244	$ 4,008		
Percentage of amortized cost			6%	32%		
Equity Securities:						
Less than six months	$ 77	$ 130	$ 6	$ 35	361	16
Six months or greater but less than nine months	24		2		12	2
Nine months or greater but less than twelve months	6		1		9	
Twelve months or greater	665	446	75	128	48	25
Total	$ 772	$ 576	$ 84	$ 163		
Percentage of cost			11%	28%		

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

	December 31, 2009					
	Cost or Amortized Cost		Gross Unrealized Loss		Number of Securities	
	Less than 20%	20% or more	Less than 20%	20% or more	Less than 20%	20% or more
	(In millions, except number of securities)					
Fixed Maturity Securities:						
Less than six months	$ 35,163	$ 2,658	$ 933	$ 713	1,725	186
Six months or greater but less than nine months	4,908	674	508	194	124	49
Nine months or greater but less than twelve months	1,723	1,659	167	517	106	79
Twelve months or greater	41,721	12,067	3,207	4,247	2,369	724
Total	$ 83,515	$ 17,058	$ 4,815	$ 5,671		
Percentage of amortized cost			6%	33%		
Equity Securities:						
Less than six months	$ 66	$ 63	$ 7	$ 14	199	8
Six months or greater but less than nine months	6	1	1	1	15	2
Nine months or greater but less than twelve months	13	94	2	39	8	6
Twelve months or greater	610	488	73	138	50	24
Total	$ 695	$ 646	$ 83	$ 192		
Percentage of cost			12%	30%		

Equity securities with a gross unrealized loss of 20% or more for twelve months or greater decreased from $138 million at December 31, 2009 to $128 million at March 31, 2010. As shown in the section Evaluating Temporarily Impaired Available-for-Sale Securities below, the $128 million of equity securities with a gross unrealized loss of 20% or more for twelve months or greater at March 31, 2010 were investment grade non-redeemable preferred stock, of which $124 million were financial services industry investment grade non-redeemable preferred stock, of which 90% were rated A or better.

Concentration of Gross Unrealized Loss and OTTI Loss for Fixed Maturity and Equity Securities Available-for-Sale

The Company s gross unrealized losses related to its fixed maturity and equity securities, including the portion of OTTI loss on fixed maturity securities recognized in accumulated other comprehensive loss of $8.5 billion and

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

$10.8 billion at March 31, 2010 and December 31, 2009, respectively, were concentrated, calculated as a percentage of gross unrealized loss and OTTI loss, by sector and industry as follows:

	March 31, 2010	December 31, 2009
Sector:		
RMBS	25%	24%
U.S. corporate securities	23	25
ABS	12	12
U.S. Treasury, agency and government guaranteed securities	12	9
Foreign corporate securities	11	11
CMBS	8	10
State and political subdivision securities	4	4
Other	5	5
Total	100%	100%
Industry:		
Mortgage-backed	33%	34%
Finance	20	22
Asset-backed	12	12
U.S. Treasury, agency and government guaranteed securities	12	9
Consumer	4	4
Utility	4	4
State and political subdivision securities	4	4
Communications	2	2
Industrial	2	1
Other	7	8
Total	100%	100%

Evaluating Temporarily Impaired Available-for-Sale Securities

The following table presents the Company s fixed maturity and equity securities, each with a gross unrealized loss of greater than $10 million, the number of securities, total gross unrealized loss and percentage of total gross unrealized loss at:

	March 31, 2010		December 31, 2009	
	Fixed Maturity Securities	Equity Securities	Fixed Maturity Securities	Equity Securities

	(In millions, except number of securities)			
Number of securities	165	7	223	9
Total gross unrealized loss	$ 3,310	$ 101	$ 4,465	$ 132
Percentage of total gross unrealized loss	40%	41%	43%	48%

Fixed maturity and equity securities, each with a gross unrealized loss greater than $10 million, decreased $1.2 billion during the three months ended March 31, 2010. The cause of the decline in, or improvement in, gross unrealized losses for the three months ended March 31, 2010 was primarily attributable to improving market conditions, including narrowing of credit spreads reflecting an improvement in liquidity. These securities were included in the Company s OTTI review process. Based upon the Company s current evaluation of these securities and other available-for-sale securities in an unrealized loss position in accordance with its impairment policy, and

MetLife, Inc.

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

the Company s current intentions and assessments (as applicable to the type of security) about holding, selling and any requirements to sell these securities, the Company has concluded that these securities are not other-than-temporarily impaired.

In the Company s impairment review process, the duration and severity of an unrealized loss position for equity securities is given greater weight and consideration than for fixed maturity securities. An extended and severe unrealized loss position on a fixed maturity security may not have any impact on the ability of the issuer to service all scheduled interest and principal payments and the Company s evaluation of recoverability of all contractual cash flows or the ability to recover an amount at least equal to its amortized cost based on the present value of the expected future cash flows to be collected. In contrast, for an equity security, greater weight and consideration is given by the Company to a decline in market value and the likelihood such market value decline will recover.

The following table presents certain information about the Company s equity securities available-for-sale with a gross unrealized loss of 20% or more at March 31, 2010:

	All Equity Securities	All Types of Non-Redeemable Preferred Stock		Non-Redeemable Preferred Stock — Investment Grade				
				All Industries		Financial Services Industry		
	Gross Unrealized Loss	Gross Unrealized Loss	% of All Equity Securities	Gross Unrealized Loss	% of All Non-Redeemable Preferred Stock	Gross Unrealized Loss	% of All Industries	% A Rated or Better
	(In millions)							
Less than six months	$ 35	$ 33	94%	$ 16	48%	$ 16	100%	100%
Six months or greater but less than twelve months			%		%		%	%
Twelve months or greater	128	128	100%	128	100%	124	97%	90%
All equity securities with a gross unrealized loss of 20% or more	$ 163	$ 161	99%	$ 144	89%	$ 140	97%	91%

In connection with the equity securities impairment review process, the Company evaluated its holdings in non-redeemable preferred stock, particularly those of financial services companies. The Company considered several factors including whether there has been any deterioration in credit of the issuer and the likelihood of recovery in value of non-redeemable preferred stock with a severe or an extended unrealized loss. The Company also considered whether any issuers of non-redeemable preferred stock with an unrealized loss held by the Company, regardless of credit rating, have deferred any dividend payments. No such dividend payments were deferred.

With respect to common stock holdings, the Company considered the duration and severity of the unrealized losses for securities in an unrealized loss position of 20% or more; and the duration of unrealized losses for securities in an unrealized loss position of less than 20% in an extended unrealized loss position (i.e., 12 months or greater).

Future other-than-temporary impairments will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), changes in credit rating, changes in collateral valuation, changes in interest rates and changes in credit spreads. If economic fundamentals and any of the above factors deteriorate, additional other-than-temporary impairments may be incurred in upcoming quarters.

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

Net Investment Gains (Losses)

As described more fully in Note 1 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report, effective April 1, 2009, the Company adopted new guidance on the recognition and presentation of OTTI that amends the methodology to determine for fixed maturity securities whether an OTTI exists, and for certain fixed maturity securities, changes how OTTI losses that are charged to earnings are measured. There was no change in the methodology for identification and measurement of OTTI losses charged to earnings for impaired equity securities.

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

	Three Months Ended March 31,	
	2010	2009
	(In millions)	
Total losses on fixed maturity securities:		
Total OTTI losses recognized	$ (151)	$ (553)
Less: Noncredit portion of OTTI losses transferred to and recognized in other comprehensive loss	59	
Net OTTI losses on fixed maturity securities recognized in earnings	(92)	(553)
Fixed maturity securities net gains (losses) on sales and disposals	25	(56)
Total losses on fixed maturity securities	(67)	(609)
Other net investment gains (losses):		
Equity securities	27	(269)
Mortgage loans	(28)	(148)
Commercial mortgage loans held by consolidated securitization entities fair value option	481	
Real estate and real estate joint ventures	(22)	(25)
Other limited partnership interests	(1)	(97)
Freestanding derivatives	(481)	(1,050)
Embedded derivatives	522	1,217
Trading securities held by consolidated securitization entities fair value option	(4)	
Long-term debt of consolidated securitization entities related to trading securities fair value option	12	
Long-term debt of consolidated securitization entities related to mortgage loans fair value option	(479)	
Other	112	75
Total net investment gains (losses)	$ 72	$ (906)

See Variable Interest Entities for discussion of consolidated securitization entities included in the table above.

Proceeds from sales or disposals of fixed maturity and equity securities and the components of fixed maturity and equity securities net investment gains (losses) are as shown below. Investment gains and losses on sales of securities are determined on a specific identification basis.

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

	Fixed Maturity Securities		Equity Securities		Total	
	Three Months Ended March 31,					
	2010	2009	2010	2009	2010	2009
	(In millions)					
Proceeds	$ 8,378	$ 11,778	$ 145	$ 58	$ 8,523	$ 11,836
Gross investment gains	164	356	31	7	195	363
Gross investment losses	(139)	(412)	(3)	(18)	(142)	(430)
Total OTTI losses recognized in earnings:						
Credit-related	(86)	(483)			(86)	(483)
Other (1)	(6)	(70)	(1)	(258)	(7)	(328)
Total OTTI losses recognized in earnings	(92)	(553)	(1)	(258)	(93)	(811)
Net investment gains (losses)	$ (67)	$ (609)	$ 27	$ (269)	$ (40)	$ (878)

(1) Other OTTI losses recognized in earnings include impairments on equity securities, impairments on perpetual hybrid securities classified within fixed maturity securities where the primary reason for the impairment was the severity and/or the duration of an unrealized loss position and fixed maturity securities where there is an intent to sell or it is more likely than not that the Company will be required to sell the security before recovery of the decline in estimated fair value.

Fixed maturity security OTTI losses recognized in earnings relate to the following sectors and industries:

	Three Months Ended March 31,	
	2010	2009
	(In millions)	
Sector:		
U.S. and foreign corporate securities by industry:		
Consumer	$ 22	$ 90
Finance	8	121
Communications	3	142

Industrial		17
Utility		33
Other		24
Total U.S. and foreign corporate securities	33	427
RMBS	30	58
ABS	19	66
CMBS	10	2
Total	$ 92	$ 553

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

Equity security OTTI losses recognized in earnings relate to the following sectors and industries:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	(In millions)	
Sector:		
Common stock	$ 1	$ 39
Non-redeemable preferred stock		219
Total	$ 1	$ 258
Industry:		
Financial services industry:		
Perpetual hybrid securities	$	$ 200
Common and remaining non-redeemable preferred stock		30
Total financial services industry		230
Other	1	28
Total	$ 1	$ 258

Credit Loss Rollforward Rollforward of the Cumulative Credit Loss Component of OTTI Loss Recognized in Earnings on Fixed Maturity Securities Still Held for Which a Portion of the OTTI Loss was Recognized in Other Comprehensive Loss

The table below presents a rollforward of the cumulative credit loss component of OTTI loss recognized in earnings on fixed maturity securities still held by the Company at March 31, 2010 for which a portion of the OTTI loss was recognized in other comprehensive loss:

	Three Months Ended March 31, 2010
	(In millions)
Balance, beginning of period	$ 581
Additions:	
Initial impairments credit loss OTTI recognized on securities not previously impaired	19
Additional impairments credit loss OTTI recognized on securities previously impaired	31
Reductions:	
	(104)

Due to sales (maturities, pay downs or prepayments) during the period of securities previously credit loss OTTI impaired		
Due to securities de-recognized in connection with the adoption of new guidance related to the consolidation of VIEs		(100)
Due to increases in cash flows accretion of previous credit loss OTTI		(3)
Balance, end of period	$	424

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MetLife, Inc.

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

Net Investment Income

The components of net investment income are as follows:

	Three Months Ended March 31,	
	2010	2009
	(In millions)	
Fixed maturity securities	$ 3,073	$ 2,818
Equity securities	25	38
Trading securities	79	17
Trading securities held by consolidated securitization entities	4	
Mortgage loans	673	682
Commercial mortgage loans held by consolidated securitization entities	105	
Policy loans	178	157
Real estate and real estate joint ventures	48	(87)
Other limited partnership interests	265	(253)
Cash, cash equivalents and short-term investments	18	48
International joint ventures (1)	17	7
Other	86	75
Total investment income	4,571	3,502
Less: Investment expenses	227	241
Net investment income	$ 4,344	$ 3,261

(1) Amounts are presented net of changes in estimated fair value of derivatives related to economic hedges of the Company s investment in these equity method international joint investments that do not qualify for hedge accounting of ($32) million and ($24) million for the three months ended March 31, 2010 and 2009, respectively. The current period losses were primarily attributable to losses on equity derivatives and equity option derivatives (both of which are used to hedge embedded derivative risk) due to improving equity markets in the current period. In addition, included in the equity in earnings of the joint ventures were gains attributable to the widening of the Company s own credit spread, which is included in the valuation of certain liabilities, including embedded derivatives, that are carried at estimated fair value.

See Variable Interest Entities for discussion of consolidated securitization entities included in the table above.

Securities Lending

The Company participates in securities lending programs whereby blocks of securities, which are included in fixed maturity securities and short-term investments, are loaned to third parties, primarily brokerage firms and commercial banks. These transactions are treated as financing arrangements and the associated liability is recorded at the amount of the cash received. The Company generally obtains collateral in an amount equal to 102% of the estimated fair value of the securities loaned. Securities loaned under such transactions may be sold or repledged by the transferee. The Company is liable to return to its counterparties the cash collateral under its control, the amounts of which by aging category are presented below.

MetLife, Inc.

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

Elements of the securities lending programs are presented below at:

	March 31, 2010	December 31, 2009
	(In millions)	
Securities on loan:		
Cost or amortized cost	$ 22,805	$ 21,012
Estimated fair value	$ 22,805	$ 20,949
Aging of cash collateral liability:		
Open (1)	$ 3,905	$ 3,290
Less than thirty days	13,636	13,605
Thirty days or greater but less than sixty days	1,922	3,534
Sixty days or greater but less than ninety days	659	92
Ninety days or greater	3,156	995
Total cash collateral liability	$ 23,278	$ 21,516
Security collateral on deposit from counterparties	$ 5	$ 6
Reinvestment portfolio estimated fair value	$ 22,300	$ 20,339

(1) Open meaning that the related loaned security could be returned to the Company on the next business day requiring the Company to immediately return the cash collateral.

The estimated fair value of the securities on loan related to the cash collateral on open at March 31, 2010 was $3,816 million, of which $3,612 million were U.S. Treasury, agency and government guaranteed securities which, if put to the Company, can be immediately sold to satisfy the cash requirements. The remainder of the securities on loan were primarily U.S. Treasury, agency and government guaranteed securities, and very liquid RMBS. The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities (including U.S. corporate, U.S. Treasury, agency and government guaranteed, RMBS, ABS and CMBS securities).

Security collateral on deposit from counterparties in connection with the securities lending transactions may not be sold or repledged, unless the counterparty is in default, and is not reflected in the consolidated financial statements. Separately, the Company has $47 million and $46 million, at estimated fair value, of cash and security collateral on deposit from a counterparty to secure its interest in a pooled investment that is held by a third party trustee, as custodian, at March 31, 2010 and December 31, 2009, respectively. This pooled investment is included within fixed maturity securities and had an estimated fair value of $53 million and $51 million at March 31, 2010 and December 31, 2009, respectively.

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

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

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

	March 31, 2010	December 31, 2009
	(In millions)	
Invested assets on deposit:		
Regulatory agencies (1)	$ 1,427	$ 1,383
Invested assets held in trust:		
Collateral financing arrangements (2)	5,818	5,653
Reinsurance arrangements (3)	2,730	2,719
Invested assets pledged as collateral:		
Debt and funding agreements FHLB of N Y(4)	20,583	20,612
Funding agreements FHLB of Boston (4)	405	419
Funding agreements Farmer Mac (5)	2,871	2,871
Federal Reserve Bank of New York (6)	1,581	1,537
Collateral financing arrangements (7)	76	80
Derivative transactions (8)	1,690	1,671
Short sale agreements (9)	553	496
Total invested assets on deposit, held in trust and pledged as collateral	$ 37,734	$ 37,441

(1) The Company had investment assets on deposit with regulatory agencies consisting primarily of cash and cash equivalents, fixed maturity and equity securities and short-term investments.

(2) The Company held in trust cash and securities, primarily fixed maturity and equity securities, to satisfy collateral requirements.

(3) The Company has pledged certain investments, primarily fixed maturity securities, in connection with certain reinsurance transactions.

(4) The Company has pledged fixed maturity securities and mortgage loans in support of its debt and funding agreements with the Federal Home Loan Bank of New York (FHLB of NY) and has pledged fixed maturity securities to the Federal Home Loan Bank of Boston (FHLB of Boston). The nature of these Federal Home Loan Bank arrangements is described in Note 8 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report.

(5)

The Company has pledged certain agricultural real estate mortgage loans in connection with funding agreements with the Federal Agricultural Mortgage Corporation (Farmer Mac). The nature of the Farmer Mac arrangements is described in Note 8 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report.

(6) The Company has pledged qualifying mortgage loans and fixed maturity securities in connection with collateralized borrowings from the Federal Reserve Bank of New York s Term Auction Facility. The nature of the Federal Reserve Bank of New York arrangements is described in Note 11 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report.

(7) The Holding Company has pledged certain collateral in support of the collateral financing arrangements described in Note 12 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report.

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

(8) Certain of the Company s invested assets are pledged as collateral for various derivative transactions as described in Note 4.

(9) Certain of the Company s trading securities and cash and cash equivalents are pledged to secure liabilities associated with short sale agreements in the trading securities portfolio as described in the following section.

See also the immediately preceding section Securities Lending for the amount of the Company s cash and invested assets received from and due back to counterparties pursuant to the securities lending program.

Trading Securities

The Company has trading securities portfolios to support investment strategies that involve the active and frequent purchase and sale of securities, the execution of short sale agreements and asset and liability matching strategies for certain insurance products. In addition, the Company classifies securities held within consolidated securitization entities as trading securities, with changes in estimated fair value recorded as net investment gains (losses).

The table below presents certain information about the Company s trading securities portfolios:

	March 31, 2010	December 31, 2009
	(In millions)	
Trading securities at estimated fair value	$ 2,765	$ 2,384
Securities held by consolidated securitization entities at estimated fair value	274	
Total trading securities at estimated fair value	$ 3,039	$ 2,384
Short sale agreement liabilities at estimated fair value (included in other liabilities)	$ 97	$ 106
Investments pledged to secure short sale agreement liabilities	$ 553	$ 496

	Three Months Ended March 31, 2010	2009
	(In millions)	
Trading securities:		
Net investment income (1)	$ 79	$ 17
Changes in estimated fair value included in net investment income	$ 64	$ 13
Securities held by consolidated securitization entities:		
Net investment income (2)	$ 4	$

Changes in estimated fair value included in net investment gains (losses) (3)	$ (4)	$

(1) Includes interest and dividends earned on trading securities, in addition to the net realized gains (losses) and changes in estimated fair value subsequent to purchase, recognized on the trading securities and the related short sale agreement liabilities.

(2) Includes interest and dividends earned on securities held by consolidated securitization entities.

(3) Includes net realized gains (losses) and changes in estimated fair value subsequent to consolidation recognized on securities held by consolidated securitization entities accounted for under the fair value option.

See Variable Interest Entities for discussion of consolidated securitization entities included in the table above.

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

Mortgage Loans

Mortgage loans, net of valuation allowances, are categorized as follows:

	March 31, 2010		December 31, 2009	
	Carrying Value	% of Total	Carrying Value	% of Total
	(In millions)			
Mortgage loans held-for-investment, net:				
Commercial mortgage loans	$ 34,727	60.4%	$ 34,587	67.9%
Agricultural mortgage loans	12,093	21.1	12,140	23.8
Residential and consumer loans	1,548	2.7	1,454	2.9
Subtotal mortgage loans held-for-investment, net	48,368	84.2%	48,181	94.6%
Commercial mortgage loans held by consolidated securitization entities fair value option	7,065	12.3		
Total mortgage loans held-for-investment, net	55,433	96.5%	48,181	94.6%
Mortgage loans held-for-sale:				
Residential fair value option	1,647	2.9	2,470	4.9
Commercial and residential lower of amortized cost or estimated fair value	356	0.6	258	0.5
Total mortgage loans held-for-sale	2,003	3.5	2,728	5.4
Total mortgage loans, net	$ 57,436	100.0%	$ 50,909	100.0%

See Variable Interest Entities for discussion of consolidated securitization entities included in the table above.

Additions to the mortgage valuation allowance were $43 million and $131 million for the three months ended March 31, 2010 and 2009, respectively.

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Commercial Mortgage Loans by Geographic Region and Property Type The Company diversifies its mortgage loans by both geographic region and property type to reduce the risk of concentration. The following table presents the distribution across geographic regions and property types for commercial mortgage loans at:

	March 31, 2010		December 31, 2009	
	Carrying Value	% of Total	Carrying Value	% of Total
	(In millions)			
Region:				
Pacific	$ 8,497	24.5%	$ 8,684	25.1%
South Atlantic	7,426	21.4	7,342	21.2
Middle Atlantic	6,075	17.4	5,948	17.2
International	3,676	10.6	3,564	10.3
West South Central	2,868	8.3	2,870	8.3
East North Central	2,513	7.2	2,487	7.2
New England	1,394	4.0	1,414	4.1
Mountain	928	2.7	944	2.7
West North Central	632	1.8	641	1.9
East South Central	441	1.3	443	1.3
Other	277	0.8	250	0.7
Total	$ 34,727	100.0%	$ 34,587	100.0%
Property Type:				
Office	$ 15,046	43.3%	$ 14,986	43.3%
Retail	8,032	23.1	7,870	22.8
Apartments	3,656	10.6	3,696	10.7
Hotel	2,946	8.5	2,947	8.5
Industrial	2,776	8.0	2,759	8.0
Other	2,271	6.5	2,329	6.7
Total	$ 34,727	100.0%	$ 34,587	100.0%

MetLife, Inc.

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

Mortgage Servicing Rights

The following table presents the carrying value and changes in capitalized mortgage servicing rights (MSRs), which are included in other invested assets, at and for the three months ended March 31, 2010 and 2009:

	At and for the Three Months Ended March 31, 2010	2009
	(In millions)	
Estimated fair value, beginning of period	$ 878	$ 191
Acquisition of MSRs		235
Origination of MSRs	59	
Reductions due to loan payments	(23)	(25)
Changes in estimated fair value due to:		
Changes in valuation model inputs or assumptions	(55)	3
Other changes in estimated fair value		1
Estimated fair value, end of period	$ 859	$ 405

The Company recognizes the rights to service residential mortgage loans as MSRs. MSRs are either acquired or are generated from the sale of originated residential mortgage loans where the servicing rights are retained by the Company. MSRs are carried at estimated fair value and changes in estimated fair value, primarily due to changes in valuation inputs and assumptions and to the collection of expected cash flows, are reported in other revenues in the period in which the change occurs. See also Note 5 for further information about how the estimated fair value of MSRs is determined and other related information.

Short-term Investments

The carrying value of short-term investments, which include investments with remaining maturities of one year or less, but greater than three months, at the time of acquisition was $8.0 billion and $8.4 billion at March 31, 2010 and December 31, 2009, respectively. The Company is exposed to concentrations of credit risk related to securities of the U.S. government and certain U.S. government agencies included within short-term investments, which were $7.2 billion and $7.5 billon at March 31, 2010 and December 31, 2009, respectively.

Cash Equivalents

The carrying value of cash equivalents, which include investments with an original or remaining maturity of three months or less, at the time of acquisition was $7.3 billion and $8.4 billion at March 31, 2010 and December 31, 2009, respectively. The Company is exposed to concentrations of credit risk related to securities of the U.S. government and certain U.S. government agencies included within cash equivalents, which were $5.2 billion and $6.0 billion at

March 31, 2010 and December 31, 2009, respectively.

Variable Interest Entities

The Company holds investments in certain entities that are VIEs. In certain instances, the Company holds both the power to direct the most significant activities of the entity, as well as an economic interest in the entity and, as such, consistent with the new guidance described in Note 1, is deemed to be the primary beneficiary or consolidator of the entity. The following table presents the total assets and total liabilities relating to VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated in the Company s financial statements at March 31, 2010 and December 31, 2009. Creditors or beneficial interest holders of VIEs where the

MetLife, Inc.

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

Company is the primary beneficiary have no recourse to the general credit of the Company, as the Company s obligation to the VIEs is limited to the amount of its committed investment.

	March 31, 2010		December 31, 2009	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
Consolidated securitization entities (1)	$ 7,416	$ 7,181	$	$
MRSC collateral financing arrangement (2)	3,362		3,230	
Other limited partnership interests	354	63	367	72
Real estate joint ventures	22	16	22	17
Other invested assets			27	1
Total	$ 11,154	$ 7,260	$ 3,646	$ 90

(1) As discussed in Note 1, upon the adoption of new guidance effective January 1, 2010, the Company consolidated former QSPEs that are structured as CMBS and former QSPEs that are structured as collateralized debt obligations. At March 31, 2010, these entities held total assets of $7,416 million consisting of $274 million of securities classified by the Company as trading securities, $7,065 million of commercial mortgage loans, $39 million of accrued investment income and $38 million of cash. These entities had total liabilities of $7,181 million, consisting of $7,106 million of long-term debt and $75 million of other liabilities. The assets of these entities can only be used to settle its liabilities, and under no circumstances is the Company or any of its subsidiaries or affiliates liable for any principal or interest shortfalls should any arise. The Company s exposure is limited to that of its remaining investment in the former QSPEs of $181 million at estimated fair value at March 31, 2010. The long-term debt referred to above bears interest at primarily fixed rates ranging from 2.25% to 5.57%, payable primarily on a monthly basis and is expected to be repaid over the next 7 years. Interest expense related to these obligations, included in other expenses, was $106 million for the three months ended March 31, 2010.

(2) See Note 12 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report for a description of the MetLife Reinsurance Company of South Carolina (MRSC) collateral financing arrangement. At March 31, 2010 and December 31, 2009, these assets consist of the following, at estimated fair value:

	March 31, 2010	December 31, 2009
	(In millions)	
Fixed maturity securities available-for-sale:		
ABS	$1,076	$ 963
U.S. corporate securities	1,034	1,049

RMBS	494	672
CMBS	397	348
Foreign corporate securities	84	80
U.S. Treasury, agency and government guaranteed securities	33	33
State and political subdivision securities	21	21
Foreign government securities	5	5
Cash and cash equivalents (including cash held in trust of $0 and less than $1 million, respectively)	218	59
Total	$3,362	$3,230

MetLife, Inc.

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

The following table presents the carrying amount and maximum exposure to loss relating to VIEs for which the Company holds significant variable interests but is not the primary beneficiary and which have not been consolidated at:

	March 31, 2010		December 31, 2009	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
	(In millions)			
Fixed maturity securities available-for-sale:				
RMBS (2)	$ 42,980	$ 42,980	$	$
CMBS (2)	16,495	16,495		
ABS (2)	13,892	13,892		
Foreign corporate securities	1,361	1,361	1,254	1,254
U.S. corporate securities	1,849	1,849	1,216	1,216
Other limited partnership interests	3,256	5,248	2,543	2,887
Other invested assets	491	534	416	409
Real estate joint ventures	10	65	30	30
Equity securities available-for-sale:				
Non-redeemable preferred stock			31	31
Total	$ 80,334	$ 82,424	$ 5,490	$ 5,827

(1) The maximum exposure to loss relating to the fixed maturity and equity securities available-for-sale is equal to the carrying amounts or carrying amounts of retained interests. The maximum exposure to loss relating to the real estate joint ventures and other limited partnership interests is equal to the carrying amounts plus any unfunded commitments. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or investee. For certain of its investments in other invested assets, the Company s return is in the form of tax credits which are guaranteed by a creditworthy third-party. For such investments, the maximum exposure to loss is equal to the carrying amounts plus any unfunded commitments, reduced by amounts guaranteed by third parties of $220 million and $232 million at March 31, 2010 and December 31, 2009, respectively.

(2) As discussed in Note 1, the Company adopted new guidance effective January 1, 2010 which eliminated the concept of a QSPE. As a result, the Company concluded it held variable interests in RMBS, CMBS and ABS. For these interests, the Company s involvement is limited to that of a passive investor.

As described in Note 8, the Company makes commitments to fund partnership investments in the normal course of business. Excluding these commitments, the Company did not provide financial or other support to investees designated as VIEs during the three months ended March 31, 2010.

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

4. Derivative Financial Instruments

Accounting for Derivative Financial Instruments

Derivatives are financial instruments whose values are derived from interest rates, foreign currency exchange rates, or other financial indices. Derivatives may be exchange-traded or contracted in the over-the-counter market. The Company uses a variety of derivatives, including swaps, forwards, futures and option contracts, to manage risks relating to its ongoing business. To a lesser extent, the Company uses credit derivatives, such as credit default swaps, to synthetically replicate investment risks and returns which are not readily available in the cash market. The Company also purchases certain securities, issues certain insurance policies and investment contracts and engages in certain reinsurance contracts that have embedded derivatives.

Freestanding derivatives are carried on the Company s consolidated balance sheets either as assets within other invested assets or as liabilities within other liabilities at estimated fair value as determined through the use of quoted market prices for exchange-traded derivatives and interest rate forwards to sell certain to-be-announced securities or through the use of pricing models for over-the-counter derivatives. The determination of estimated fair value, when quoted market values are not available, is based on market standard valuation methodologies and inputs that are assumed to be consistent with what other market participants would use when pricing the instruments. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk (including the counterparties to the contract), volatility, liquidity and changes in estimates and assumptions used in the pricing models.

The Company does not offset the fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement.

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 generally reported in net investment gains (losses) except for those (i) in policyholder benefits and claims for economic hedges of variable annuity guarantees included in future policy benefits; (ii) in net investment income for economic hedges of equity method investments in joint ventures, or for all derivatives held in relation to the trading portfolios; (iii) in other revenues for derivatives held in connection with the Company s mortgage banking activities; and (iv) in other expenses for economic hedges of foreign currency exposure related to the Company s international subsidiaries. The fluctuations in estimated fair value of derivatives which have not been designated for hedge accounting can result in significant volatility in net income.

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 as either (i) a hedge of the estimated fair value of a recognized asset or liability (fair value hedge); (ii) 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 (cash flow hedge); or (iii) a hedge of a net investment in a foreign operation. In this 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 which 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 periodically 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 accounting for derivatives is complex and interpretations of the primary accounting guidance continue to evolve in practice. Judgment is applied in determining the availability and application of hedge accounting designations and the appropriate accounting treatment under such accounting guidance. If it was determined that hedge accounting designations were not appropriately applied, reported net income could be materially affected. Differences in judgment as to the availability and application of hedge accounting designations and the appropriate accounting treatment may result in a differing impact in the consolidated financial statements of the Company from that previously reported.

MetLife, Inc.

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

Under a fair value hedge, changes in the estimated fair value of the hedging derivative, including amounts measured as ineffectiveness, and changes in the estimated fair value of the hedged item related to the designated risk being hedged, are reported within net investment gains (losses). The estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported in the consolidated statement of operations within interest income or interest expense to match the location of the hedged item. However, accruals that are not scheduled to settle until maturity are included in the estimated fair value of derivatives in the consolidated balance sheets.

Under a cash flow hedge, changes in the estimated fair value of the hedging derivative measured as effective are reported within other comprehensive income (loss), a separate component of stockholders equity and the deferred gains or losses on the derivative are reclassified into the consolidated statement of operations when the Company s earnings are affected by the variability in cash flows of the hedged item. Changes in the estimated fair value of the hedging instrument measured as ineffectiveness are reported within net investment gains (losses). The estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported in the consolidated statement of operations within interest income or interest expense to match the location of the hedged item. However, accruals that are not scheduled to settle until maturity are included in the estimated fair value of derivatives in the consolidated balance sheets.

In a hedge of a net investment in a foreign operation, changes in the estimated fair value of the hedging derivative that are measured as effective are reported within other comprehensive income (loss) consistent with the translation adjustment for the hedged net investment in the foreign operation. Changes in the estimated fair value of the hedging instrument measured as ineffectiveness are reported within net investment gains (losses).

The Company discontinues hedge accounting prospectively when: (i) it is determined that the derivative is no longer highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item; (ii) the derivative expires, is sold, terminated, or exercised; (iii) it is no longer probable that the hedged forecasted transaction will occur; or (iv) the derivative is de-designated as a hedging instrument.

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

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

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

The Company is also a party to financial instruments that contain terms which are deemed to be embedded derivatives. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated. If the instrument would not be accounted for in its entirety at estimated fair value and it is determined that the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the

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

host contract, and that a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative. Such embedded derivatives are carried in the consolidated balance sheets at estimated fair value with the host contract and changes in their estimated fair value are generally reported in net investment gains (losses) except for those in policyholder benefits and claims related to ceded reinsurance of guaranteed minimum income benefits. 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 in policyholder benefits and claims. 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 in policyholder benefits and claims if that contract contains an embedded derivative that requires bifurcation. There is a risk that embedded derivatives requiring bifurcation may not be identified and reported at estimated fair value in the consolidated financial statements and that their related changes in estimated fair value could materially affect reported net income.

See Note 5 for information about the fair value hierarchy for derivatives.

Primary Risks Managed by Derivative Financial Instruments and Non-Derivative Financial Instruments

The Company is exposed to various risks relating to its ongoing business operations, including interest rate risk, foreign currency risk, credit risk and equity market risk. The Company uses a variety of strategies to manage these risks, including the use of derivative instruments. The following table presents the notional amount, estimated fair value and primary underlying risk exposure of the Company s derivative financial instruments, excluding embedded derivatives held at:

		March 31, 2010			December 31, 2009		
			Estimated Fair Value (1)			Estimated Fair Value (1)	
Primary Underlying Risk Exposure	Instrument Type	Notional Amount	Assets	Liabilities	Notional Amount	Assets	Liabilities
		(In millions)					
Interest rate	Interest rate swaps	$ 40,201	$ 1,702	$ 1,148	$ 38,152	$ 1,570	$ 1,255
	Interest rate floors	24,191	445	32	23,691	461	37
	Interest rate caps	24,406	168		28,409	283	
	Interest rate futures	7,376	6	13	7,563	8	10
	Interest rate options	4,100	90	39	4,050	117	57
	Interest rate forwards	7,962	31	14	9,921	66	27
	Synthetic GICs	4,326			4,352		
Foreign currency	Foreign currency swaps	17,499	1,485	1,321	16,879	1,514	1,392
	Foreign currency forwards	6,421	75	109	6,485	83	57
	Currency options	434	16		822	18	
Credit		8,017	87	110	6,723	74	130

	Credit default swaps						
	Credit forwards	190	1	2	220	2	6
Equity market	Equity futures	7,307	14	24	7,405	44	21
	Equity options	29,662	1,443	1,104	27,175	1,712	1,018
	Variance swaps	15,183	109	102	13,654	181	58
	Total rate of return swaps	772		35	376		47
	Total	$ 198,047	$ 5,672	$ 4,053	$ 195,877	$ 6,133	$ 4,115

(1) The estimated fair value of all derivatives in an asset position is reported within other invested assets in the consolidated balance sheets and the estimated fair value of all derivatives in a liability position is reported within other liabilities in the consolidated balance sheets.

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

Interest rate swaps are used by the Company primarily to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). In an interest rate swap, the Company agrees with another party to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts as calculated by reference to an agreed notional principal amount. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by the counterparty at each due date. The Company utilizes interest rate swaps in fair value, cash flow and non-qualifying hedging relationships.

The Company also enters into basis swaps to better match the cash flows from assets and related liabilities. In a basis swap, both legs of the swap are floating with each based on a different index. Generally, no cash is exchanged at the outset of the contract and no principal payments are made by either party. A single net payment is usually made by one counterparty at each due date. Basis swaps are included in interest rate swaps in the preceding table. The Company utilizes basis swaps in non-qualifying hedging relationships.

Inflation swaps are used as an economic hedge to reduce inflation risk generated from inflation-indexed liabilities. Inflation swaps are included in interest rate swaps in the preceding table. The Company utilizes inflation swaps in non-qualifying hedging relationships.

Implied volatility swaps are used by the Company primarily as economic hedges of interest rate risk associated with the Company s investments in mortgage-backed securities. In an implied volatility swap, the Company exchanges fixed payments for floating payments that are linked to certain market volatility measures. If implied volatility rises, the floating payments that the Company receives will increase, and if implied volatility falls, the floating payments that the Company receives will decrease. Implied volatility swaps are included in interest rate swaps in the preceding table. The Company utilizes implied volatility swaps in non-qualifying hedging relationships.

The Company purchases interest rate caps and floors primarily to protect its floating rate liabilities against rises in interest rates above a specified level, and against interest rate exposure arising from mismatches between assets and liabilities (duration mismatches), as well as to protect its minimum rate guarantee liabilities against declines in interest rates below a specified level, respectively. In certain instances, the Company locks in the economic impact of existing purchased caps and floors by entering into offsetting written caps and floors. The Company utilizes interest rate caps and floors in non-qualifying hedging relationships.

In exchange-traded interest rate (Treasury and swap) futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of interest rate securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded interest rate (Treasury and swap) futures are used primarily to hedge mismatches between the duration of assets in a portfolio and the duration of liabilities supported by those assets, to hedge against changes in value of securities the Company owns or anticipates acquiring and to hedge against changes in interest rates on anticipated liability issuances by replicating Treasury or swap curve performance. The Company utilizes exchange-traded interest rate futures in non-qualifying hedging relationships.

Swaptions are used by the Company to hedge interest rate risk associated with the Company s long-term liabilities. A swaption is an option to enter into a swap with a forward starting effective date. In certain instances, the Company locks in the economic impact of existing purchased swaptions by entering into offsetting written swaptions. The Company pays a premium for purchased swaptions and receives a premium for written swaptions. Swaptions are included in interest rate options in the preceding table. The Company utilizes swaptions in non-qualifying hedging relationships.

The Company writes covered call options on its portfolio of U.S. Treasuries as an income generation strategy. In a covered call transaction, the Company receives a premium at the inception of the contract in exchange for giving the derivative counterparty the right to purchase the referenced security from the Company at a

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

predetermined price. The call option is covered because the Company owns the referenced security over the term of the option. Covered call options are included in interest rate options in the preceding table. The Company utilizes covered call options in non-qualifying hedging relationships.

The Company enters into interest rate forwards to buy and sell securities. The price is agreed upon at the time of the contract and payment for such a contract is made at a specified future date. The Company also uses interest rate forwards to sell to be announced securities as economic hedges against the risk of changes in the fair value of mortgage loans held-for-sale and interest rate lock commitments. The Company utilizes interest rate forwards in cash flow and non-qualifying hedging relationships.

Interest rate lock commitments are short-term commitments to fund mortgage loan applications in process (the pipeline) for a fixed term at a fixed price. During the term of an interest rate lock commitment, the Company is exposed to the risk that interest rates will change from the rate quoted to the potential borrower. Interest rate lock commitments to fund mortgage loans that will be held-for-sale are considered derivative instruments. Interest rate lock commitments are included in interest rate forwards in the preceding table. Interest rate lock commitments are not designated as hedging instruments.

A synthetic GIC is a contract that simulates the performance of a traditional guaranteed interest contract through the use of financial instruments. Under a synthetic GIC, the policyholder owns the underlying assets. The Company guarantees a rate return on those assets for a premium. Synthetic GICs are not designated as hedging instruments.

Foreign currency derivatives, including foreign currency swaps, foreign currency forwards and currency option contracts, are used by the Company to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets and liabilities denominated in foreign currencies. The Company also uses foreign currency forwards and swaps to hedge the foreign currency risk associated with certain of its net investments in foreign operations.

In a foreign currency swap transaction, the Company agrees with another party to exchange, at specified intervals, the difference between one currency and another at a fixed exchange rate, generally set at inception, calculated by reference to an agreed upon principal amount. The principal amount of each currency is exchanged at the inception and termination of the currency swap by each party. The Company utilizes foreign currency swaps in fair value, cash flow, net investment in foreign operations and non-qualifying hedging relationships.

In a foreign currency forward transaction, the Company agrees with another party to deliver a specified amount of an identified currency at a specified future date. The price is agreed upon at the time of the contract and payment for such a contract is made in a different currency at the specified future date. The Company utilizes foreign currency forwards in net investment in foreign operations and non-qualifying hedging relationships.

The Company enters into currency option contracts that give it the right, but not the obligation, to sell the foreign currency amount in exchange for a functional currency amount within a limited time at a contracted price. The contracts may also be net settled in cash, based on differentials in the foreign exchange rate and the strike price. The Company uses currency options to hedge against the foreign currency exposure inherent in certain of its variable annuity products. The Company also uses currency options as an economic hedge of foreign currency exposure related to the Company s international subsidiaries. The Company utilizes currency options in non-qualifying hedging relationships.

The Company uses certain of its foreign currency denominated funding agreements to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. Such contracts are included in non-derivative hedging instruments in the hedges of net investments in foreign operations table.

Swap spreadlocks are used by the Company to hedge invested assets on an economic basis against the risk of changes in credit spreads. Swap spreadlocks are forward transactions between two parties whose underlying reference index is a forward starting interest rate swap where the Company agrees to pay a coupon based on a predetermined reference swap spread in exchange for receiving a coupon based on a floating rate. The Company

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has the option to cash settle with the counterparty in lieu of maintaining the swap after the effective date. The Company utilizes swap spreadlocks in non-qualifying hedging relationships.

Certain credit default swaps are used by the Company to hedge against credit-related changes in the value of its investments and to diversify its credit risk exposure in certain portfolios. In a credit default swap transaction, the Company agrees with another party, at specified intervals, to pay a premium to hedge credit risk. If a credit event, as defined by the contract, occurs, generally the contract will require the swap to be settled gross by the delivery of par quantities of the referenced investment equal to the specified swap notional in exchange for the payment of cash amounts by the counterparty equal to the par value of the investment surrendered. The Company utilizes credit default swaps in non-qualifying hedging relationships.

Credit default swaps are also used to synthetically create investments that are either more expensive to acquire or otherwise unavailable in the cash markets. These transactions are a combination of a derivative and a cash instrument such as a U.S. Treasury or Agency security. The Company also enters into certain credit default swaps held in relation to trading portfolios for the purpose of generating profits on short-term differences in price. These credit default swaps are not designated as hedging instruments.

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

In exchange-traded equity futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of equity securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded equity futures are used primarily to hedge liabilities embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded equity futures in non-qualifying hedging relationships.

Equity index options are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. To hedge against adverse changes in equity indices, the Company enters into contracts to sell the equity index within a limited time at a contracted price. The contracts will be net settled in cash based on differentials in the indices at the time of exercise and the strike price. In certain instances, the Company may enter into a combination of transactions to hedge adverse changes in equity indices within a pre-determined range through the purchase and sale of options. Equity index options are included in equity options in the preceding table. The Company utilizes equity index options in non-qualifying hedging relationships.

Equity variance swaps are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. In an equity variance swap, the Company agrees with another party to exchange amounts in the future, based on changes in equity volatility over a defined period. Equity variance swaps are included in variance swaps in the preceding table. The Company utilizes equity variance swaps in non-qualifying hedging relationships.

Total rate of return swaps (TRRs) are swaps whereby the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of an asset or a market index and London Inter-Bank Offer Rate (LIBOR), calculated by reference to an agreed notional principal amount. No cash is exchanged at the outset of the contract. Cash is paid and received over the life of the contract based on the terms of the swap. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by the counterparty at each due date. The Company uses TRRs to hedge its equity market guarantees in certain of its insurance products. TRRs can be used as hedges or to synthetically create investments. The Company utilizes TRRs in non-qualifying hedging relationships.

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Hedging

The following table presents the notional amount and estimated fair value of derivatives designated as hedging instruments by type of hedge designation at:

Derivatives Designated as Hedging Instruments	March 31, 2010 Notional Amount	March 31, 2010 Estimated Fair Value Assets	March 31, 2010 Estimated Fair Value Liabilities	December 31, 2009 Notional Amount	December 31, 2009 Estimated Fair Value Assets	December 31, 2009 Estimated Fair Value Liabilities
	(In millions)					
Fair Value Hedges:						
Foreign currency swaps	$ 4,776	$ 766	$ 186	$ 4,807	$ 854	$ 132
Interest rate swaps	4,853	560	85	4,824	500	75
Subtotal	9,629	1,326	271	9,631	1,354	207
Cash Flow Hedges:						
Foreign currency swaps	4,834	188	355	4,108	127	347
Interest rate swaps	2,250		46	1,740		48
Credit forwards	190	1	2	220	2	6
Subtotal	7,274	189	403	6,068	129	401
Foreign Operations Hedges:						
Foreign currency forwards	1,844	23	35	1,880	27	13
Subtotal	1,844	23	35	1,880	27	13
Total Qualifying Hedges	$ 18,747	$ 1,538	$ 709	$ 17,579	$ 1,510	$ 621

The following table presents the notional amount and estimated fair value of derivatives that are not designated or do not qualify as hedging instruments by derivative type at:

Derivatives Not Designated or Not Qualifying as Hedging Instruments	March 31, 2010 Notional Amount	March 31, 2010 Estimated Fair Value Assets	March 31, 2010 Estimated Fair Value Liabilities	December 31, 2009 Notional Amount	December 31, 2009 Estimated Fair Value Assets	December 31, 2009 Estimated Fair Value Liabilities
	(In millions)					
Interest rate swaps	$ 33,098	$ 1,142	$ 1,017	$ 31,588	$ 1,070	$ 1,132
Interest rate floors	24,191	445	32	23,691	461	37

Interest rate caps	24,406	168		28,409	283	
Interest rate futures	7,376	6	13	7,563	8	10
Interest rate options	4,100	90	39	4,050	117	57
Interest rate forwards	7,962	31	14	9,921	66	27
Synthetic GICs	4,326			4,352		
Foreign currency swaps	7,889	531	780	7,964	533	913
Foreign currency forwards	4,577	52	74	4,605	56	44
Currency options	434	16		822	18	
Credit default swaps	8,017	87	110	6,723	74	130
Equity futures	7,307	14	24	7,405	44	21
Equity options	29,662	1,443	1,104	27,175	1,712	1,018
Variance swaps	15,183	109	102	13,654	181	58
Total rate of return swaps	772		35	376		47
Total non-designated or non-qualifying derivatives	$ 179,300	$ 4,134	$ 3,344	$ 178,298	$ 4,623	$ 3,494

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The following table presents the settlement payments recorded in income for the:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	(In millions)	
Qualifying hedges:		
Net investment income	$ 23	$ 17
Interest credited to policyholder account balances	61	42
Other expenses	(2)	(4)
Non-qualifying hedges:		
Net investment income		(1)
Net investment gains (losses)	30	30
Other revenues	29	8
Total	$ 141	$ 92

Fair Value Hedges

The Company designates and accounts for the following as fair value hedges when they have met the requirements of fair value hedging: (i) interest rate swaps to convert fixed rate investments to floating rate investments; (ii) interest rate swaps to convert fixed rate liabilities to floating rate liabilities; and (iii) foreign currency swaps to hedge the foreign currency fair value exposure of foreign currency denominated investments and liabilities.

The Company recognizes gains and losses on derivatives and the related hedged items in fair value hedges within net investment gains (losses). The following table represents the amount of such net investment gains (losses) recognized for the three months ended March 31, 2010 and 2009:

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Net Investment Gains (Losses) Recognized for Derivatives	Net Investment Gains (Losses) Recognized for Hedged Items	Ineffectiveness Recognized in Net Investment Gains (Losses)
			(In millions)	
For the Three Months Ended March 31, 2010:				

Interest rate swaps:	Fixed maturity securities	$ (5)	$ 6	$ 1
	Policyholder account balances (1)	33	(33)	
Foreign currency swaps:	Foreign-denominated fixed maturity securities	11	(11)	
	Foreign-denominated policyholder account balances (2)	(159)	149	(10)
Total		$ (120)	$ 111	$ (9)
For the Three Months Ended March 31, 2009:				
Interest rate swaps:	Fixed maturity securities	$ 14	$ (12)	$ 2
	Policyholder account balances (1)	(294)	292	(2)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	3	(4)	(1)
	Foreign-denominated policyholder account balances (2)	(107)	113	6
Total		$ (384)	$ 389	$ 5

(1) Fixed rate liabilities

(2) Fixed rate or floating rate liabilities

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

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

Cash Flow Hedges

The Company designates and accounts for the following as cash flow hedges when they have met the requirements of cash flow hedging: (i) interest rate swaps to convert floating rate investments to fixed rate investments; (ii) interest rate swaps to convert floating rate liabilities to fixed rate liabilities; (iii) foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated investments and liabilities; (iv) interest rate forwards and credit forwards to lock in the price to be paid for forward purchases of investments; (v) interest rate swaps to hedge the forecasted purchases of fixed-rate investments; and (vi) interest rate swaps to hedge forecasted fixed-rate borrowings.

For the three months ended March 31, 2010, the Company recognized $3 million of net investment gains which represented the ineffective portion of all cash flow hedges. For the three months ended March 31, 2009, the Company recognized insignificant net investment losses which represented the ineffective portion of all cash flow hedges. All components of each derivative s gain or loss were included in the assessment of hedge effectiveness. In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions did not occur on the anticipated date or within two months of that date. The net amounts reclassified into net investment gains (losses) for the three months ended March 31, 2010 related to such discontinued cash flow hedges were insignificant. The net amounts reclassified into net investment gains (losses) for the three months ended March 31, 2009 related to such discontinued cash flow hedges were gains of $1 million. As of March 31, 2010, the maximum length of time over which the Company is hedging its exposure to variability in future cash flows for forecasted transactions does not exceed five years. There were no hedged forecasted transactions, other than the receipt or payment of variable interest payments, at March 31, 2009.

The following table presents the components of other comprehensive income (loss), before income tax, related to cash flow hedges:

	Three Months Ended March 31,	
	2010	2009
	(In millions)	
Other comprehensive income (loss), balance at beginning of period	$ (76)	$ 82
Gains (losses) deferred in other comprehensive income (loss) on the effective portion of cash flow hedges	51	(8)
Amounts reclassified to net investment gains (losses)	68	39
Amounts reclassified to net investment income	1	2
Amortization of transition adjustment		(2)
Other comprehensive income (loss), balance at end of period	$ 44	$ 113

At March 31, 2010, $26 million of deferred net losses on derivatives accumulated in other comprehensive income (loss) is expected to be reclassified to earnings within the next 12 months.

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

The following table presents the effects of derivatives in cash flow hedging relationships on the consolidated statements of operations and the consolidated statements of stockholders equity for the three months ended March 31, 2010 and 2009:

Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Income (Loss) on Derivatives (Effective Portion)	Amount and Location of Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss) (Effective Portion)			Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
		Net Investment Gains (Losses)	Net Investment Income	Other Expenses	Net Investment Gains (Losses)	Net Investment Income
	(In millions)					
For the Three Months Ended March 31, 2010:						
Interest rate swaps	$ 1	$	$	$	$ 2	$
Foreign currency swaps	47	(68)	(2)		1	
Interest rate forwards			1			
Credit forwards	3					
Total	$ 51	$ (68)	$ (1)	$	$ 3	$
For the Three Months Ended March 31, 2009:						
Interest rate swaps	$ 1	$	$	$	$	$
Foreign currency swaps	(9)	(39)				
Total	$ (8)	$ (39)	$	$	$	$

Hedges of Net Investments in Foreign Operations

The Company uses foreign exchange contracts, which may include foreign currency swaps, forwards and options, to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. The Company measures ineffectiveness on these contracts based upon the change in forward rates. In addition, the Company may also use non-derivative financial instruments to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. The Company measures ineffectiveness on non-derivative financial instruments based upon the change in spot rates.

When net investments in foreign operations are sold or substantially liquidated, the amounts in accumulated other comprehensive income (loss) are reclassified to the consolidated statements of operations, while a pro rata portion will be reclassified upon partial sale of the net investments in foreign operations.

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

The following table presents the effects of derivatives and non-derivative financial instruments in net investment hedging relationships in the consolidated statements of operations and the consolidated statements of stockholders equity for the three months ended March 31, 2010 and 2009:

Derivatives and Non-Derivative Hedging Instruments in Net Investment Hedging Relationships (1),(2)	Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Income (Loss) (Effective Portion) Three Months Ended March 31, 2010	2009	Amount and Location of Gains (Losses) Reclassified From Accumulated Other Comprehensive Income (Loss) into Income (Loss) (Effective Portion) Net Investment Gains (Losses) Three Months Ended March 31, 2010	2009
	(In millions)			
Foreign currency forwards	$ (10)	$ 5	$	$
Foreign currency swaps		4		
Non-derivative hedging instruments		6		
Total	$ (10)	$ 15	$	$

(1) There were no sales or substantial liquidations of net investments in foreign operations that would have required the reclassification of gains or losses from accumulated other comprehensive loss into earnings during the periods presented.

(2) There was no ineffectiveness recognized for the Company s hedges of net investments in foreign operations.

At March 31, 2010 and December 31, 2009, the cumulative foreign currency translation gain (loss) recorded in accumulated other comprehensive loss related to hedges of net investments in foreign operations was ($50) million and ($40) million, respectively.

Non-Qualifying Derivatives and Derivatives for Purposes Other Than Hedging

The Company enters into the following derivatives that do not qualify for hedge accounting or for purposes other than hedging: (i) interest rate swaps, implied volatility swaps, caps and floors and interest rate futures to economically hedge its exposure to interest rates; (ii) foreign currency forwards, swaps and option contracts to economically hedge its exposure to adverse movements in exchange rates; (iii) credit default swaps to economically hedge exposure to adverse movements in credit; (iv) equity futures, equity index options, interest rate futures, TRRs and equity variance swaps to economically hedge liabilities embedded in certain variable annuity products; (v) swap spreadlocks to economically hedge invested assets against the risk of changes in credit spreads; (vi) interest rate forwards to buy and sell securities to economically hedge its exposure to interest rates; (vii) credit default swaps and TRRs to synthetically create investments; (viii) basis swaps to better match the cash flows of assets and related liabilities; (ix) credit default swaps held in relation to trading portfolios; (x) swaptions to hedge interest rate risk; (xi) inflation swaps to reduce risk generated from inflation-indexed liabilities; (xii) covered call options for income generation; (xiii) interest rate lock commitments; (xiv) synthetic GICs; and (xv) equity options to economically hedge certain invested assets against adverse changes in equity indices.

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

The following table presents the amount and location of gains (losses) recognized in income for derivatives that are not designated or qualifying as hedging instruments:

	Net Investment Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)	Other Revenues (3)	Other Expenses (4)
			(In millions)		
For the Three Months Ended March 31, 2010:					
Interest rate swaps	$ 81	$ (1)	$ 3	$ 57	$
Interest rate floors	(7)				
Interest rate caps	(113)				
Interest rate futures	(20)	(5)			
Equity futures	(82)	(11)	(88)		
Foreign currency swaps	58				
Foreign currency forwards	59	8			
Currency options	3	(1)			(4)
Equity options	(382)	(22)			
Interest rate options				(2)	
Interest rate forwards	8			(33)	
Variance swaps	(120)	(3)			
Credit default swaps	3				
Total rate of return swaps	12				
Total	$ (500)	$ (35)	$ (85)	$ 22	$ (4)
For the Three Months Ended March 31, 2009:					
Interest rate swaps	$ (592)	$ (2)	$	$ 9	$
Interest rate floors	(551)				
Interest rate caps	(25)				
Interest rate futures	(118)	(6)			
Equity futures	433	27	113		
Foreign currency swaps	78				
Foreign currency forwards	1	(24)			
Currency options	(21)				
Equity options	52	(18)			
Interest rate options	(353)				
Interest rate forwards	1			(16)	
Variance swaps	(23)	(2)			
Swap spreadlocks	(47)				
Credit default swaps	89	(3)			

Total rate of return swaps		(20)								
Total	$	(1,096)	$	(28)	$	113	$	(7)	$	

(1) Changes in estimated fair value related to economic hedges of equity method investments in joint ventures, and changes in estimated fair value related to derivatives held in relation to trading portfolios.

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

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

(4) Changes in estimated fair value related to economic hedges of foreign currency exposure associated with the Company s international subsidiaries.

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Credit Derivatives

In connection with synthetically created investment transactions and credit default swaps held in relation to the trading portfolio, the Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included within the non-qualifying derivatives and derivatives for purposes other than hedging table. If a credit event occurs, as defined by the contract, generally the contract will require the Company to pay the counterparty the specified swap notional amount in exchange for the delivery of par quantities of the referenced credit obligation. The Company s maximum amount at risk, assuming the value of all referenced credit obligations is zero, was $4,443 million and $3,101 million at March 31, 2010 and December 31, 2009, respectively. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current fair value of the credit default swaps. At March 31, 2010 and December 31, 2009, the Company would have received $64 million and $53 million, respectively, to terminate all of these contracts.

The following table presents the estimated fair value, maximum amount of future payments and weighted average years to maturity of written credit default swaps at March 31, 2010 and December 31, 2009:

Rating Agency Designation of Referenced Credit Obligations (1)	March 31, 2010 Estimated Fair Value of Credit Default Swaps	March 31, 2010 Maximum Amount of Future Payments under Credit Default Swaps (2)	March 31, 2010 Weighted Average Years to Maturity (3)	December 31, 2009 Estimated Fair Value of Credit Default Swaps	December 31, 2009 Maximum Amount of Future Payments under Credit Default Swaps (2)	December 31, 2009 Weighted Average Years to Maturity (3)
	(In millions)					
Aaa/Aa/A						
Single name credit default swaps (corporate)	$ 5	$ 255	4.3	$ 5	$ 175	4.3
Credit default swaps referencing indices	50	2,955	3.9	46	2,676	3.4
Subtotal	55	3,210	3.9	51	2,851	3.5
Baa						
Single name credit default swaps (corporate)	3	390	4.9	2	195	4.8
Credit default swaps referencing indices	6	788	4.9		10	5.0
Subtotal	9	1,178	4.9	2	205	4.8
Ba						
Single name credit default swaps (corporate)		45	4.9		25	5.0

Credit default swaps referencing indices									
Subtotal				45	4.9			25	5.0
B									
Single name credit default swaps (corporate)									
Credit default swaps referencing indices				10	5.3			20	5.0
Subtotal				10	5.3			20	5.0
Total	$	64	$	4,443	4.2	$ 53	$	3,101	3.6

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

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

(2) Assumes the value of the referenced credit obligations is zero.

(3) The weighted average years to maturity of the credit default swaps is calculated based on weighted average notional amounts.

The Company has also entered into credit default swaps to purchase credit protection on certain of the referenced credit obligations in the table above. As a result, the maximum amounts of potential future recoveries available to offset the $4,443 million and $3,101 million from the table above were $131 million and $31 million at March 31, 2010 and December 31, 2009, respectively.

Credit Risk on Freestanding Derivatives

The Company may be exposed to credit-related losses in the event of nonperformance by counterparties to derivative financial instruments. Generally, the current credit exposure of the Company s derivative contracts is limited to the net positive estimated fair value of derivative contracts at the reporting date after taking into consideration the existence of netting agreements and any collateral received pursuant to credit support annexes.

The Company manages its credit risk related to over-the-counter derivatives by entering into transactions with creditworthy counterparties, maintaining collateral arrangements and through the use of master agreements that provide for a single net payment to be made by one counterparty to another at each due date and upon termination. Because exchange-traded futures are effected through regulated exchanges, and positions are marked to market on a daily basis, the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to such derivative instruments. See Note 5 for a description of the impact of credit risk on the valuation of derivative instruments.

The Company enters into various collateral arrangements, which require both the pledging and accepting of collateral in connection with its derivative instruments. At March 31, 2010 and December 31, 2009, the Company was obligated to return cash collateral under its control of $2,704 million and $2,680 million, respectively. This unrestricted cash collateral is included in cash and cash equivalents or in short-term investments and the obligation to return it is included in payables for collateral under securities loaned and other transactions in the consolidated balance sheets. At March 31, 2010 and December 31, 2009, the Company had also accepted collateral consisting of various securities with a fair market value of $31 million and $221 million, respectively, which are held in separate custodial accounts. The Company is permitted by contract to sell or repledge this collateral, but at March 31, 2010, none of the collateral had been sold or repledged.

The Company s collateral arrangements for its over-the-counter derivatives generally require the counterparty in a net liability position, after considering the effect of netting agreements, to pledge collateral when the fair value of that counterparty s derivatives reaches a pre-determined threshold. Certain of these arrangements also include credit-contingent provisions that provide for a reduction of these thresholds (on a sliding scale that converges toward zero) in the event of downgrades in the credit ratings of the Company and/or the counterparty. In addition, certain of the Company s netting agreements for derivative instruments contain provisions that require the Company to maintain a specific investment grade credit rating from at least one of the major credit rating agencies. If the Company s credit ratings were to fall below that specific investment grade credit rating, it would be in violation of these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments that are in a net liability position after considering the effect of netting agreements.

The following table presents the estimated fair value of the Company s over-the-counter derivatives that are in a net liability position after considering the effect of netting agreements, together with the estimated fair value and

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balance sheet location of the collateral pledged. The table also presents the incremental collateral that the Company would be required to provide if there was a one notch downgrade in the Company s credit rating at the reporting date or if the Company s credit rating sustained a downgrade to a level that triggered full overnight collateralization or termination of the derivative position at the reporting date. Derivatives that are not subject to collateral agreements are not included in the scope of this table.

	Estimated Fair Value (1) of Derivatives in Net Liability Position	Estimated Fair Value of Collateral Provided Fixed Maturity Securities (2)	Fair Value of Incremental Collateral Provided Upon: One Notch Downgrade in the Company s Credit Rating	Fair Value of Incremental Collateral Provided Upon: Downgrade in the Company s Credit Rating to a Level that Triggers Full Overnight Collateralization or Termination of the Derivative Position
	(In millions)			
At March 31, 2010:				
Derivatives subject to credit-contingent provisions	$ 1,323	$ 1,113	$ 100	$ 239
Derivatives not subject to credit-contingent provisions	35	31		
Total	$ 1,358	$ 1,144	$ 100	$ 239
At December 31, 2009:				
Derivatives subject to credit-contingent provisions	$ 1,163	$ 1,017	$ 90	$ 218
Derivatives not subject to credit-contingent provisions	48	42		
Total	$ 1,211	$ 1,059	$ 90	$ 218

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

(2)

Included in fixed maturity securities in the consolidated balance sheets. The counterparties are permitted by contract to sell or repledge this collateral. At both March 31, 2010 and December 31, 2009, the Company did not provide any cash collateral.

Without considering the effect of netting agreements, the estimated fair value of the Company s over-the-counter derivatives with credit-contingent provisions that were in a gross liability position at March 31, 2010 was $1,799 million. At March 31, 2010, the Company provided securities collateral of $1,113 million in connection with these derivatives. In the unlikely event that both: (i) the Company s credit rating is downgraded to a level that triggers full overnight collateralization or termination of all derivative positions; and (ii) the Company s netting agreements are deemed to be legally unenforceable, then the additional collateral that the Company would be required to provide to its counterparties in connection with its derivatives in a gross liability position at March 31, 2010 would be $686 million. This amount does not consider gross derivative assets of $476 million for which the Company has the contractual right of offset.

The Company also has exchange-traded futures, which require the pledging of collateral. At both March 31, 2010 and December 31, 2009, the Company pledged securities collateral for exchange-traded futures of $50 million, which is included in fixed maturity securities. The counterparties are permitted by contract to sell or repledge this collateral. At March 31, 2010 and December 31, 2009, the Company provided cash collateral for exchange-traded futures of $496 million and $562 million, respectively, which is included in premiums, reinsurance and other receivables.

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Embedded Derivatives

The Company has certain embedded derivatives that are required to be separated from their host contracts and accounted for as derivatives. These host contracts principally include: variable annuities with guaranteed minimum benefits, including guaranteed minimum withdrawal benefits (GMWBs), guaranteed minimum accumulation benefits (GMABs) and certain guaranteed minimum income benefits (GMIBs); ceded reinsurance contracts of guaranteed minimum benefits related to GMABs and certain GMIBs; and funding agreements with equity or bond indexed crediting rates.

The following table presents the estimated fair value of the Company s embedded derivatives at:

	March 31, 2010	December 31, 2009
	(In millions)	
Net embedded derivatives within asset host contracts:		
Ceded guaranteed minimum benefits	$ 56	$ 76
Call options in equity securities	(42)	(37)
Net embedded derivatives within asset host contracts	$ 14	$ 39
Net embedded derivatives within liability host contracts:		
Direct guaranteed minimum benefits	$ 1,005	$ 1,500
Other	36	5
Net embedded derivatives within liability host contracts	$ 1,041	$ 1,505

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

	Three Months Ended March 31, 2010	2009
	(In millions)	
Net investment gains (losses) (1)	$ 522	$ 1,217
Policyholder benefits and claims	$ (21)	$ 16

(1) Effective January 1, 2008, the valuation of the Company s guaranteed minimum benefits includes an adjustment for the Company s own credit. Included in net investment gains (losses) for the three months ended March 31, 2010 and 2009 were gains (losses) of ($86) million and $828 million, respectively, in connection with this

adjustment.

5. Fair Value

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

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Fair Value of Financial Instruments

Amounts related to the Company s financial instruments are as follows:

March 31, 2010	Notional Amount	Carrying Value (In millions)	Estimated Fair Value
Assets			
Fixed maturity securities		$ 239,566	$ 239,566
Equity securities		$ 3,066	$ 3,066
Trading securities:			
Trading securities		$ 2,765	$ 2,765
Trading securities held by consolidated securitization entities		274	274
Total trading securities		$ 3,039	$ 3,039
Mortgage loans:			
Held-for-investment:			
Mortgage loans		$ 48,368	$ 47,504
Mortgage loans held by consolidated securitization entities		7,065	7,065
Total mortgage loans held-for-investment		$ 55,433	$ 54,569
Held-for-sale		$ 2,003	$ 2,003
Mortgage loans, net		$ 57,436	$ 56,572
Policy loans		$ 10,146	$ 11,407
Real estate joint ventures (1)		$ 101	$ 113
Other limited partnership interests (1)		$ 1,583	$ 1,695
Short-term investments		$ 8,019	$ 8,019
Other invested assets: (1)			
Derivative assets: (2)			
Interest rate contracts	$ 76,721	$ 2,442	$ 2,442
Foreign currency contracts	11,482	1,576	1,576
Credit contracts	5,195	88	88
Equity market contracts	28,994	1,566	1,566
Total derivative assets	$ 122,392	$ 5,672	$ 5,672
Mortgage servicing rights		$ 859	$ 859
Other		$ 1,267	$ 1,267
Cash and cash equivalents		$ 9,202	$ 9,202

Accrued investment income		$ 3,392	$ 3,392
Premiums, reinsurance and other receivables (1)		$ 3,197	$ 3,310
Other assets (1)		$ 425	$ 430
Separate account assets		$ 158,436	$ 158,436
Net embedded derivatives within asset host contracts (3)		$ 56	$ 56
Liabilities			
Policyholder account balances (1)		$ 100,120	$ 98,916
Payables for collateral under securities loaned and other transactions		$ 25,982	$ 25,982
Bank deposits		$ 10,032	$ 10,115
Short-term debt		$ 318	$ 318
Long-term debt: (1)			
Company-issued long-term debt		$ 13,037	$ 13,660
Long-term debt of consolidated securitization entities		7,106	7,106
Total long-term debt		$ 20,143	$ 20,766
Collateral financing arrangements		$ 5,297	$ 2,614
Junior subordinated debt securities		$ 3,191	$ 3,302
Other liabilities: (1)			
Derivative liabilities: (2)			
Interest rate contracts	$ 35,841	$ 1,246	$ 1,246
Foreign currency contracts	12,872	1,430	1,430
Credit contracts	3,012	112	112
Equity market contracts	23,930	1,265	1,265
Total derivative liabilities	$ 75,655	$ 4,053	$ 4,053
Trading liabilities		$ 97	$ 97
Other		$ 3,213	$ 3,213
Separate account liabilities (1)		$ 34,575	$ 34,575
Net embedded derivatives within liability host contracts (3)		$ 1,041	$ 1,041
Commitments (4)			
Mortgage loan commitments	$ 2,604	$	$ (30)
Commitments to fund bank credit facilities, bridge loans and private corporate bond investments	$ 1,272	$	$ (49)

See Note 3 for discussion of consolidated securitization entities included in the table above.

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

December 31, 2009	Notional Amount	Carrying Value	Estimated Fair Value
		(In millions)	
Assets			
Fixed maturity securities		$ 227,642	$ 227,642
Equity securities		$ 3,084	$ 3,084
Trading securities		$ 2,384	$ 2,384
Mortgage loans:			
Held-for-investment		$ 48,181	$ 46,315
Held-for-sale		2,728	2,728
Mortgage loans, net		$ 50,909	$ 49,043
Policy loans		$ 10,061	$ 11,294
Real estate joint ventures (1)		$ 115	$ 127
Other limited partnership interests (1)		$ 1,571	$ 1,581
Short-term investments		$ 8,374	$ 8,374
Other invested assets: (1)			
Derivative assets (2)	$ 122,156	$ 6,133	$ 6,133
Mortgage servicing rights		$ 878	$ 878
Other		$ 1,241	$ 1,284
Cash and cash equivalents		$ 10,112	$ 10,112
Accrued investment income		$ 3,173	$ 3,173
Premiums, reinsurance and other receivables (1)		$ 3,375	$ 3,532
Other assets (1)		$ 425	$ 440
Separate account assets		$ 149,041	$ 149,041
Net embedded derivatives within asset host contracts (3)		$ 76	$ 76
Liabilities			
Policyholder account balances (1)		$ 97,131	$ 96,735
Payables for collateral under securities loaned and other transactions		$ 24,196	$ 24,196
Bank deposits		$ 10,211	$ 10,300
Short-term debt		$ 912	$ 912
Long-term debt (1)		$ 13,185	$ 13,831
Collateral financing arrangements		$ 5,297	$ 2,877
Junior subordinated debt securities		$ 3,191	$ 3,167
Other liabilities: (1)			
Derivative liabilities (2)	$ 73,721	$ 4,115	$ 4,115
Trading liabilities		$ 106	$ 106
Other		$ 1,788	$ 1,788
Separate account liabilities (1)		$ 32,171	$ 32,171
Net embedded derivatives within liability host contracts (3)		$ 1,505	$ 1,505
Commitments (4)			
Mortgage loan commitments	$ 2,220	$	$ (48)

Commitments to fund bank credit facilities, bridge loans and private corporate bond investments	$	1,261	$		$	(52)

MetLife, Inc.

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

(1) Carrying values presented herein differ from those presented in the consolidated balance sheets because certain items within the respective financial statement caption are not considered financial instruments. Financial statement captions excluded from the table above are not considered financial instruments.

(2) Derivative assets are presented within other invested assets and derivative liabilities are presented within other liabilities.

(3) Net embedded derivatives within asset host contracts are presented within premiums, reinsurance and other receivables. Net embedded derivatives within liability host contracts are presented primarily within policyholder account balances. At March 31, 2010 and December 31, 2009, equity securities also included embedded derivatives of ($42) million and ($37) million, respectively.

(4) Commitments are off-balance sheet obligations. Negative estimated fair values represent off-balance sheet liabilities.

The methods and assumptions used to estimate the fair value of financial instruments are summarized as follows:

Fixed Maturity Securities, Equity Securities and Trading Securities When available, the estimated fair value of the Company s fixed maturity, equity and trading securities are based on quoted prices in active markets that are readily and regularly obtainable. Generally, these are the most liquid of the Company s securities holdings and valuation of these securities does not involve management judgment.

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

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

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

The estimated fair value of trading securities held by consolidated securitization entities is determined on a basis consistent with the methodologies described herein for trading securities.

The use of different methodologies, assumptions and inputs may have a material effect on the estimated fair values of the Company s securities holdings.

Mortgage Loans The Company originates mortgage loans for both investment purposes and with the intention to sell them to third parties. Commercial and agricultural mortgage loans are originated for investment purposes and are primarily carried at amortized cost. Residential mortgage and consumer loans are generally purchased from third parties for investment purposes and are primarily carried at amortized cost. Mortgage loans

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

held-for-sale consist principally of residential mortgage loans for which the Company has elected the fair value option and which are carried at estimated fair value and to a significantly lesser degree certain mortgage loans which were previously held-for-investment but where the Company has changed its intention as it relates to holding them for investment. In addition, as discussed in Note 1, the Company adopted new guidance effective January 1, 2010 and consolidated certain securitization entities that hold commercial mortgage loans. The estimated fair values of these mortgage loans are determined as follows:

Mortgage Loans Held-for-Investment. For mortgage loans held-for-investment and carried at amortized cost, estimated fair value was primarily determined by estimating expected future cash flows and discounting them using current interest rates for similar mortgage loans with similar credit risk.

Mortgage Loans Held by Consolidated Securitization Entities. For commercial mortgage loans held by the Company s consolidated securitization entities, the Company has determined that the principal market for these commercial loan portfolios is the securitization market. The Company uses the securitization market price of the obligations of the consolidated securitization entities to determine the estimated fair value of these commercial loan portfolios, which is provided primarily by independent pricing services using observable inputs.

Mortgage Loans Held-for-Sale. Mortgage loans held-for-sale principally include residential mortgage loans for which the fair value option was elected and which are carried at estimated fair value. Generally, quoted market prices are not available for residential mortgage loans held-for-sale; accordingly, the estimated fair values of such assets are determined based on observable pricing of residential mortgage loans held-for-sale with similar characteristics, or observable pricing for securities backed by similar types of mortgage loans, adjusted to convert the securities prices to mortgage loan prices. When observable pricing for similar loans or securities that are backed by similar loans are not available, the estimated fair values of residential mortgage loans held-for-sale are determined using independent broker quotations or valuation models, which are intended to approximate the amounts that would be received from third parties. Certain other mortgage loans previously classified as held-for-investment have also been designated as held-for-sale. For these mortgage loans, estimated fair value is determined using independent broker quotations or, when the mortgage loan is in foreclosure or otherwise determined to be collateral dependent, the fair value of the underlying collateral is estimated using internal models.

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

Real Estate Joint Ventures and Other Limited Partnership Interests Real estate joint ventures and other limited partnership interests included in the preceding tables consist of those investments accounted for using the cost method. The remaining carrying value recognized in the consolidated balance sheets represents investments in real estate or real estate joint ventures and other limited partnership interests accounted for using the equity method, which do not meet the definition of financial instruments for which fair value is required to be disclosed.

The estimated fair values for other limited partnership interests and real estate joint ventures accounted for under the cost method are generally based on the Company s share of the net asset value (NAV) as provided in the financial statements of the investees. In certain circumstances, management may adjust the NAV by a premium or discount when it has sufficient evidence to support applying such adjustments.

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

Short-term Investments Certain short-term investments do not qualify as securities and are recognized at amortized cost in the consolidated balance sheets. For these instruments, the Company believes that there is minimal risk of material changes in interest rates or credit of the issuer such that estimated fair value approximates carrying value. In light of recent market conditions, short-term investments have been monitored to ensure there is sufficient demand and maintenance of issuer credit quality and the Company has determined additional adjustment is not required. Short-term investments that meet the definition of a security are recognized at estimated fair value in the consolidated balance sheets in the same manner described above for similar instruments that are classified within captions of other major investment classes.

Other Invested Assets Other invested assets in the consolidated balance sheets are principally comprised of freestanding derivatives with positive estimated fair values, leveraged leases, joint venture investments, investments in tax credit partnerships, investment in a funding agreement, MSRs, funds withheld at interest and various interest-bearing assets held in foreign subsidiaries. Leveraged leases and investments in tax credit partnerships and joint venture investments, which are accounted for under the equity method or under the effective yield method, are not financial instruments subject to fair value disclosure. Accordingly, they have been excluded from the preceding table.

The estimated fair value of derivatives with positive and negative estimated fair values is described in the section labeled Derivatives which follows.

Although MSRs are not financial instruments, the Company has included them in the preceding table as a result of its election to carry MSRs at estimated fair value. As sales of MSRs tend to occur in private transactions where the precise terms and conditions of the sales are typically not readily available, observable market valuations are limited. As such, the Company relies primarily on a discounted cash flow model to estimate the fair value of the MSRs. The model requires inputs such as type of loan (fixed vs. variable and agency vs. other), age of loan, loan interest rates and current market interest rates that are generally observable. The model also requires the use of unobservable inputs including assumptions regarding estimates of discount rates, loan prepayments and servicing costs.

The estimated fair value of the investment in funding agreements is estimated by discounting the expected future cash flows using current market rates and the credit risk of the note issuer.

For funds withheld at interest and the various interest-bearing assets held in foreign subsidiaries, the Company evaluates the specific facts and circumstances of each instrument to determine the appropriate estimated fair values. These estimated fair values were not materially different from the recognized carrying values.

Cash and Cash Equivalents Due to the short term maturities of cash and cash equivalents, the Company believes there is minimal risk of material changes in interest rates or credit of the issuer such that estimated fair value generally approximates carrying value. In light of recent market conditions, cash and cash equivalent instruments have been monitored to ensure there is sufficient demand and maintenance of issuer credit quality, or sufficient solvency in the case of depository institutions, and the Company has determined additional adjustment is not required.

Accrued Investment Income Due to the short term until settlement of accrued investment income, the Company believes there is minimal risk of material changes in interest rates or credit of the issuer such that estimated fair value approximates carrying value. In light of recent market conditions, the Company has monitored the credit quality of the issuers and has determined additional adjustment is not required.

Premiums, Reinsurance and Other Receivables Premiums, reinsurance and other receivables in the consolidated balance sheets are principally comprised of premiums due and unpaid for insurance contracts, amounts recoverable under reinsurance contracts, amounts on deposit with financial institutions to facilitate daily settlements related to certain derivative positions, amounts receivable for securities sold but not yet settled, fees and

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

general operating receivables and embedded derivatives related to the ceded reinsurance of certain variable annuity guarantees.

Premiums receivable and those amounts recoverable under reinsurance treaties determined to transfer sufficient risk are not financial instruments subject to disclosure and thus have been excluded from the amounts presented in the preceding table. Amounts recoverable under ceded reinsurance contracts, which the Company has determined do not transfer sufficient risk such that they are accounted for using the deposit method of accounting, have been included in the preceding table with the estimated fair value determined as the present value of expected future cash flows under the related contracts discounted using an interest rate determined to reflect the appropriate credit standing of the assuming counterparty.

The amounts on deposit for derivative settlements essentially represent the equivalent of demand deposit balances and amounts due for securities sold are generally received over short periods such that the estimated fair value approximates carrying value. In light of recent market conditions, the Company has monitored the solvency position of the financial institutions and has determined additional adjustments are not required.

Embedded derivatives recognized in connection with ceded reinsurance of certain variable annuity guarantees are included in this caption in the consolidated financial statements but excluded from this caption in the preceding table as they are separately presented. The estimated fair value of these embedded derivatives is described in the section labeled Embedded Derivatives within Asset and Liability Host Contracts which follows.

Other Assets Other assets in the consolidated balance sheets are principally comprised of prepaid expenses, amounts held under corporate owned life insurance, fixed assets, capitalized software, deferred sales inducements, value of distribution agreements and value of customer relationships acquired. Also included within other assets is a receivable for cash paid to an unaffiliated financial institution under the MetLife Reinsurance Company of Charleston (MRC) collateral financing arrangement as described in Note 12 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report. With the exception of the receivable for cash paid to the unaffiliated financial institution, other assets are not considered financial instruments subject to disclosure. Accordingly, the amount presented in the preceding table represents the receivable for the cash paid to the unaffiliated financial institution under the MRC collateral financing arrangement for which the estimated fair value was determined by discounting the expected future cash flows using a discount rate that reflects the credit rating of the unaffiliated financial institution.

Separate Account Assets Separate account assets are carried at estimated fair value and reported as a summarized total on the consolidated balance sheets. The estimated fair value of separate account assets are based on the estimated fair value of the underlying assets owned by the separate account. Assets within the Company s separate accounts include: mutual funds, fixed maturity securities, equity securities, mortgage loans, derivatives, hedge funds, other limited partnership interests, short-term investments and cash and cash equivalents. The estimated fair values of fixed maturity securities, equity securities, derivatives, short-term investments and cash and cash equivalents held by separate accounts are determined on a basis consistent with the methodologies described herein for similar financial instruments held within the general account. The estimated fair value of hedge funds and mutual funds is based upon NAVs provided by the fund manager. The estimated fair value of mortgage loans is determined by discounting expected future cash flows, using current interest rates for similar loans with similar credit risk. Other limited partnership interests are valued giving consideration to the value of the underlying holdings of the partnerships and by applying a premium or discount, if appropriate, for factors such as liquidity, bid/ask spreads, the performance record of the fund manager or other relevant variables which may impact the exit value of the particular partnership interest.

Policyholder Account Balances Policyholder account balances in the table above include investment contracts. Embedded derivatives on investment contracts and certain variable annuity guarantees accounted for as embedded derivatives are included in this caption in the consolidated financial statements but excluded from this caption in the tables above as they are separately presented therein. The remaining difference between the amounts

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reflected as policyholder account balances in the preceding table and those recognized in the consolidated balance sheets represents those amounts due under contracts that satisfy the definition of insurance contracts and are not considered financial instruments.

The investment contracts primarily include certain funding agreements, fixed deferred annuities, modified guaranteed annuities, fixed term payout annuities and total control accounts. The fair values for these investment contracts are estimated by discounting best estimate future cash flows using current market risk-free interest rates and adding a spread for the Company s own credit which is determined using publicly available information relating to the Company s debt, as well as its claims paying ability.

Payables for Collateral Under Securities Loaned and Other Transactions The estimated fair value for payables for collateral under securities loaned and other transactions approximates carrying value. The related agreements to loan securities are short-term in nature such that the Company believes there is limited risk of a material change in market interest rates. Additionally, because borrowers are cross-collateralized by the borrowed securities, the Company believes no additional consideration for changes in its own credit are necessary.

Bank Deposits Due to frequency of interest rate resets on customer bank deposits held in money market accounts, the Company believes that there is minimal risk of a material change in interest rates such that the estimated fair value approximates carrying value. For time deposits, estimated fair values are estimated by discounting the expected cash flows to maturity using a discount rate based on an average market rate for certificates of deposit being offered by a representative group of large financial institutions at the date of the valuation.

Short-term and Long-term Debt, Collateral Financing Arrangements and Junior Subordinated Debt Securities The estimated fair value for short-term debt approximates carrying value due to the short-term nature of these obligations. The estimated fair values of long-term debt, collateral financing arrangements and junior subordinated debt securities are generally determined by discounting expected future cash flows using market rates currently available for debt with similar remaining maturities and reflecting the credit risk of the Company including inputs, when available, from actively traded debt of the Company or other companies with similar types of borrowing arrangements. Risk-adjusted discount rates applied to the expected future cash flows can vary significantly based upon the specific terms of each individual arrangement, including, but not limited to: subordinated rights; contractual interest rates in relation to current market rates; the structuring of the arrangement; and the nature and observability of the applicable valuation inputs. Use of different risk-adjusted discount rates could result in different estimated fair values.

The carrying value of long-term debt presented in the table above differs from the amounts presented in the consolidated balance sheets as it does not include capital leases which are not required to be disclosed at estimated fair value.

Long-term Debt Obligations of Consolidated Securitization Entities The estimated fair value of the long-term debt obligations of the Company s consolidated securitization entities are based on their quoted prices when traded as assets in active markets, or if not available, based on market standard valuation methodologies, consistent with the Company s methods and assumptions used to estimate the fair value of comparable fixed maturity securities.

Other Liabilities Other liabilities in the consolidated balance sheets are principally comprised of freestanding derivatives with negative estimated fair values; securities trading liabilities; tax and litigation contingency liabilities; obligations for employee-related benefits; interest due on the Company s debt obligations and on cash collateral held in relation to securities lending; dividends payable; amounts due for securities purchased but not yet settled; amounts due under assumed reinsurance contracts; and general operating accruals and payables.

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

The estimated fair value of derivatives with positive and negative estimated fair values and embedded derivatives within asset and liability host contracts are described in the sections labeled Derivatives and Embedded Derivatives within Asset and Liability Host Contracts which follow.

The remaining other amounts included in the table above reflect those other liabilities that satisfy the definition of financial instruments subject to disclosure. These items consist primarily of securities trading liabilities; interest and dividends payable; amounts due for securities purchased but not yet settled; and amounts payable under certain assumed reinsurance contracts recognized using the deposit method of accounting. The Company evaluates the specific terms, facts and circumstances of each instrument to determine the appropriate estimated fair values, which were not materially different from the recognized carrying values.

Separate Account Liabilities Separate account liabilities included in the table above represent those balances due to policyholders under contracts that are classified as investment contracts. The difference between the separate account liabilities reflected above and the amounts presented in the consolidated balance sheets represents those contracts classified as insurance contracts which do not satisfy the criteria of financial instruments for which estimated fair value is to be disclosed.

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

Separate account liabilities, whether related to investment or insurance contracts, are recognized in the consolidated balance sheets at an equivalent summary total of the separate account assets. Separate account assets, which equal net deposits, net investment income and realized and unrealized capital gains and losses, are fully offset by corresponding amounts credited to the contractholders liability which is reflected in separate account liabilities. Since separate account liabilities are fully funded by cash flows from the separate account assets which are recognized at estimated fair value as described above, the Company believes the value of those assets approximates the estimated fair value of the related separate account liabilities.

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

The significant inputs to the pricing models for most over-the-counter derivatives are inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Significant inputs that are observable generally include: interest rates, foreign currency exchange rates, interest rate curves, credit curves and volatility. However, certain over-the-counter derivatives may rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from or corroborated by observable market data. Significant inputs that are unobservable generally include: independent broker quotes, credit correlation assumptions, references to emerging market currencies and inputs that are outside the observable portion of the interest rate curve, credit curve, volatility or other relevant market measure. These unobservable inputs may involve significant management judgment or estimation. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and are assumed to be consistent with what other market participants would use when pricing such instruments.

The credit risk of both the counterparty and the Company are considered in determining the estimated fair value for all over-the-counter derivatives, and any potential credit adjustment is based on the net exposure by counterparty after taking into account the effects of netting agreements and collateral arrangements. The Company

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

values its derivative positions using the standard swap curve which includes a spread over the risk free rate. This credit spread is appropriate for those parties that execute trades at pricing levels consistent with the standard swap curve. As the Company and its significant derivative counterparties consistently execute trades at such pricing levels, additional credit risk adjustments are not currently required in the valuation process. The Company s ability to consistently execute at such pricing levels is in part due to the netting agreements and collateral arrangements that are in place with all of its significant derivative counterparties. The evaluation of the requirement to make additional credit risk adjustments is performed by the Company each reporting period.

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

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

The Company issues certain variable annuity products with guaranteed minimum benefit guarantees. GMWBs, GMABs and certain GMIBs are embedded derivatives, which are measured at estimated fair value separately from the host variable annuity contract, with changes in estimated fair value reported in net investment gains (losses). These embedded derivatives are classified within policyholder account balances. The fair value for these guarantees are estimated using the present value of future benefits minus the present value of future fees using actuarial and capital market assumptions related to the projected cash flows over the expected lives of the contracts. 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, currency exchange rates and observable and estimated implied volatilities. The valuation of these guarantees includes an adjustment for the Company s own credit and risk margins for non-capital market inputs. The Company s own credit adjustment is determined taking into consideration publicly available information relating to the Company s debt, as well as its claims paying ability. Risk margins are established to capture the non-capital market risks of the instrument which represent the additional compensation a market participant would require to assume the risks related to the uncertainties of such actuarial assumptions as annuitization, premium persistency, partial withdrawal and surrenders. The establishment of risk margins requires the use of significant management judgment, including assumptions of the amount and cost of capital needed to cover the guarantees. These guarantees may be more costly than expected in volatile or declining equity markets. Market conditions including, but not limited to, changes in interest rates, equity indices, market volatility and foreign currency exchange rates; changes in the Company s own credit standing; and variations in actuarial assumptions regarding policyholder behavior, mortality and risk margins related to non-capital market inputs may result in significant fluctuations in the estimated fair value of the guarantees that could materially affect net income.

The Company ceded the risk associated with certain of the GMIB and GMAB described in the preceding paragraph. These reinsurance contracts contain embedded derivatives which are included in premiums, reinsurance and other receivables with changes in estimated fair value reported in net investment gains (losses) or policyholder benefit and claims depending on the statement of operations classification of the direct risk. The value of the embedded derivatives on the ceded risk is determined using a methodology consistent with that described previously for the guarantees directly written by the Company.

The estimated fair value of the embedded derivatives within funds withheld at interest related to certain ceded reinsurance is determined based on the change in estimated fair value of the underlying assets held by the Company in a reference portfolio backing the funds withheld liability. The estimated fair value of the underlying assets is determined as described above in Fixed Maturity Securities, Equity Securities and Trading Securities and Short-term Investments. The estimated fair value of these embedded derivatives is included, along with their funds

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

withheld hosts, in other liabilities with changes in estimated fair value recorded in net investment gains (losses). Changes in the credit spreads on the underlying assets, interest rates and market volatility may result in significant fluctuations in the estimated fair value of these embedded derivatives that could materially affect net income.

The estimated fair value of the embedded equity and bond indexed derivatives contained in certain funding agreements is determined using market standard swap valuation models and observable market inputs, including an adjustment for the Company s own credit that takes into consideration publicly available information relating to the Company s debt, as well as its claims paying ability. The estimated fair value of these embedded derivatives are included, along with their funding agreements host, within policyholder account balances with changes in estimated fair value recorded in net investment gains (losses). Changes in equity and bond indices, interest rates and the Company s credit standing may result in significant fluctuations in the estimated fair value of these embedded derivatives that could materially affect net income.

Mortgage Loan Commitments and Commitments to Fund Bank Credit Facilities, Bridge Loans and Private Corporate Bond Investments The estimated fair values for mortgage loan commitments and commitments to fund bank credit facilities, bridge loans and private corporate bond investments reflected in the above table represent the difference between the discounted expected future cash flows using interest rates that incorporate current credit risk for similar instruments on the reporting date and the principal amounts of the original commitments.

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Assets and Liabilities Measured at Fair Value

Recurring Fair Value Measurements

The assets and liabilities measured at estimated fair value on a recurring basis, including those items for which the Company has elected the fair value option, are determined as described in the preceding section. These estimated fair values and their corresponding fair value hierarchy are summarized as follows:

	March 31, 2010 Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate securities	$	$ 67,794	$ 6,339	$ 74,133
RMBS		41,053	1,927	42,980
Foreign corporate securities		34,727	5,378	40,105
U.S. Treasury, agency and government guaranteed securities	14,278	16,427	36	30,741
CMBS		16,270	225	16,495
ABS		11,069	2,823	13,892
Foreign government securities	272	12,670	222	13,164
State and political subdivision securities		7,938	101	8,039
Other fixed maturity securities		11	6	17
Total fixed maturity securities	14,550	207,959	17,057	239,566
Equity securities:				
Common stock	496	961	159	1,616
Non-redeemable preferred stock		442	1,008	1,450
Total equity securities	496	1,403	1,167	3,066

Trading securities:								
Trading securities		2,132		593		40		2,765
Trading securities held by consolidated securitization entities				274				274
Total trading securities		2,132		867		40		3,039
Short-term investments (1)		4,285		3,465		97		7,847
Mortgage loans:								
Mortgage loans held by consolidated securitization entities				7,065				7,065
Mortgage loans held-for-sale (2)				1,619		28		1,647
Total mortgage loans				8,684		28		8,712
Derivative assets: (3)								
Interest rate contracts		16		2,389		37		2,442
Foreign currency contracts				1,498		78		1,576
Credit contracts				36		52		88
Equity market contracts		14		1,370		182		1,566
Total derivative assets		30		5,293		349		5,672
Net embedded derivatives within asset host contracts (4)						56		56
MSRs (5)						859		859
Separate account assets (6)		19,590		137,048		1,798		158,436
Total assets	$	41,083	$	364,719	$	21,451	$	427,253
Liabilities								
Derivative liabilities: (3)								
Interest rate contracts	$	24	$	1,219	$	3	$	1,246
Foreign currency contracts				1,426		4		1,430
Credit contracts				107		5		112
Equity market contracts		24		1,139		102		1,265
Total derivative liabilities		48		3,891		114		4,053
Net embedded derivatives within liability host contracts (4)				(9)		1,050		1,041
Long-term debt of consolidated securitization entities				6,886		220		7,106
Trading liabilities (7)		87		10				97
Total liabilities	$	135	$	10,778	$	1,384	$	12,297

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

	December 31, 2009 Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
	(In millions)			
Assets:				
Fixed maturity securities:				
U.S. corporate securities	$	$ 65,493	$ 6,694	$ 72,187
RMBS		42,180	1,840	44,020
Foreign corporate securities		32,738	5,292	38,030
U.S. Treasury, agency and government guaranteed securities	10,951	14,459	37	25,447
CMBS		15,483	139	15,622
ABS		10,450	2,712	13,162
Foreign government securities	306	11,240	401	11,947
State and political subdivision securities		7,139	69	7,208
Other fixed maturity securities		13	6	19
Total fixed maturity securities	11,257	199,195	17,190	227,642
Equity securities:				
Common stock	490	995	136	1,621
Non-redeemable preferred stock		359	1,104	1,463
Total equity securities	490	1,354	1,240	3,084
Trading securities	1,886	415	83	2,384
Short-term investments (1)	5,650	2,500	23	8,173
Mortgage loans (2)		2,445	25	2,470
Derivative assets (3)	103	5,600	430	6,133
Net embedded derivatives within asset host contracts (4)			76	76
MSRs (5)			878	878
Separate account assets (6)	17,601	129,545	1,895	149,041
Total assets	$ 36,987	$ 341,054	$ 21,840	$ 399,881

Liabilities:								
Derivative liabilities (3)	$	51	$	3,990	$	74	$	4,115
Net embedded derivatives within liability host contracts (4)				(26)		1,531		1,505
Trading liabilities (7)		106						106
Total liabilities	$	157	$	3,964	$	1,605	$	5,726

(1) Short-term investments as presented in the tables above differ from the amounts presented in the consolidated balance sheets because certain short-term investments are not measured at estimated fair value (e.g. time deposits, etc.).

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

(2) Mortgage loans held-for-sale as presented in the tables above differ from the amount presented in the consolidated balance sheets as these tables only include residential mortgage loans held-for-sale measured at estimated fair value on a recurring basis.

(3) Derivative assets are presented within other invested assets and derivative liabilities are presented within other liabilities. The amounts are presented gross in the tables above to reflect the presentation in the consolidated balance sheets, but are presented net for purposes of the rollforward in the following tables.

(4) Net embedded derivatives within asset host contracts are presented within premiums, reinsurance and other receivables. Net embedded derivatives within liability host contracts are presented primarily within policyholder account balances. At March 31, 2010 and December 31, 2009, equity securities also included embedded derivatives of ($42) million and ($37) million, respectively.

(5) MSRs are presented within other invested assets.

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

(7) Trading liabilities are presented within other liabilities.

The Company has categorized its assets and liabilities into the three-level fair value hierarchy based upon the priority of the inputs to the respective valuation technique. The following summarizes the types of assets and liabilities included within the three-level fair value hierarchy presented in the preceding table.

Level 1 This category includes certain U.S. Treasury, agency and government guaranteed fixed maturity securities, certain foreign government fixed maturity securities; exchange-traded common stock; certain trading securities; and certain short-term money market securities. As it relates to derivatives, this level includes exchange-traded equity and interest rate futures, as well as interest rate forwards to sell certain to be announced securities. Separate account assets classified within this level are similar in nature to those classified in this level for the general account.

Level 2 This category includes fixed maturity and equity securities priced principally by independent pricing services using observable inputs. Fixed maturity securities classified as Level 2 include most U.S. Treasury, agency and government guaranteed securities, as well as the majority of U.S. and foreign corporate securities, RMBS, CMBS, state and political subdivision securities, foreign government securities and ABS. Equity securities classified as Level 2 securities consist principally of common stock and non-redeemable preferred stock where market quotes are available but are not considered actively traded. Short-term investments and trading securities included within Level 2 are of a similar nature to these fixed maturity and equity securities. Mortgage loans included in Level 2 include mortgage loans held by consolidated securitization entities and residential mortgage loans held-for-sale. Mortgage loans held by consolidated securitization entities are priced using the securitization market price of the obligations of the consolidated securitization entities, which are priced principally by independent pricing services using observable inputs. Residential mortgage loans held-for-sale are priced using readily available observable pricing for similar loans or securities backed by similar loans and the unobservable adjustments to such prices are insignificant. As it relates to derivatives, this level includes all types of derivative instruments utilized by the Company with the exception of exchange-traded futures and interest rate forwards to sell certain to be announced securities included within Level 1 and those derivative instruments with unobservable inputs as described in Level 3. Separate account assets classified within this level are generally similar to those classified within this level for the general account, with the exception of certain mutual funds and hedge funds without readily determinable fair values given prices are not published publicly. Embedded derivatives classified within this level include embedded equity and bond indexed derivatives contained in certain funding agreements. Long-term debt of consolidated

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

securitization entities included in this level includes obligations priced principally by independent pricing services using observable inputs.

Level 3 This category includes fixed maturity securities priced principally through independent broker quotations or market standard valuation methodologies using inputs that are not market observable or cannot be derived principally from or corroborated by observable market data. This level primarily consists of less liquid fixed maturity securities with very limited trading activity or where less price transparency exists around the inputs to the valuation methodologies including: U.S. and foreign corporate securities including below investment grade private placements; RMBS and ABS including all of those supported by sub-prime mortgage loans. Equity securities classified as Level 3 securities consist principally of non-redeemable preferred stock and common stock of companies that are privately held or of companies for which there has been very limited trading activity or where less price transparency exists around the inputs to the valuation. Short-term investments and trading securities included within Level 3 are of a similar nature to these fixed maturity and equity securities. Mortgage loans included in Level 3 include residential mortgage loans held-for-sale for which pricing for similar loans or securities backed by similar loans is not observable and the estimated fair value is determined using unobservable independent broker quotations or valuation models. As it relates to derivatives this category includes: swap spreadlocks with maturities which extend beyond observable periods; interest rate forwards including interest rate lock commitments with certain unobservable inputs, including pull-through rates; equity variance swaps with unobservable volatility inputs or that are priced via independent broker quotations; foreign currency swaps which are cancelable and priced through independent broker quotations; interest rate swaps with maturities which extend beyond the observable portion of the yield curve; credit default swaps based upon baskets of credits having unobservable credit correlations, as well as credit default swaps with maturities which extend beyond the observable portion of the credit curves and credit default swaps priced through independent broker quotations; foreign currency forwards priced via independent broker quotations or with liquidity adjustments; interest rate caps and floors referencing unobservable yield curves and/or which include liquidity and volatility adjustments; implied volatility swaps with unobservable volatility inputs; currency options based upon baskets of currencies having unobservable currency correlations; credit forwards having unobservable repurchase rates; and equity options with unobservable volatility inputs. Separate account assets classified within this level are generally similar to those classified within this level for the general account; however, they also include mortgage loans, and other limited partnership interests. Embedded derivatives classified within this level primarily include embedded derivatives associated with certain variable annuity guarantees. This category also includes MSRs which are carried at estimated fair value and have multiple significant unobservable inputs including discount rates, estimates of loan prepayments and servicing costs. Long-term debt of consolidated securitization entities included in this level includes obligations priced principally through independent broker quotations or market standard valuation methodologies using inputs that are not market observable or cannot be derived principally from or corroborated by observable market data.

Valuation Techniques and Inputs by Level Within the Three-Level Fair Value Hierarchy by Major Classes of Assets and Liabilities. A description of the significant valuation techniques and inputs to the determination of estimated fair value for the more significant asset and liability classes measured at fair value on a recurring basis is as follows:

The Company determines the estimated fair value of its investments using primarily the market approach and the income approach. The use of quoted prices for identical assets and matrix pricing or other similar techniques are examples of market approaches, while the use of discounted cash flow methodologies is an example of the income

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

approach. The Company attempts to maximize the use of observable inputs and minimize the use of unobservable inputs in selecting whether the market or income approach is used.

While certain investments have been classified as Level 1 from the use of unadjusted quoted prices for identical investments supported by high volumes of trading activity and narrow bid/ask spreads, most investments have been classified as Level 2 because the significant inputs used to measure the fair value on a recurring basis of the same or similar investment are market observable or can be corroborated using market observable information for the full term of the investment. Level 3 investments include those where estimated fair values are based on significant unobservable inputs that are supported by little or no market activity and may reflect our own assumptions about what factors market participants would use in pricing these investments.

Level 1 Measurements:

Fixed maturity securities Comprised of U.S. Treasury securities and foreign government securities. Valuation based on unadjusted quoted prices in active markets that are readily and regularly available.

Equity securities common stock Comprised of exchange-traded U.S. and international common stock. Valuation based on unadjusted quoted prices in active markets that are readily and regularly available.

Trading securities Comprised of securities that are similar in nature to the fixed maturity and equity securities referred to above. Valuation based on unadjusted quoted prices in active markets that are readily and regularly available.

Short-term investments Comprised of short-term money market securities, including U.S. Treasury bills. Valuation based on unadjusted quoted prices in active markets that are readily and regularly available.

Derivative assets and derivative liabilities Comprised of exchange-traded equity and interest rate futures, as well as interest rate forwards to sell certain to be announced securities. Valuation based on unadjusted quoted prices in active markets that are readily and regularly available.

Separate account assets Comprised of securities that are similar in nature to the fixed maturity securities, equity securities and short-term investments referred to above; and certain exchange-traded derivatives, including financial futures and owned options. Valuation based on unadjusted quoted prices in active markets that are readily and regularly available.

Level 2 Measurements:

U.S. corporate and foreign corporate fixed maturity securities These securities are principally valued using the market and income approaches. Valuation based primarily on quoted prices in markets that are not active, or using matrix pricing or other similar techniques that use standard market observable inputs such as a benchmark yields, spreads off benchmark yields, new issuances, issuer rating, duration, and trades of identical or comparable securities. Investment grade privately placed securities are valued using a discounted cash flow methodologies using standard market observable inputs, and inputs derived from, or corroborated by, market observable data including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues that incorporate the credit quality and industry sector of the issuer.

Structured securities comprised of RMBS, CMBS and ABS fixed maturity securities These securities are principally valued using the market approach. Valuation based primarily on matrix pricing or other similar techniques using standard market inputs including spreads for actively traded securities, spreads off benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, rating, weighted average coupon, weighted average maturity, average delinquency rates, geographic region, debt-service coverage ratios and issuance-specific information including: collateral type, payment terms of the underlying assets, payment priority within the tranche, structure of the security, deal performance and vintage of loans, etc.

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

U.S. Treasury, agency and government guaranteed fixed maturity securities These securities are principally valued using the market approach. Valuation based primarily on quoted prices in markets that are not active, or using matrix pricing or other similar techniques using standard market observable inputs such as benchmark U.S. Treasury yield curve, the spread off the U.S. Treasury curve for the identical security and comparable securities that are actively traded.

Foreign government and state and political subdivision fixed maturity securities These securities are principally valued using the market approach. Valuation based primarily on matrix pricing or other similar techniques using standard market observable inputs including benchmark U.S. Treasury or other yields, issuer ratings, broker-dealer quotes, issuer spreads and reported trades of similar securities, including those within the same sub-sector or with a similar maturity or credit rating.

Equity securities common and non-redeemable preferred stock These securities are principally valued using the market approach. Valuation is based principally on observable inputs including quoted prices in markets that are not considered active.

Trading securities and short-term investments Trading securities and short-term investments are of a similar nature to Level 2 fixed maturity and equity securities; accordingly the valuation techniques and significant market standard observable inputs used in their valuation are similar to those described above for fixed maturity and equity securities.

Mortgage loans of consolidated securitization entities These loans are principally valued using the market approach. The principal market for these commercial loan portfolios is the securitization market. The Company uses the quoted securitization market price of the obligations of the consolidated securitization entities to determine the estimated fair value of these commercial loan portfolios.

Mortgage loans held-for-sale These loans are principally valued using the market approach. These residential mortgage loans held-for-sale are valued primarily using readily available observable pricing for similar loans or securities backed by similar loans. The unobservable adjustments to such prices are insignificant.

Non-option based interest rate derivative assets and derivative liabilities These derivatives are principally valued using an income approach. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve, LIBOR basis curves, and repurchase rates.

Option based interest rate derivative assets and derivative liabilities These derivatives are principally valued using an income approach. Valuations are based on option pricing models, which utilize significant inputs that may include the swap yield curve, LIBOR basis curves, and interest rate volatility.

Non-option based foreign currency derivative assets and derivative liabilities These derivatives are principally valued using an income approach. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve, LIBOR basis curves, currency spot rates, and cross currency basis curves.

Option based foreign currency derivative assets and derivative liabilities These derivatives are principally valued using an income approach. Valuations are based on option pricing models, which utilize significant inputs that may include the swap yield curve, LIBOR basis curves, currency spot rates, cross currency basis curves, and currency volatility.

Non-option based credit derivative assets and derivative liabilities These derivatives are principally valued using an income approach. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve, credit curves, and recovery rates.

Non-option based equity market derivative assets and derivative liabilities These derivatives are principally valued using an income approach. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve, spot equity index levels, and dividend yield curves.

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

Option based equity market derivative assets and derivative liabilities These derivatives are principally valued using an income approach. Valuations are based on option pricing models, which utilize significant inputs that may include the swap yield curve, spot equity index levels, dividend yield curves, and equity volatility.

Embedded derivatives contained in certain funding agreements These derivatives are principally valued using an income approach. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve and the spot equity index level.

Separate account assets These assets are comprised of securities that are similar in nature to the fixed maturity securities, equity securities, short-term investments and derivatives referred to above. Also included are certain mutual funds and hedge funds with non-readily determinable fair values given prices are not published publicly. Valuation of the mutual funds and hedge funds is based upon quoted prices or reported NAVs provided by the fund managers.

Long-term Debt Obligations of Consolidated Securitization Entities The estimated fair value of the long-term debt obligations of the Company s consolidated securitization entities are based on their quoted prices when traded as assets in active markets, or if not available, based on market standard valuation methodologies, consistent with the Company s methods and assumptions used to estimate the fair value of comparable fixed maturity securities.

Level 3 Measurements:

In general, investments classified within Level 3 use many of the same valuation techniques and inputs as described above. However, if key inputs are unobservable, or if the investments are less liquid and there is very limited trading activity, the investments are generally classified as Level 3. The use of independent non-binding broker quotations to value investments generally indicates there is a lack of liquidity or the general lack of transparency in the process to develop the valuation estimates generally causing these investments to be classified in Level 3.

U.S. corporate and foreign corporate securities These securities, including financial services industry hybrid securities classified within fixed maturity securities, are principally valued using the market and income approaches. Valuations are based primarily on matrix pricing or other similar techniques that utilize unobservable inputs or cannot be derived principally from, or corroborated by, observable market data, including illiquidity premiums and spread adjustments to reflect industry trends or specific credit-related issues. Valuations may be based on independent non-binding broker quotations. Generally, below investment grade privately placed or distressed securities included in this level are valued using discounted cash flow methodologies which rely upon significant, unobservable inputs and inputs that cannot be derived principally from, or corroborated by, observable market data.

Structured securities comprised of RMBS, CMBS and ABS fixed maturity securities These securities are principally valued using the market approach. Valuation is based primarily on matrix pricing or other similar techniques that utilize inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data, or are based on independent non-binding broker quotations. Below investment grade securities and ABS supported by sub-prime mortgage loans included in this level are valued based on inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2, and certain of these securities are valued based on independent non-binding broker quotations.

Foreign government and state and political subdivision fixed maturity securities These securities are principally valued using the market approach. Valuation is based primarily on matrix pricing or other similar techniques, however these securities are less liquid and certain of the inputs are based on very limited trading activity.

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

Equity securities common and non-redeemable preferred stock These securities, including privately held securities and financial services industry hybrid securities classified within equity securities, are principally valued using the market and income approaches. Valuations are based primarily on matrix pricing or other similar techniques using inputs such as comparable credit rating and issuance structure. Equity securities valuations determined with discounted cash flow methodologies use inputs such as earnings multiples based on comparable public companies, and industry-specific non-earnings based multiples. Certain of these securities are valued based on independent non-binding broker quotations.

Trading Securities and Short-term Investments. Trading securities and short-term investments are of a similar nature to Level 3 fixed maturity and equity securities; accordingly, the valuation techniques and significant market standard observable inputs used in their valuation are similar to those described above for fixed maturity and equity securities.

Non-option based interest rate derivative assets and derivative liabilities These derivatives are principally valued using an income approach. Valuations are based on present value techniques, which generally utilize the same inputs as described in the section above for Level 2 measurements of non-option based interest rate derivatives. However, these derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant unobservable inputs may include pull through rates on interest rate lock commitments and the extrapolation beyond observable limits of the swap yield curve and LIBOR basis curves.

Option based interest rate derivative assets and derivative liabilities These derivatives are principally valued using an income approach. Valuations are based on option pricing models, which generally utilize the same inputs as described in the section above for Level 2 measurements of option based interest rate derivatives. However, these derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant unobservable inputs may include the extrapolation beyond observable limits of the swap yield curve, LIBOR basis curves, and interest rate volatility.

Non-option based foreign currency derivative assets and derivative liabilities These derivatives are principally valued using an income approach. Valuations are based on present value techniques, which generally utilize the same inputs as described in the section above for Level 2 measurements of non-option based foreign currency derivatives. However, these derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant unobservable inputs may include the extrapolation beyond observable limits of the swap yield curve, LIBOR basis curves and cross currency basis curves. Certain of these derivatives are valued based on independent non-binding broker quotations.

Option based foreign currency derivative assets and derivative liabilities These derivatives are principally valued using an income approach. Valuations are based on option pricing models, which generally utilize the same inputs as described in the section above for Level 2 measurements of option based foreign currency derivatives. However, these derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant unobservable inputs may include currency correlation and the extrapolation beyond observable limits of the swap yield curve, LIBOR basis curves, cross currency basis curves and currency volatility.

Non-option based credit derivative assets and derivative liabilities These derivatives are principally valued using an income approach. Valuations are based on present value techniques, which generally utilize the same inputs as described in the section above for Level 2 measurements of non-option based credit derivatives. However, these derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant unobservable inputs may include credit correlation, repurchase rates, and the extrapolation beyond observable

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limits of the swap yield curve and credit curves. Certain of these derivatives are valued based on independent non-binding broker quotations.

Non-option based equity market derivative assets and derivative liabilities These derivatives are principally valued using an income approach. Valuations are based on present value techniques, which generally utilize the same inputs as described in the section above for Level 2 measurements of non-option based equity market derivatives. However, these derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant unobservable inputs may include the extrapolation beyond observable limits of dividend yield curves.

Option based equity market derivative assets and derivative liabilities These derivatives are principally valued using an income approach. Valuations are based on option pricing models, which generally utilize the same inputs as described in the section above for Level 2 measurements of option based equity market derivatives. However, these derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant unobservable inputs may include the extrapolation beyond observable limits of dividend yield curves and equity volatility.

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

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

Embedded derivatives within funds withheld at interest related to certain ceded reinsurance These derivatives are principally valued using an income approach. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve and the fair value of assets within the reference portfolio. These embedded derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant unobservable inputs generally include: the fair value of certain assets within the reference portfolio which are not observable in the market and cannot be derived principally from, or corroborated by, observable market data.

Separate account assets These securities consist of fixed maturity securities, equity securities and derivatives referred to above. Separate account assets within this level also include mortgage loans and other limited partnership interests.

The estimated fair value of mortgage loans is determined by discounting expected future cash flows, using current interest rates for similar loans with similar credit risk. Other limited partnership interests are valued giving consideration to the value of the underlying holdings of the partnerships and by applying

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

a premium or discount, if appropriate, for factors such as liquidity, bid/ask spreads, the performance record of the fund manager or other relevant variables which may impact the exit value of the particular partnership interest.

A rollforward of all assets and liabilities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs for the three months ended March 31, 2010 and 2009 is as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
		Total Realized/Unrealized Gains (Losses) included in:					
	Balance, Beginning of Period	Earnings (1), (2)	Other Comprehensive Income (Loss)	Purchases, Sales, Issuances and Settlements (3)	Transfer Into Level 3 (5)	Transfer Out of Level 3 (4)	Balance, End of Period
				(In millions)			
For the Three Months Ended March 31, 2010:							
Fixed maturity securities:							
U.S. corporate securities	$ 6,694	$ 10	$ 216	$ (547)	$ 84	$ (118)	$ 6,339
RMBS	1,840	14	17	192	24	(160)	1,927
Foreign corporate securities	5,292	6	216	36	58	(230)	5,378
U.S. Treasury, agency and government guaranteed securities	37		1	(2)			36
CMBS	139	(5)	15	3	100	(27)	225
ABS	2,712	(9)	144	178	10	(212)	2,823
Foreign government securities	401	(4)	3	(42)		(136)	222
State and political subdivision securities	69		7	25			101
Other fixed maturity securities	6						6
Total fixed maturity securities	$ 17,190	$ 12	$ 619	$ (157)	$ 276	$ (883)	$ 17,057
Equity securities:							
Common stock	$ 136	$	$ 4	$ 21	$	$ (2)	$ 159
Non-redeemable preferred stock	1,104	1	19	(113)		(3)	1,008

Total equity securities	$ 1,240	$ 1	$ 23	$ (92)	$	$ (5)	$ 1,167
Trading securities	$ 83	$ (1)	$	$ (24)	$	$ (18)	$ 40
Short-term investments	$ 23	$	$	$ 28	$ 48	$ (2)	$ 97
Mortgage loans	$ 25	$	$	$	$ 6	$ (3)	$ 28
Net derivatives: (5)							
Interest rate contracts	$ 7	$ 27	$	$	$	$	$ 34
Foreign currency contracts	108	(21)	(1)	(12)			74
Credit contracts	42		3	2			47
Equity market contracts	199	(125)	1	5			80
Total net derivatives	$ 356	$ (119)	$ 3	$ (5)	$	$	$ 235
Mortgage servicing rights (6), (7)	$ 878	$ (55)	$	$ 36	$	$	$ 859
Separate account assets (8)	$ 1,895	$ 38	$	$	$ 21	$ (156)	$ 1,798
Net embedded derivatives (9)	$ (1,455)	$ 519	$ 10	$ (68)	$	$	$ (994)
Long-term debt of consolidated securitization entities (10)	$	$ (12)	$	$ 232	$	$	$ 220

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
		Total Realized/Unrealized Gains (Losses) included in:		Purchases,		
	Balance, Beginning of Period	Earnings (1),(2)	Other Comprehensive Income (Loss)	Sales, Issuances and Settlements (3)	Transfer In and/or Out of Level 3 (4)	Balance, End of Period
	(In millions)					
For the Three Months Ended March 31, 2009:						
Fixed maturity securities:						
U.S. corporate securities	$ 7,498	$ (109)	$ (419)	$ (95)	$ (8)	$ 6,867
RMBS	595	(6)	8	(59)	(25)	513
Foreign corporate securities	5,944	(146)	(330)	(38)	(1,379)	4,051
U.S. Treasury, agency and government guaranteed securities	88		(2)	(2)	(21)	63
CMBS	260		(13)	(4)		243
ABS	2,452	(59)	(251)	(110)	16	2,048
Foreign government securities	408	(48)	51	(114)	(24)	273
State and political subdivision securities	123		(2)	20	(41)	100
Other fixed maturity securities	40			(32)		8
Total fixed maturity securities	$ 17,408	$ (368)	$ (958)	$ (434)	$ (1,482)	$ 14,166
Equity securities:						
Common stock	$ 105	$	$	$	$	$ 105
Non-redeemable preferred stock	1,274	(204)	(162)	(7)		901
Total equity securities	$ 1,379	$ (204)	$ (162)	$ (7)	$	$ 1,006
Trading securities	$ 175	$ 1	$	$ (65)	$ (6)	$ 105
Short-term investments	$ 100	$ (2)	$	$ (2)	$ (84)	$ 12
Mortgage and consumer loans	$ 177	$	$	$ 31	$ 3	$ 211
Net derivatives (5)	$ 2,547	$ 24	$ (77)	$ 94	$ (3)	$ 2,585
Mortgage servicing rights (6), (7)	$ 191	$ 4	$	$ 210	$	$ 405

Separate account assets (8)	$ 1,758	$ (218)	$	$ (61)	$ 21	$ 1,500
Net embedded derivatives (9)	$ (2,929)	$ 1,101	$ 41	$ (25)	$	$ (1,812)

(1) Amortization of premium/discount is included within net investment income which is reported within the earnings caption of total gains (losses). Impairments charged to earnings on securities, certain derivatives and certain mortgage loans are included within net investment gains (losses) which are reported within the earnings caption of total gains (losses); while impairments on certain derivatives, certain mortgage loans and MSRs are charged to other revenues. Lapses associated with embedded derivatives are included with the earnings caption of total gains (losses).

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

(3) The amount reported within purchases, sales, issuances and settlements is the purchase/issuance price (for purchases and issuances) and the sales/settlement proceeds (for sales and settlements) based upon the actual date purchased/issued or sold/settled. Items purchased/issued and sold/settled in the same period are excluded from the rollforward. For embedded derivatives, attributed fees are included within this caption along with settlements, if any.

MetLife, Inc.

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

(4) Total gains and losses (in earnings and other comprehensive income (loss)) are calculated assuming transfers in and/or out of Level 3 occurred at the beginning of the period. Items transferred in and out in the same period are excluded from the rollforward.

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

(6) The additions and reductions (due to loan payments) affecting MSRs were $59 million and ($23) million, respectively, for the three months ended March 31, 2010 and $235 million and ($25) million, respectively, for the three months ended March 31, 2009.

(7) The changes in estimated fair value due to changes in valuation model inputs or assumptions, and other changes in estimated fair value affecting MSRs were ($55) million and $0, respectively, for the three months ended March 31, 2010, and $3 million and $1 million, respectively, for the three months ended March 31, 2009.

(8) Investment performance related to separate account assets is fully offset by corresponding amounts credited to contractholders whose liability is reflected within separate account liabilities.

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

(10) The long-term debt at January 1, 2010 of the consolidated securitization entities is reported within the purchases, sales, issuances and settlements activity column of the rollforward.

Transfers between Levels 1 and 2 During the three months ended March 31, 2010, transfers between Levels 1 and 2 were not significant.

Transfers in or out of Level 3 Overall, transfers in and/or out of Level 3 are attributable to a change in the observability of inputs. Assets and liabilities are transferred into Level 3 when a significant input cannot be corroborated with market observable data. This occurs when market activity decreases significantly and transparency to underlying inputs cannot be observed, current prices are not available, and when there are significant variances in quoted prices. Assets and liabilities are transferred out of Level 3 when circumstances change such that significant inputs can be corroborated with market observable data. This may be due to a significant increase in market activity, a specific event, or one or more significant input(s) becoming observable. Transfers in and/or out of any level are assumed to occur at the beginning of the period. Significant transfers in and/or out of Level 3 assets and liabilities for the three months ended March 31, 2010 are summarized as described below.

During the three months ended March 31, 2010, fixed maturity securities transfers into Level 3 of $276 million and separate account assets transfers into Level 3 of $21 million resulted primarily from current market conditions characterized by a lack of trading activity, decreased liquidity, securities going into default and credit ratings downgrades (e.g., from investment grade to below investment grade). These current market conditions have resulted in decreased transparency of valuations and an increased use of broker quotations and unobservable inputs to determine estimated fair value principally for certain CMBS and U.S. and foreign corporate securities.

During the three months ended March 31, 2010, fixed maturity securities transfers out of Level 3 of $883 million and separate account assets transfers out of Level 3 of $156 million resulted primarily from increased transparency of both new issuances that subsequent to issuance and establishment of trading activity, became priced by pricing services and existing issuances that, over time, the Company was able to corroborate pricing received from independent pricing services with observable inputs, increases in market activity and upgraded credit ratings primarily for certain U.S. and foreign corporate securities, ABS and RMBS.

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

The tables below summarize both realized and unrealized gains and losses for the three months ended March 31, 2010 and 2009 due to changes in estimated fair value recorded in earnings for Level 3 assets and liabilities:

	Total Gains and Losses Classification of Realized/Unrealized Gains (Losses) included in Earnings					
	Net Investment Income	Net Investment Gains (Losses)	Other Revenues	Policyholder Benefits and Claims	Other Expenses	Total
	(In millions)					
For the Three Months Ended March 31, 2010:						
Fixed maturity securities:						
U.S. corporate securities	$ 5	$ 5	$	$	$	$ 10
RMBS	14					14
Foreign corporate securities	1	5				6
U.S. Treasury, agency and government guaranteed securities						
CMBS		(5)				(5)
ABS	10	(19)				(9)
Foreign government securities	(3)	(1)				(4)
Total fixed maturity securities	$ 27	$ (15)	$	$	$	$ 12
Equity securities:						
Common stock	$	$	$	$	$	$
Non-redeemable preferred stock		1				1
Total equity securities	$	$ 1	$	$	$	$ 1
Trading securities	$ (1)	$	$	$	$	$ (1)
Net derivatives:						
Interest rate contracts	$	$ 13	$ 14	$	$	$ 27
Foreign currency contracts		(17)			(4)	(21)
Credit contracts						
Equity market contracts	(4)	(121)				(125)
Total net derivatives	$ (4)	$ (125)	$ 14	$	$ (4)	$ (119)
Mortgage servicing rights	$	$	$ (55)	$	$	$ (55)
Net embedded derivatives	$	$ 540	$	$ (21)	$	$ 519

Long-term debt of consolidated securitization entities	$	$	(12)	$	$	$	$ (12)

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

	Total Gains and Losses Classification of Realized/Unrealized Gains (Losses) included in Earnings					
	Net Investment Income	Net Investment Gains (Losses)	Other Revenues	Policyholder Benefits and Claims	Other Expenses	Total
	(In millions)					
For the Three Months Ended March 31, 2009:						
Fixed maturity securities:						
U.S. corporate securities	$ 4	$ (113)	$	$	$	$ (109)
RMBS		(6)				(6)
Foreign corporate securities	(1)	(145)				(146)
U.S. Treasury, agency and government guaranteed securities						
CMBS	1	(1)				
ABS	1	(60)				(59)
Foreign government securities	3	(51)				(48)
State and political subdivision securities						
Other fixed maturity securities						
Total fixed maturity securities	$ 8	$ (376)	$	$	$	$ (368)
Equity securities:						
Common stock	$	$	$	$	$	$
Non-redeemable preferred stock		(204)				(204)
Total equity securities	$	$ (204)	$	$	$	$ (204)
Trading securities	$ 1	$	$	$	$	$ 1
Short-term investments	$	$ (2)	$	$	$	$ (2)
Net derivatives	$ (19)	$ 13	$ 30	$	$	$ 24
Mortgage servicing rights	$	$	$ 4	$	$	$ 4
Net embedded derivatives	$	$ 1,085	$	$ 16	$	$ 1,101

The tables below summarize the portion of unrealized gains and losses recorded in earnings for the three months ended March 31, 2010 and 2009 for Level 3 assets and liabilities that were still held at March 31, 2010 and 2009, respectively.

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MetLife, Inc.

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

	Changes in Unrealized Gains (Losses) Relating to Assets and Liabilities Held at March 31, 2010					
	Net Investment Income	Net Investment Gains (Losses)	Other Revenues	Policyholder Benefits and Claims	Other Expenses	Total
	(In millions)					
For the Three Months Ended March 31, 2010:						
Fixed maturity securities:						
U.S. corporate securities	$ 4	$ (14)	$	$	$	$ (10)
RMBS	14					14
Foreign corporate securities	1	(8)				(7)
U.S. Treasury, agency and government guaranteed securities						
CMBS		(5)				(5)
ABS	10	(19)				(9)
Foreign government securities	(3)					(3)
Total fixed maturity securities	$ 26	$ (46)	$	$	$	$ (20)
Equity securities:						
Common stock	$	$ (1)	$	$	$	$ (1)
Non-redeemable preferred stock						
Total equity securities	$	$ (1)	$	$	$	$ (1)
Trading securities	$ (1)	$	$	$	$	$ (1)
Net derivatives:						
Interest rate contracts	$	$ 13	$ 19	$	$	$ 32
Foreign currency contracts		(16)			(3)	(19)
Credit contracts						
Equity market contracts	(4)	(115)				(119)
Total net derivatives	$ (4)	$ (118)	$ 19	$	$ (3)	$ (106)
Mortgage servicing rights	$	$	$ (54)	$	$	$ (54)
Net embedded derivatives	$	$ 536	$	$ (21)	$	$ 515
Long-term debt of consolidated securitization entities	$	$ (12)	$	$	$	$ (12)

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

	Changes in Unrealized Gains (Losses) Relating to Assets and Liabilities Held at March 31, 2009				
	Net Investment Income	Net Investment Gains (Losses)	Other Revenues	Policyholder Benefits and Claims	Total
			(In millions)		
For the Three Months Ended March 31, 2009:					
Fixed maturity securities:					
U.S. corporate securities	$ 4	(109)	$	$	$ (105)
RMBS					
Foreign corporate securities	(1)	(138)			(139)
U.S. Treasury, agency and government guaranteed securities					
CMBS	1	(1)			
ABS	1	(61)			(60)
Foreign government securities	2				2
State and political subdivision securities					
Other fixed maturity securities					
Total fixed maturity securities	$ 7	$ (309)	$	$	$ (302)
Equity securities:					
Common stock	$	$	$	$	$
Non-redeemable preferred stock		(183)			(183)
Total equity securities	$	$ (183)	$	$	$ (183)
Trading securities	$ 1	$	$	$	$ 1
Short-term investments	$	$ (2)	$	$	$ (2)
Net derivatives	$ (19)	$ 55	$ 67	$	$ 103
Net embedded derivatives	$	$ 1,076	$	$ 16	$ 1,092

Fair Value Option Mortgage Loans Held-For-Sale

The Company has elected fair value accounting for certain residential mortgage loans held-for-sale. The following table presents residential mortgage loans held-for-sale carried under the fair value option at:

	March 31, 2010	December 31, 2009

	(In millions)	
Unpaid principal balance	$ 1,597	$ 2,418
Excess estimated fair value over unpaid principal balance	50	52
Carrying value at estimated fair value	$ 1,647	$ 2,470
Loans in non-accrual status	$ 2	$ 4
Loans more than 90 days past due	$ 2	$ 2
Loans in non-accrual status or more than 90 days past due, or both difference between aggregate estimated fair value and unpaid principal balance	$ (1)	$ (2)

Residential mortgage loans held-for-sale accounted for under the fair value option are initially measured at estimated fair value. Interest income on residential mortgage loans held-for-sale is recorded based on the stated rate

MetLife, Inc.

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

of the loan and is recorded in net investment income. Gains and losses from initial measurement, subsequent changes in estimated fair value and gains or losses on sales are recognized in other revenues, and such changes in estimated fair value were due to the following:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	(In millions)	
Instrument-specific credit risk based on changes in credit spreads for non-agency loans and adjustments in individual loan quality	$	$ (1)
Other changes in estimated fair value	110	185
Total gains (losses) recognized in other revenues	$ 110	$ 184

Fair Value Option Consolidated Securitization Entities

As discussed in Note 1, upon the adoption of new guidance effective January 1, 2010, the Company has elected fair value accounting for commercial mortgage loans and securities classified as trading securities held by and the related long-term debt of the consolidated securitization entities. Information on the fair value of the securities classified as trading securities is presented in Note 3 Investments Trading Securities. The following table presents these commercial mortgage loans carried under the fair value option at:

	March 31, 2010 (In millions)
Unpaid principal balance	$ 7,138
Excess of unpaid principal balance over estimated fair value	(73)
Carrying value at estimated fair value	$ 7,065

The following table presents the long-term debt carried under the fair value option related to both the commercial mortgage loans and securities classified as trading securities at:

	March 31, 2010 (In millions)
Contractual principal balance	$ 7,112
Excess of contractual principal balance over estimated fair value	(6)

Carrying value at estimated fair value	$	7,106

Interest income on commercial mortgage loans held by consolidated securitization entities is recorded in net investment income. Interest expense on long-term debt of consolidated securitization entities is recorded in other expenses. Gains and losses from initial measurement, subsequent changes in estimated fair value and gains or losses on sales of both the commercial mortgage loans and long-term debt are recognized in net investment gains (losses), which is summarized in Note 3 Investments Net Investment Gains (Losses).

Non-Recurring Fair Value Measurements

Certain assets are measured at estimated fair value on a non-recurring basis and are not included in the tables above. The amounts below relate to certain investments measured at estimated fair value during the period and still held as of the reporting dates.

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

	For the Three Months Ended March 31,					
	2010			2009		
	Carrying Value Prior to Impairment	Estimated Fair Value After Impairment	Gains (Losses)	Carrying Value Prior to Impairment	Estimated Fair Value After Impairment	Gains (Losses)
	(In millions)					
Mortgage loans: (1)						
Held-for-investment	$ 165	$ 141	$ (24)	$ 261	$ 235	$ (26)
Held-for-sale	13	13				
Mortgage loans, net	$ 178	$ 154	$ (24)	$ 261	$ 235	$ (26)
Other limited partnership interests (2)	$	$	$	$ 170	$ 74	$ (96)
Real estate joint ventures (3)	$ 26	$ 5	$ (21)	$	$	$

(1) *Mortgage Loans* The impaired mortgage loans presented above were written down to their estimated fair values at the date the impairments were recognized. Estimated fair values for impaired mortgage loans are based on observable market prices or, if the loans are in foreclosure or are otherwise determined to be collateral dependent, on the estimated fair value of the underlying collateral, or the present value of the expected future cash flows. Impairments to estimated fair value represent non-recurring fair value measurements that have been categorized as Level 3 due to the lack of price transparency inherent in the limited markets for such mortgage loans.

(2) *Other Limited Partnership Interests* The impaired investments presented above were accounted for using the cost basis. Impairments on these cost basis investments were recognized at estimated fair value determined from information provided in the financial statements of the underlying entities in the period in which the impairment was incurred. These impairments to estimated fair value represent non-recurring fair value measurements that have been classified as Level 3 due to the limited activity and price transparency inherent in the market for such investments. This category includes several private equity and debt funds that typically invest primarily in a diversified pool of investments across certain investment strategies including domestic and international leveraged buyout funds; power, energy, timber and infrastructure development funds; venture capital funds; below investment grade debt and mezzanine debt funds. The estimated fair values of these investments have been determined using the NAV of the Company s ownership interest in the partners capital. Distributions from these investments will be generated from investment gains, from operating income from the underlying investments of the funds of less than $1 million and from liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next 2 to 10 years. Unfunded commitments for these investments were less than $1 million at March 31, 2010.

(3) *Real Estate Joint Ventures* The impaired investments presented above were accounted for using the cost basis. Impairments on these cost basis investments were recognized at estimated fair value determined from

information provided in the financial statements of the underlying entities in the period in which the impairment was incurred. These impairments to estimated fair value represent non-recurring fair value measurements that have been classified as Level 3 due to the limited activity and price transparency inherent in the market for such investments. This category includes several real estate funds that typically invest primarily in commercial real estate. The estimated fair values of these investments have been determined using the NAV of the Company s ownership interest in the partners capital. Distributions from these investments will be generated from investment gains, from operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next 2 to 10 years. Unfunded commitments for these investments were $13 million at March 31, 2010.

MetLife, Inc.

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

6. Closed Block

On April 7, 2000, (the Demutualization Date), MLIC converted from a mutual life insurance company to a stock life insurance company and became a wholly-owned subsidiary of MetLife, Inc. The conversion was pursuant to an order by the New York Superintendent of Insurance approving MLIC s plan of reorganization, as amended (the Plan). On the Demutualization Date, MLIC established a closed block for the benefit of holders of certain individual life insurance policies of MLIC.

Recent experience within the closed block, in particular mortality and investment yields, as well as realized and unrealized losses, have resulted in a policyholder dividend obligation of zero at both March 31, 2010 and December 31, 2009. The policyholder dividend obligation of zero and the Company s decision to revise the expected policyholder dividend scales, which are based upon statutory results, have resulted in a reduction to both actual and expected cumulative earnings of the closed block. Amortization of the closed block DAC, which resides outside of the closed block, will be based upon actual cumulative earnings rather than expected cumulative earnings of the closed block until such time as the actual cumulative earnings of the closed block exceed the expected cumulative earnings, at which time the policyholder dividend obligation will be reestablished. Actual cumulative earnings less than expected cumulative earnings will result in future adjustments to DAC and net income of the Company and increase sensitivity of the Company s net income to movements in closed block results.

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

	March 31, 2010	December 31, 2009
	(In millions)	
Closed Block Liabilities		
Future policy benefits	$ 43,462	$ 43,576
Other policyholder funds	329	307
Policyholder dividends payable	637	615
Other liabilities	639	576
Total closed block liabilities	45,067	45,074
Assets Designated to the Closed Block		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $27,309 and $27,129, respectively)	28,025	27,375
Equity securities available-for-sale, at estimated fair value (cost: $156 and $204, respectively)	164	218
Mortgage loans	6,151	6,200
Policy loans	4,569	4,538
Real estate and real estate joint ventures held-for-investment	314	321
Short-term investments		1
Other invested assets	491	463

Total investments		39,714		39,116
Cash and cash equivalents		186		241
Accrued investment income		530		489
Premiums, reinsurance and other receivables		105		78
Current income tax recoverable		32		112
Deferred income tax assets		431		612
Total assets designated to the closed block		40,998		40,648
Excess of closed block liabilities over assets designated to the closed block		4,069		4,426
Amounts included in accumulated other comprehensive income (loss):				
Unrealized investment gains (losses), net of income tax of $255 and $89, respectively		474		166
Unrealized gains (losses) on derivative instruments, net of income tax of $0 and ($3), respectively				(5)
Total amounts included in accumulated other comprehensive income (loss)		474		161
Maximum future earnings to be recognized from closed block assets and liabilities	$	4,543	$	4,587

MetLife, Inc.

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

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

	Three Months Ended March 31,	
	2010	2009
	(In millions)	
Revenues		
Premiums	$ 575	$ 635
Net investment income and other revenues	583	533
Net investment gains (losses):		
Other-than-temporary impairments on fixed maturity securities		(36)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive loss		
Other net investment gains (losses), net	12	190
Total net investment gains (losses)	12	154
Total revenues	1,170	1,322
Expenses		
Policyholder benefits and claims	733	786
Policyholder dividends	321	366
Other expenses	50	52
Total expenses	1,104	1,204
Revenues, net of expenses before provision for income tax expense (benefit)	66	118
Provision for income tax expense (benefit)	22	41
Revenues, net of expenses and provision for income tax expense (benefit)	$ 44	$ 77

The change in the maximum future earnings of the closed block is as follows:

	Three Months Ended March 31,	
	2010	2009
	(In millions)	
Balance, end of period	$ 4,543	$ 4,441

Balance, beginning of period	4,587	4,518
Change during period	$ (44)	$ (77)

MLIC charges the closed block with federal income taxes, state and local premium taxes and other additive state or local taxes, as well as investment management expenses relating to the closed block as provided in the Plan. MLIC also charges the closed block for expenses of maintaining the policies included in the closed block.

7. Long-term and Short-term Debt

The following represents significant changes in debt from the amounts reported in Note 11 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report. See Note 3 for discussion of long-term debt of consolidated securitization entities.

MetLife, Inc.

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

Repurchase Agreements with the Federal Home Loan Bank of New York

MetLife Bank, National Association (MetLife Bank) is a member of the FHLB of NY and held $100 million and $124 million of common stock of the FHLB of NY at March 31, 2010 and December 31, 2009, respectively, which is included in equity securities. MetLife Bank has also entered into repurchase agreements with the FHLB of NY whereby MetLife Bank has issued repurchase agreements in exchange for cash and for which the FHLB of NY has been granted a blanket lien on certain of MetLife Bank s residential mortgages, mortgage loans held-for-sale, commercial mortgages and mortgage-backed securities to collateralize MetLife Bank s obligations under the repurchase agreements. MetLife Bank maintains control over these pledged assets, and may use, commingle, encumber or dispose of any portion of the collateral as long as there is no event of default and the remaining qualified collateral is sufficient to satisfy the collateral maintenance level. The repurchase agreements and the related security agreement represented by this blanket lien provide that upon any event of default by MetLife Bank, the FHLB of NY s recovery is limited to the amount of MetLife Bank s liability under the outstanding repurchase agreements. The amount of MetLife Bank s liability for repurchase agreements entered into with the FHLB of NY was $1.9 billion and $2.4 billion at March 31, 2010 and December 31, 2009, respectively, which is included in long-term debt and short term debt depending upon the original tenor of the advance. During the three months ended March 31, 2010 and 2009, MetLife Bank received advances related to long-term borrowings totaling $163 million and $50 million, respectively, from the FHLB of NY. MetLife Bank made repayments to the FHLB of NY of $114 million and $100 million related to long-term borrowings for the three months ended March 31, 2010 and 2009, respectively. The advances on the repurchase agreements related to both long-term and short-term debt were collateralized by residential mortgages, mortgage loans held-for-sale, commercial mortgages and mortgage-backed securities with estimated fair values of $5.6 billion and $5.5 billion at March 31, 2010 and December 31, 2009, respectively.

Credit and Committed Facilities

Concurrently with the entry into the Stock Purchase Agreement (see Note 2), the Holding Company signed a commitment letter (amended and restated on March 16, 2010) with various financial institutions for a senior credit facility in an aggregate principal amount of up to $5.0 billion. At the Holding Company s option, any loan under the senior credit facility will bear interest at a rate equal to (i) LIBOR plus the Applicable Margin (the Applicable Margin is 2.00% for the first 89 days after the closing date and, beginning on the 90th day after the closing date, is calculated using credit default swap rates on the Company s senior unsecured obligations plus a margin that increases with the amount of time that has passed since the closing), or (ii) the Base Rate (to be defined as the highest of (a) the Bank of America prime rate, (b) the Federal Funds rate plus 0.50% and (c) one month LIBOR plus 1.00%) plus the Applicable Margin. In addition, on the 90th, 180th and 270th day after the closing, the Company must pay a fee (increasing over time) equal to a percentage of the amounts outstanding under the credit facility on those dates. During the continuance of any default under the senior credit facility, the Applicable Margin on obligations owing thereunder shall increase by 2% per annum (subject, in all cases other than an insolvency default or default in the payment of principal when due, to the request of the Required Lenders (as defined therein). The senior credit facility will be used to finance any portion of the cash component of the purchase price of the Alico transaction that is not financed with sales of the Company s securities. Any borrowings under the senior credit facility must be repaid by the 364th day following the closing of the Alico transaction. Conditions precedent to closing of the senior credit facility are typical for transactions of this type, including (in addition to certain conditions precedent contained in the Stock Purchase Agreement): (i) no Material Adverse Effect (as defined in the commitment letter) since December 31, 2009 relating to the Holding Company and its subsidiaries, or November 30, 2009 relating to the Transferred Businesses (as defined in the commitment letter); (ii) long-term indebtedness of the Holding Company must be at or above a specified level as of closing; (iii) without consent of the lead arrangers, no change materially adverse to the lenders may be made in terms of the sources of funding for the transaction; and (iv) no term in the Stock Purchase Agreement may be waived adversely to the lenders without the consent of the lead arrangers.

MetLife, Inc.

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

8. Contingencies, Commitments and Guarantees

Contingencies

Litigation

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

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

On a quarterly and annual basis, the Company reviews relevant information with respect to litigation and contingencies to be reflected in the Company s consolidated financial statements. The review includes senior legal and financial personnel. Unless stated below, estimates of possible losses or ranges of loss for particular matters cannot in the ordinary course be made with a reasonable degree of certainty. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Liabilities have been established for a number of the matters noted below. It is possible that some of the matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be estimated at March 31, 2010.

Asbestos-Related Claims

MLIC is and has been a defendant in a large number of asbestos-related suits filed primarily in state courts. These suits principally allege that the plaintiff or plaintiffs suffered personal injury resulting from exposure to asbestos and seek both actual and punitive damages. MLIC has never engaged in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products nor has MLIC issued liability or workers compensation insurance to companies in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products. The lawsuits principally have focused on allegations with respect to certain research, publication and other activities of one or more of MLIC s employees during the period from the 1920 s through approximately the 1950 s and allege that MLIC learned or should have learned of certain health risks posed by asbestos and, among other things, improperly publicized or failed to disclose those health risks. MLIC believes that it should not have legal liability in these cases. The outcome of most asbestos litigation matters, however, is uncertain and can be impacted by numerous variables, including differences in legal rulings in various jurisdictions, the nature of the alleged injury and factors unrelated to the ultimate legal merit of the claims asserted against MLIC. MLIC employs a number of resolution strategies to manage its asbestos loss exposure, including seeking resolution of pending litigation by judicial rulings and settling individual or groups of claims or lawsuits under appropriate circumstances.

Claims asserted against MLIC have included negligence, intentional tort and conspiracy concerning the health risks associated with asbestos. MLIC s defenses (beyond denial of certain factual allegations) include that:

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(i) MLIC owed no duty to the plaintiffs it had no special relationship with the plaintiffs and did not manufacture, produce, distribute or sell the asbestos products that allegedly injured plaintiffs; (ii) plaintiffs did not rely on any actions of MLIC; (iii) MLIC s conduct was not the cause of the plaintiffs injuries; (iv) plaintiffs exposure occurred after the dangers of asbestos were known; and (v) the applicable time with respect to filing suit has expired. During the course of the litigation, certain trial courts have granted motions dismissing claims against MLIC, while other trial courts have denied MLIC s motions to dismiss. There can be no assurance that MLIC will receive favorable decisions on motions in the future. While most cases brought to date have settled, MLIC intends to continue to defend aggressively against claims based on asbestos exposure, including defending claims at trials.

As reported in the 2009 Annual Report, MLIC received approximately 3,910 asbestos-related claims in 2009. During the three months ended March 31, 2010 and 2009, MLIC received approximately 1,180 and 981 new asbestos-related claims, respectively. See Note 16 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report for historical information concerning asbestos claims and MLIC s increase in its recorded liability at December 31, 2002. The number of asbestos cases that may be brought, the aggregate amount of any liability that MLIC may incur, and the total amount paid in settlements in any given year are uncertain and may vary significantly from year to year.

The ability of MLIC to estimate its ultimate asbestos exposure is subject to considerable uncertainty, and the conditions impacting its liability can be dynamic and subject to change. The availability of reliable data is limited and it is difficult to predict with any certainty the numerous variables that can affect liability estimates, including the number of future claims, the cost to resolve claims, the disease mix and severity of disease in pending and future claims, the impact of the number of new claims filed in a particular jurisdiction and variations in the law in the jurisdictions in which claims are filed, the possible impact of tort reform efforts, the willingness of courts to allow plaintiffs to pursue claims against MLIC when exposure to asbestos took place after the dangers of asbestos exposure were well known, and the impact of any possible future adverse verdicts and their amounts.

The ability to make estimates regarding ultimate asbestos exposure declines significantly as the estimates relate to years further in the future. In the Company s judgment, there is a future point after which losses cease to be probable and reasonably estimable. It is reasonably possible that the Company s total exposure to asbestos claims may be materially greater than the asbestos liability currently accrued and that future charges to income may be necessary. While the potential future charges could be material in the particular quarterly or annual periods in which they are recorded, based on information currently known by management, management does not believe any such charges are likely to have a material adverse effect on the Company s financial position.

The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for asbestos-related claims. MLIC s recorded asbestos liability is based on its estimation of the following elements, as informed by the facts presently known to it, its understanding of current law and its past experiences: (i) the probable and reasonably estimable liability for asbestos claims already asserted against MLIC, including claims settled but not yet paid; (ii) the probable and reasonably estimable liability for asbestos claims not yet asserted against MLIC, but which MLIC believes are reasonably probable of assertion; and (iii) the legal defense costs associated with the foregoing claims. Significant assumptions underlying MLIC s analysis of the adequacy of its recorded liability with respect to asbestos litigation include: (i) the number of future claims; (ii) the cost to resolve claims; and (iii) the cost to defend claims.

MLIC reevaluates on a quarterly and annual basis its exposure from asbestos litigation, including studying its claims experience, reviewing external literature regarding asbestos claims experience in the United States, assessing relevant trends impacting asbestos liability and considering numerous variables that can affect its asbestos liability exposure on an overall or per claim basis. These variables include bankruptcies of other companies involved in asbestos litigation, legislative and judicial developments, the number of pending claims involving serious disease, the number of new claims filed against it and other defendants and the jurisdictions in which claims are pending. Based upon its regular reevaluation of its exposure from asbestos litigation, MLIC has updated its liability analysis for asbestos-related claims through March 31, 2010.

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Regulatory Matters

The Company receives and responds to subpoenas or other inquiries from state regulators, including state insurance commissioners; state attorneys general or other state governmental authorities; federal regulators, including the SEC; federal governmental authorities, including congressional committees; and the Financial Industry Regulatory Authority (FINRA) seeking a broad range of information. The issues involved in information requests and regulatory matters vary widely. Certain regulators have requested information and documents regarding contingent commission payments to brokers, the Company s awareness of any sham bids for business, bids and quotes that the Company submitted to potential customers, incentive agreements entered into with brokers, or compensation paid to intermediaries. On April 15, 2010, the Company and the Office of the U.S. Attorney for the Southern District of California signed an agreement that resolved the U.S. Attorney s investigation concerning payments that the Company had made to the insurance broker Universal Life Resources prior to 2005. Among other things, the agreement required the Company to make a $13.5 million payment. The Florida insurance regulator has initiated discussions with the Company regarding its investigation of contingent payments made to brokers. The Company has been cooperating fully in these inquiries.

In June 2008, the Environmental Protection Agency issued a Notice of Violation (NOV) regarding the operations of the Homer City Generating Station, an electrical generation facility. The NOV alleges, among other things, that the electrical generation facility is being operated in violation of certain federal and state Clean Air Act requirements. Homer City OL6 LLC, an entity owned by MLIC, is a passive investor with a noncontrolling interest in the electrical generation facility, which is solely operated by the lessee, EME Homer City Generation L.P. (EME Homer). Homer City OL6 LLC and EME Homer are among the respondents identified in the NOV. EME Homer has been notified of its obligation to indemnify Homer City OL6 LLC and MLIC for any claims resulting from the NOV and has expressly acknowledged its obligation to indemnify Homer City OL6 LLC.

Regulatory authorities in a small number of states and FINRA have had investigations or inquiries relating to sales of individual life insurance policies or annuities or other products by MLIC, MetLife Insurance Company of Connecticut, New England Mutual Life Insurance Company, New England Life Insurance Company and General American Life Insurance Company, and the four Company broker-dealers, which are MetLife Securities, Inc. (MSI), New England Securities Corporation, Walnut Street Securities, Inc. and Tower Square Securities, Inc. Over the past several years, these and a number of investigations by other regulatory authorities were resolved for monetary payments and certain other relief. The Company may continue to resolve investigations in a similar manner.

MSI is a defendant in two regulatory matters brought by the Illinois Department of Securities. In 2005, MSI received a notice from the Illinois Department of Securities asserting possible violations of the Illinois Securities Act in connection with alleged failure to disclose portability with respect to sales of a former affiliate s mutual funds and representative compensation with respect to proprietary products. A response has been submitted and in January 2008, MSI received notice of the commencement of an administrative action by the Illinois Department of Securities. In May 2008, MSI s motion to dismiss the action was denied. In the second matter, in December 2008 MSI received a Notice of Hearing from the Illinois Department of Securities based upon a complaint alleging that MSI failed to reasonably supervise one of its former registered representatives in connection with the sale of variable annuities to Illinois investors. MSI intends to vigorously defend against the claims in these matters.

Demutualization Actions

The Company is a defendant in two lawsuits challenging the fairness of the Plan and the adequacy and accuracy of MLIC s disclosure to policyholders regarding the Plan. The plaintiffs in the consolidated state court class action, *Fiala, et al. v. Metropolitan Life Ins. Co., et al. (Sup. Ct., N.Y. County, filed March 17, 2000)*, sought compensatory relief and punitive damages against MLIC, the Holding Company, and individual directors. The court certified a litigation class of present and former policyholders on plaintiffs claim that defendants violated section 7312 of the New York Insurance Law. The plaintiffs in the consolidated federal court class action, *In re MetLife Demutualization Litig. (E.D.N.Y., filed April 18, 2000)*, sought rescission and compensatory damages

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

against MLIC and the Holding Company. Plaintiffs asserted violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 in connection with the Plan, claiming that the Policyholder Information Booklets failed to disclose certain material facts and contained certain material misstatements. The court certified a litigation class of present and former policyholders. The parties to these two lawsuits entered into a settlement agreement in November 2009. The federal and state courts respectively approved the settlement in orders issued on February 12, 2010 and March 3, 2010. On March 2, 2010 and March 23, 2010, the federal and state courts entered final judgments confirming their approval of the settlement and dismissing the actions. On March 15, 2010, an objector filed a notice of appeal of the federal court s order approving the settlement.

Other Litigation

Travelers Ins. Co., et al. v. Banc of America Securities LLC (S.D.N.Y., filed December 13, 2001). On January 6, 2009, after a jury trial, the district court entered a judgment in favor of The Travelers Insurance Company, now known as MetLife Insurance Company of Connecticut, in the amount of approximately $42 million in connection with securities and common law claims against the defendant. On May 14, 2009, the district court issued an opinion and order denying the defendant s post judgment motion seeking a judgment in its favor or, in the alternative, a new trial. On June 3, 2009, the defendant filed a notice of appeal from the January 6, 2009 judgment and the May 14, 2009 opinion and order. As it is possible that the judgment could be affected during appellate practice, and the Company has not collected any portion of the judgment, the Company has not recognized any award amount in its consolidated financial statements.

Shipley v. St. Paul Fire and Marine Ins. Co. and Metropolitan Property and Casualty Ins. Co. (Ill. Cir. Ct., Madison County, filed February 26 and July 2, 2003). Two putative nationwide class actions have been filed against Metropolitan Property and Casualty Insurance Company in Illinois. One suit claims breach of contract and fraud due to the alleged underpayment of medical claims arising from the use of a purportedly biased provider fee pricing system. The second suit currently alleges breach of contract arising from the alleged use of preferred provider organizations to reduce medical provider fees covered by the medical claims portion of the insurance policy. Motions for class certification have been filed and briefed in both cases. *Simon v. Metropolitan Property and Casualty Ins. Co. (W.D. Okla., filed September 23, 2008),* a third putative nationwide class action lawsuit relating to payment of medical providers, is pending in federal court in Oklahoma. The Company is vigorously defending against the claims in these matters.

The American Dental Association, et al.v. MetLife Inc., et al. (S.D. Fla., filed May 19, 2003). The American Dental Association and three individual providers had sued the Holding Company, MLIC and other non-affiliated insurance companies in a putative class action lawsuit. The plaintiffs purported to represent a nationwide class of in-network providers who alleged that their claims were being wrongfully reduced by downcoding, bundling, and the improper use and programming of software. The complaint alleged federal racketeering and various state law theories of liability. All of plaintiffs claims except for breach of contract claims were dismissed with prejudice on March 2, 2009. By order dated March 20, 2009, the district court declined to retain jurisdiction over the remaining breach of contract claims and dismissed the lawsuit. On April 17, 2009, plaintiffs filed a notice of appeal from this order.

In Re Ins. Brokerage Antitrust Litig. (D. N.J., filed February 24, 2005). In this multi-district class action proceeding, plaintiffs complaint alleged that the Holding Company, MLIC, several non-affiliated insurance companies and several insurance brokers violated the Racketeer Influenced and Corrupt Organizations Act (RICO), the Employee Retirement Income Security Act of 1974 (ERISA), and antitrust laws and committed other misconduct in the context of providing insurance to employee benefit plans and to persons who participate in such employee benefit plans. In August and September 2007 and January 2008, the court issued orders granting defendants motions to dismiss with prejudice the federal antitrust, the RICO, and the ERISA claims. In February 2008, the court dismissed the remaining state law claims on jurisdictional grounds. Plaintiffs appeal from the orders dismissing their RICO and federal antitrust claims is pending with the U.S. Court of Appeals for the Third Circuit. A putative class action alleging that the Holding Company and other non-affiliated defendants

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violated state laws was transferred to the District of New Jersey but was not consolidated with other related actions. Plaintiffs   motion to remand this action to state court in Florida is pending.

Roberts, et al. v. Tishman Speyer Properties, et al. (Sup. Ct., N.Y. County, filed January 22, 2007). This lawsuit was filed by a putative class of market rate tenants at Stuyvesant Town and Peter Cooper Village against parties including Metropolitan Tower Life Insurance Company and Metropolitan Insurance and Annuity Company. These tenants claim that the Company, as former owner, and the current owner improperly deregulated apartments while receiving J-51 tax abatements. The lawsuit seeks declaratory relief and damages for rent overcharges. In August 2007, the trial court granted the Company s motion to dismiss. In March 2009, New York s intermediate appellate court reversed the trial court s decision and reinstated the lawsuit. The defendants appealed this ruling to the New York State Court of Appeals, which in October 2009 issued an opinion affirming the ruling of the intermediate appellate court. The action has been remanded to the trial court for further proceedings. Plaintiffs have filed an amended complaint and the Company has filed a motion to dismiss. The current owner is pursuing potential settlement of the claims against it.

Thomas, et al. v. Metropolitan Life Ins. Co., et al. (W.D. Okla., filed January 31, 2007). A putative class action complaint was filed against MLIC and MSI. Plaintiffs asserted legal theories of violations of the federal securities laws and violations of state laws with respect to the sale of certain proprietary products by the Company s agency distribution group. Plaintiffs sought rescission, compensatory damages, interest, punitive damages and attorneys   fees and expenses. In August 2009, the court granted defendants   motion for summary judgment. On September 29, 2009, plaintiffs filed a notice of appeal from the court s order dismissing the lawsuit.

Sales Practices Claims. Over the past several years, the Company has faced numerous claims, including class action lawsuits, alleging improper marketing or sales of individual life insurance policies, annuities, mutual funds or other products. Some of the current cases seek substantial damages, including punitive and treble damages and attorneys fees. The Company continues to vigorously defend against the claims in these matters. The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for sales practices matters.

Summary

Putative or certified class action litigation and other litigation and claims and assessments against the Company, in addition to those discussed previously and those otherwise provided for in the Company s consolidated financial statements, have arisen in the course of the Company s business, including, but not limited to, in connection with its activities as an insurer, mortgage lending bank, employer, investor, investment advisor and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning the Company s compliance with applicable insurance and other laws and regulations.

It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings or provide reasonable ranges of potential losses, except as noted previously in connection with specific matters. In some of the matters referred to previously, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Although in light of these considerations it is possible that an adverse outcome in certain cases could have a material adverse effect upon the Company s financial position, based on information currently known by the Company s management, in its opinion, the outcomes of such pending investigations and legal proceedings are not likely to have such an effect. However, given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company s consolidated net income or cash flows in particular quarterly or annual periods.

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

Commitments

Commitments to Fund Partnership Investments

The Company makes commitments to fund partnership investments in the normal course of business. The amounts of these unfunded commitments were $3.9 billion and $4.1 billion at March 31, 2010 and December 31, 2009, respectively. The Company anticipates that these amounts will be invested in partnerships over the next five years.

Mortgage Loan Commitments

The Company has issued interest rate lock commitments on certain residential mortgage loan applications totaling $2.8 billion and $2.7 billion at March 31, 2010 and December 31, 2009, respectively. The Company intends to sell the majority of these originated residential mortgage loans. Interest rate lock commitments to fund mortgage loans that will be held-for-sale are considered derivatives and their estimated fair value and notional amounts are included within interest rate forwards in Note 4.

The Company also commits to lend funds under certain other mortgage loan commitments that will be held-for-investment. The amounts of these mortgage loan commitments were $2.6 billion and $2.2 billion at March 31, 2010 and December 31, 2009, respectively.

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

The Company commits to lend funds under bank credit facilities, bridge loans and private corporate bond investments. The amounts of these unfunded commitments were $1.3 billion at both March 31, 2010 and December 31, 2009.

Guarantees

During the three months ended March 31, 2010, the Company did not record any additional liabilities for indemnities, guarantees and commitments. The Company s recorded liabilities were $5 million at both March 31, 2010 and December 31, 2009, for indemnities, guarantees and commitments.

9. Employee Benefit Plans

Pension and Other Postretirement Benefit Plans

Certain subsidiaries of the Holding Company (the Subsidiaries) sponsor and/or administer various qualified and non-qualified defined benefit pension plans and other postretirement employee benefit plans covering employees and sales representatives who meet specified eligibility requirements. The Subsidiaries also provide certain postemployment benefits and certain postretirement medical and life insurance benefits for retired employees. The Subsidiaries have issued group annuity and life insurance contracts supporting approximately 99% of all pension and other postretirement benefit plan assets, which are invested primarily in separate accounts sponsored by the Subsidiaries.

A December 31 measurement date is used for all of the Subsidiaries defined benefit pension and other postretirement benefit plans.

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The components of net periodic benefit cost were as follows:

	Pension Benefits Three Months Ended March 31,		Other Postretirement Benefits Three Months Ended March 31,	
	2010	2009	2010	2009
	(In millions)			
Service cost	$ 44	$ 43	$ 4	$ 6
Interest cost	99	100	28	32
Expected return on plan assets	(112)	(112)	(19)	(19)
Amortization of net actuarial (gains) losses	49	57	9	10
Amortization of prior service cost (credit)	2	2	(21)	(9)
Net periodic benefit cost	$ 82	$ 90	$ 1	$ 20

The components of net periodic benefit cost amortized from accumulated other comprehensive income (loss) were as follows:

	Pension Benefits Three Months Ended March 31,		Other Postretirement Benefits Three Months Ended March 31,	
	2010	2009	2010	2009
	(In millions)			
Amortization of net actuarial (gains) losses	$ 49	$ 57	$ 9	$ 10
Amortization of prior service cost (credit)	2	2	(21)	(9)
Subtotal	51	59	(12)	1
Deferred income tax expense (benefit)	(18)	(21)	(2)	
Components of net periodic benefit cost amortized from accumulated other comprehensive income (loss), net of income tax	$ 33	$ 38	$ (14)	$ 1

As disclosed in Note 17 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report, no contributions are required to be made to the Subsidiaries qualified pension plans during 2010; however, the Subsidiaries expected to make discretionary contributions of up to $150 million to the plans during 2010. At March 31, 2010, no discretionary contributions have yet been made to those plans. The Subsidiaries fund benefit payments for their non-qualified pension and other postretirement plans as due through their general assets.

10. Equity

Stock-Based Compensation Plans

Payout of 2007-2009 Performance Shares

Beginning in 2005, certain members of management were awarded Performance Shares under (and as defined in) the MetLife, Inc. 2005 Stock and Incentive Compensation Plan. Participants are awarded an initial target number of Performance Shares with the final number of Performance Shares payable being determined by the product of the initial target multiplied by a performance factor of 0.0 to 2.0 based on measurements of the Holding Company s performance. Performance Share awards normally vest in their entirety at the end of the three-year

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

performance period (subject to certain contingencies). Vested awards are payable in shares of the Holding Company s common stock.

The performance factor for the January 1, 2007 December 31, 2009 performance period was 94%. This factor has been applied to the 807,750 Performance Shares associated with that performance period that vested on December 31, 2009, and as a result 759,285 shares of the Holding Company s common stock (less withholding for taxes and other items, as applicable) will be issued during the second quarter of 2010 or on later dates. The performance factor applied for the January 1, 2007 - December 31, 2009 performance period was determined based on measurements of the Holding Company s performance that included: (i) the change in annual net operating earnings per share, as defined in the applicable award agreements; and (ii) the proportionate total shareholder return, as defined in the applicable award agreements, each with reference to the applicable three-year performance period relative to other Fortune 500 companies in the S&P Insurance Index with reference to the same three-year period.

11. Other Expenses

Information on other expenses is as follows:

	Three Months Ended March 31,	
	2010	2009
	(In millions)	
Compensation	$ 932	$ 913
Commissions	815	856
Interest and debt issue costs	380	255
Interest credited to bank deposits	39	43
Capitalization of DAC	(744)	(786)
Amortization of DAC and VOBA	602	929
Rent, net of sublease income	99	113
Insurance tax	115	125
Other	704	554
Total other expenses	$ 2,942	$ 3,002

Interest and Debt Issue Costs

Includes interest expense related to consolidated securitization entities of $106 million and $0, for the three months ended March 31, 2010 and 2009, respectively (see Note 3), and interest expense on tax audits of $10 million and $10 million, for the three months ended March 31, 2010 and 2009, respectively.

Costs Related to Pending Acquisition

Related to the pending acquisition of Alico discussed in Note 2, the Company incurred $27 million of transaction costs, which primarily consisted of investment banking and legal fees, for the three months ended March 31, 2010. Such costs were included in other expenses.

Integration related expenses incurred for the three months ended March 31, 2010 and included in other expenses were $2 million. Integration of Alico is an enterprise-wide initiative, and the expenses were incurred within Banking, Corporate & Other.

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

Restructuring Charges

In September 2008, the Company began an enterprise-wide cost reduction and revenue enhancement initiative which is expected to be fully implemented by December 31, 2010. This initiative is focused on reducing complexity, leveraging scale, increasing productivity and improving the effectiveness of the Company s operations, as well as providing a foundation for future growth. These restructuring costs were included in other expenses. As the expenses relate to an enterprise-wide initiative, they were incurred within Banking, Corporate & Other. Estimated restructuring costs may change as management continues to execute its restructuring plans. Restructuring charges associated with this enterprise-wide initiative are as follows:

	Three Months Ended March 31,	
	2010	2009
	(In millions)	
Balance, beginning of period	$ 36	$ 86
Severance charges	11	22
Change in severance charge estimates	2	(1)
Cash payments	(24)	(68)
Balance, end of period	$ 25	$ 39
Restructuring charges incurred in current period	$ 13	$ 21
Total restructuring charges incurred since inception of program	$ 190	$ 122

For the three months ended March 31, 2010 and 2009, the change in severance charge estimates of $2 million and ($1) million, respectively, was due to changes in estimates for variable incentive compensation, COBRA benefits, employee outplacement services and for employees whose severance status changed.

In addition to the above charges, the Company has recognized lease charges of $28 million associated with the consolidation of office space since inception of the program.

Management anticipates further restructuring charges including severance, lease and asset impairments will be incurred during the year ending December 31, 2010. However, such restructuring plans are not sufficiently developed to enable the Company to make an estimate of such restructuring charges at March 31, 2010.

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12. Earnings Per Common Share

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

	Three Months Ended March 31,			
	2010		2009	
	(In millions, except share and per share data)			
Weighted Average Shares:				
Weighted average common stock outstanding for basic earnings per common share		822,654,945		809,101,944
Incremental common shares from assumed:				
Exercise or issuance of stock-based awards (1)		5,966,444		
Weighted average common stock outstanding for diluted earnings per common share		828,621,389		809,101,944
Income (Loss) from Continuing Operations:				
Income (loss) from continuing operations, net of income tax	$	833	$	(585)
Less: Income (loss) attributable to noncontrolling interests, net of income tax		(1)		(4)
Less: Preferred stock dividends		30		30
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc. s common shareholders	$	804	$	(611)
Basic	$	0.98	$	(0.76)
Diluted	$	0.97	$	(0.76)
Income from Discontinued Operations:				
Income (loss) from discontinued operations, net of income tax	$	1	$	37
Less: Income from discontinued operations, net of income tax, attributable to noncontrolling interests				
Income (loss) from discontinued operations, net of income tax, available to MetLife, Inc. s common shareholders	$	1	$	37
Basic	$		$	0.05

Diluted	$		$	0.05
Net Income (Loss):				
Net income (loss)	$	834	$	(548)
Less: Net income (loss) attributable to noncontrolling interests		(1)		(4)
Less: Preferred stock dividends		30		30
Net income (loss) available to MetLife, Inc. s common shareholders	$	805	$	(574)
Basic	$	0.98	$	(0.71)
Diluted	$	0.97	$	(0.71)

(1) For the three months ended March 31, 2009, 1,679,455 shares related to the assumed exercise or issuance of stock-based awards have been excluded from the calculation of diluted earnings per common share as these assumed shares are anti-dilutive.

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

13. Business Segment Information

The Company s business is currently divided into five operating segments. The Company s U.S. Business operations consists of the Insurance Products, Retirement Products, Corporate Benefit Funding and Auto & Home segments. The Company also has an International segment. In addition, the Company reports certain of its results of operations in Banking, Corporate & Other.

Insurance Products offers a broad range of protection products and services to individuals, corporations and other institutions, and is organized into three distinct businesses: Group Life, Individual Life and Non-Medical Health. Group Life insurance products and services include variable life, universal life and term life. Individual Life includes variable life, universal life, term life and whole life insurance products. Non-Medical Health includes short- and long-term disability, long-term care, dental insurance, and other insurance products. Retirement Products offers asset accumulation and income products, including a wide variety of annuities. Corporate Benefit Funding offers pension risk solutions, structured settlements, stable value and investment products and other benefit funding products. Auto & Home provides personal lines property and casualty insurance, including private passenger automobile, homeowners and personal excess liability insurance.

International provides life insurance, accident and health insurance, annuities and retirement products to both individuals and groups.

Banking, Corporate & Other contains the excess capital not allocated to the business segments, the results of operations of MetLife Bank, various start-up entities and run-off entities, as well as interest expense related to the majority of the Company s outstanding debt and expenses associated with certain legal proceedings and income tax audit issues. Banking, Corporate & Other also includes the elimination of intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings.

Operating earnings is the measure of segment profit or loss the Company uses to evaluate segment performance and allocate resources. Consistent with GAAP accounting guidance for segment reporting, it is the Company s measure of segment performance reported below. Operating earnings does not equate to income (loss) from continuing operations, net of income tax or net income (loss) as determined in accordance with GAAP and should not be viewed as a substitute for those GAAP measures. The Company believes the presentation of operating earnings herein as we measure it for management purposes enhances the understanding of its performance by highlighting the results from operations and the underlying profitability drivers of the businesses.

Operating earnings is defined as operating revenues less operating expenses, net of income tax.

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

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

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

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

Set forth in the tables below is certain financial information with respect to the Company s segments, as well as Banking, Corporate & Other for the three months ended March 31, 2010 and 2009. The accounting policies of the segments are the same as those of the Company, except for the method of capital allocation and the accounting for gains (losses) from intercompany sales, which are eliminated in consolidation. 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 businesses. As a part of the economic capital process, a portion of net investment income is credited to the segments based on the level of allocated equity. The Company allocates certain non-recurring items, such as expenses associated with certain legal proceedings, to Banking, Corporate & Other.

	Operating Earnings									
			U.S. Business							
ree Months Ended arch 31, 2010	Insurance Products	Retirement Products	Corporate Benefit Funding	Auto & Home	Total	International	Banking, Corporate & Other	Total	Adjustments	Total Consolidat
					(In millions)					
evenues										
emiums	$ 4,323	$ 123	$ 801	$ 714	$ 5,961	$ 893	$	$ 6,854	$	$ 6,85
niversal life and vestment- type oduct policy fees	549	513	55		1,117	291		1,408	(1)	1,40
et investment income	1,504	773	1,270	53	3,600	450	243	4,293	51	4,34
her revenues	189	48	64	(2)	299	1	213	513		51
et investment gains osses)									72	7
otal revenues	6,565	1,457	2,190	765	10,977	1,635	456	13,068	122	13,19
xpenses										
licyholder benefits d claims and licyholder dividends	4,847	354	1,362	494	7,057	838	(5)	7,890	24	7,91
erest credited to licyholder account lances	234	406	355		995	151		1,146	(3)	1,14
erest credited to nk deposits							39	39		3
pitalization of DAC	(206)	(234)	(8)	(104)	(552)	(192)		(744)		(74
mortization of DAC d VOBA	239	133	4	107	483	105		588	14	60
erest expense			2		2	1	261	264	106	37
her expenses	992	554	124	179	1,849	522	274	2,645	30	2,67

tal expenses	6,106	1,213	1,839	676	9,834	1,425	569	11,828	171	11,99
ovision for income x expense (benefit)	161	85	123	17	386	59	(69)	376	(18)	35
perating earnings	$ 298	$ 159	$ 228	$ 72	$ 757	$ 151	$ (44)	864		
djustments to:										
tal revenues								122		
tal expenses								(171)		
ovision for income tax (expense) benefit								18		
come (loss) from continuing operations, net of income tax								$ 833		$ 83

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MetLife, Inc.

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

	Operating Earnings									
	U.S. Business									
ree Months Ended arch 31, 2009	**Insurance Products**	**Retirement Products**	**Corporate Benefit Funding**	**Auto & Home**	**Total**	**International**	**Banking, Corporate & Other**	**Total**	**Adjustments**	**Total Consolida**
	(In millions)									
venues										
emiums	$ 4,201	$ 152	$ 324	$ 722	$ 5,399	$ 721	$ 2	$ 6,122	$	$ 6,12
iversal life and vestment- type oduct policy fees	583	356	40		979	210		1,189	(6)	1,18
t investment income	1,281	623	1,111	40	3,055	168	51	3,274	(13)	3,26
her revenues	177	30	69	9	285	2	267	554		55
t investment gains sses)									(906)	(90
tal revenues	6,242	1,161	1,544	771	9,718	1,101	320	11,139	(925)	10,21
penses										
licyholder benefits d claims and licyholder dividends	4,748	325	879	479	6,431	548		6,979	27	7,00
erest credited to licyholder account ances	231	402	459		1,092	78		1,170	(2)	1,16
erest credited to nk deposits							43	43		4
pitalization of DAC	(206)	(329)	(2)	(104)	(641)	(145)		(786)		(78
nortization of DAC d VOBA	210	326	5	110	651	95		746	183	92
erest expense	1		2		3	2	240	245		24
her expenses	1,023	619	105	187	1,934	336	287	2,557	14	2,57
tal expenses	6,007	1,343	1,448	672	9,470	914	570	10,954	222	11,17
ovision for income expense (benefit)	80	(64)	31	23	70	56	(102)	24	(401)	(37
perating earnings	$ 155	$ (118)	$ 65	$ 76	$ 178	$ 131	$ (148)	161		
ljustments to:										
tal revenues								(925)		

tal expenses		(222)		
ovision for income tax (expense) benefit		401		
come (loss) from continuing operations, net of income tax	$	(585)	$	(58

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MetLife, Inc.

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

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

	March 31, 2010	December 31, 2009
	(In millions)	
U.S. Business:		
Insurance Products	$ 133,762	$ 132,717
Retirement Products	154,303	148,756
Corporate Benefit Funding	168,059	159,270
Auto & Home	5,680	5,517
Total	461,804	446,260
International	35,907	33,923
Banking, Corporate & Other	67,855	59,131
Total	$ 565,566	$ 539,314

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

Revenues derived from any customer did not exceed 10% of consolidated revenues for the three months ended March 31, 2010 and 2009. Revenues from U.S. operations were $11.2 billion and $8.6 billion for the three months ended March 31, 2010 and 2009, respectively, which represented 85% and 84%, respectively, of consolidated revenues.

14. Discontinued Operations

Real Estate

The Company actively manages its real estate portfolio with the objective of maximizing earnings through selective acquisitions and dispositions. Income related to real estate classified as held-for-sale or sold is presented in discontinued operations. These assets are carried at the lower of depreciated cost or estimated fair value less expected disposition costs. Income from discontinued real estate operations, net of income tax, was $1 million for both the three months ended March 31, 2010 and 2009.

The carrying value of real estate related to discontinued operations was $40 million and $44 million at March 31, 2010 and December 31, 2009, respectively.

Operations

Texas Life Insurance Company

During the fourth quarter of 2008, the Holding Company entered into an agreement to sell its wholly-owned subsidiary, Cova Corporation (Cova), the parent company of Texas Life Insurance Company, to a third-party and

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MetLife, Inc.

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

the sale occurred in March 2009. The following table presents the amounts related to the operations of Cova that have been reflected as discontinued operations in the consolidated statements of operations:

	Three Months Ended March 31, 2009 (In millions)
Revenues:	
Premiums	$ 3
Universal life and investment-type product policy fees	15
Net investment income	6
Net investment gains (losses)	1
Total revenues	25
Expenses:	
Policyholder benefits and claims	10
Interest credited to policyholder account balances	3
Policyholder dividends	1
Other expenses	5
Total expenses	19
Income before provision for income tax	6
Provision for income tax	2
Income from operations of discontinued operations, net of income tax	4
Gain on disposal, net of income tax	32
Income from discontinued operations, net of income tax	$ 36

15. Subsequent Events

The Company evaluated the recognition and disclosure of subsequent events for its March 31, 2010 interim condensed consolidated financial statements.

On April 19, 2010, the Company entered into a definitive agreement with a third party to sell MetLife Taiwan Insurance Company Limited (MetLife Taiwan) for approximately $113 million in cash consideration. The total equity of MetLife Taiwan was $218 million, including accumulated other comprehensive income of $54 million, at March 31, 2010. The transaction is expected to close in the second half of 2010, subject to certain regulatory approvals and other customary closing conditions.

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

For purposes of this discussion, MetLife, the Company, we, our and us refers to MetLife, Inc., a Delaware corpo incorporated in 1999 (the Holding Company), and its subsidiaries, including Metropolitan Life Insurance Company (MLIC). Following this summary is a discussion addressing the consolidated results of operations and financial condition of the Company for the periods indicated. This discussion should be read in conjunction with MetLife, Inc. s Annual Report on Form 10-K for the year ended December 31, 2009 (2009 Annual Report) filed with the U.S. Securities and Exchange Commission (SEC), the forward-looking statement information included below, the Risk Factors set forth in Part II, Item 1A, and the additional risk factors referred to therein and the Company s interim condensed consolidated financial statements included elsewhere herein.

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

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

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

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

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

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

Executive Summary

MetLife is a leading provider of insurance, employee benefits and financial services with operations throughout the United States and the Latin America, Asia Pacific and Europe, Middle East and India (EMEI) regions. Through its subsidiaries and affiliates, MetLife offers life insurance, annuities, auto and homeowners insurance, retail banking and other financial services to individuals, as well as group insurance and retirement & savings products and services to corporations and other institutions. MetLife is organized into five operating segments: Insurance Products, Retirement Products, Corporate Benefit Funding and Auto & Home (collectively, U.S. Business) and International. In addition, the Company reports certain of its results of operations in Banking, Corporate & Other, which is comprised of MetLife Bank, National Association (MetLife Bank) and other business activities.

On March 7, 2010, the Holding Company entered into a stock purchase agreement (the Stock Purchase Agreement) with ALICO Holdings LLC (the Seller) and American International Group, Inc., pursuant to which the Holding Company agreed to acquire all of the issued and outstanding capital stock of American Life Insurance Company (Alico) and Delaware American Life Insurance Company. The transaction is expected to close by the end of 2010, subject to certain regulatory approvals and determinations, as well as other customary closing conditions. See Liquidity and Capital Resources Overview.

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

	Three Months Ended March 31,	
	2010	2009
	(In millions)	
Income (loss) from continuing operations, net of income tax	$ 833	$ (585)
Less: Net investment gains (losses)	72	(906)
Less: Other adjustments to continuing operations (1)	(121)	(241)
Less: Provision for income tax expense	18	401
Operating earnings	864	161
Less: Preferred stock dividends	30	30
Operating earnings available to common shareholders	$ 834	$ 131

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

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

During the three months ended March 31, 2010, MetLife s income (loss) from continuing operations, net of income tax increased $1.4 billion to income of $833 million from a loss of $585 million in the comparable 2009 period. The period over period change was largely due to a $756 million favorable change in net investment gains (losses) to gains of $37 million, net of related adjustments, in the first quarter of 2010, from losses of $719 million, net of related adjustments, in the comparable 2009 period. In addition, operating earnings available to common shareholders increased $703 million to $834 million in the current year period from $131 million in the prior year period.

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The favorable change in net investment gains (losses) of $756 million, net of related adjustments, was primarily driven by a decrease in impairments and by lower additions to the mortgage loan valuation allowance, partially offset by a decrease in net gains on derivatives.

The improvement in the financial markets, which began in the latter part of 2009 and continued into 2010, was a key driver of the $703 million increase in operating earnings available to common shareholders. Such market improvement was most evident in higher net investment income and policy fees, as well as lower amortization of DAC, VOBA and deferred sales inducements (DSI). These increases were partially offset by a net increase in other expenses. The favorable impact of Operational Excellence, our enterprise-wide cost reduction and revenue enhancement initiative, was more than offset by an increase in other expenses related to our International business, which primarily stemmed from the impact of a benefit recorded in the prior year period related to the pesification in Argentina as well as current period business growth in the segment.

Consolidated Company Outlook

In 2009, the general economic conditions of the marketplace, particularly in the early part of the year, continued to be volatile and negatively impacted the results of the Company. In 2010, as discussed in our 2009 Annual Report, we continue to expect meaningful earnings recovery for the Company, driven primarily by the following:

- Continued growth in premiums, fees & other revenues for the full year of 2010 of approximately 6% over 2009 primarily from the following businesses:
  - Higher fees earned on separate accounts, as the recovery in the equity market continues, thereby increasing the value of those separate accounts;
  - Increased sales in the pension closeout business, both in the United States and the United Kingdom, as the demand for these products rebounds from the lower levels seen in 2009;
  - Increases in our International segment, as a result of ongoing investments and improvements in the various distribution and service operations throughout the regions; and
  - Modest growth in Insurance Products. Our growth continues to be impacted by the current higher levels of unemployment and it is possible that certain customers may further reduce or eliminate coverages in response to the financial pressures they are experiencing.
  - Offsetting these growth areas, MetLife Bank s premiums, fees & other revenues are expected to decline from the 2009 level, in line with current market expectations.
- Higher returns on the investment portfolio, as we believe returns on alternative investment classes will improve and expect to reinvest cash and U.S. Treasuries into higher yielding asset classes.
- Improvement in net investment gains (losses) from the large losses encountered in 2009 on our invested asset portfolio. We continue to expect a significant improvement in net investment gains (losses) on our invested asset portfolio as the financial markets stabilize across asset classes. More difficult to predict is the impact of potential changes in fair value of derivatives instruments as even relatively small movements in market variables, including interest rates, equity levels and volatility, can have a large impact on derivatives fair values. Additionally, changes in MetLife s credit spread, may have a material impact on net investment gains (losses) as it is required to be included in the valuation of certain embedded derivatives.

Reduced volatility in guarantee-related liabilities. Certain annuity and life benefit guarantees are tied to market performance, which when markets are depressed, may require us to establish additional liabilities, even though these guarantees are significantly hedged. In line with the assumptions discussed above, we continue to expect a significant reduction in the volatility of these items in 2010 compared to 2009.

Focus on disciplined underwriting. We continue to expect no significant changes to the underlying trends that drive underwriting results and anticipate solid results in 2010. While we did begin to see the negative impact of the economy on non-medical health experience in 2009, we expect to see improvement in our results in 2010 as the economy continues to improve.

Focus on expense management. We expect that our continued focus on expense control throughout the Company, as well the continuing impact of specific initiatives such as Operational Excellence (our enterprise-wide cost reduction and revenue enhancement initiative), should contribute to increased profitability.

Pending acquisition of Alico. This transaction is expected to close by the end of 2010, subject to certain regulatory approvals and determinations, as well as other customery closing conditions. Given the expected closing time frame, we do not anticipate that the impact on MetLife s 2010 financial results will be material.

Industry Trends

The Company s segments continue to be influenced by a continuing unstable financial and economic environment that affects the industry.

Financial and Economic Environment. Our results of operations are materially affected by conditions in the global capital markets and the economy, generally, both in the United States and elsewhere around the world. The global economy and markets are now recovering from a period of significant stress that began in the second half of 2007 and substantially increased through the first quarter of 2009. This disruption adversely affected the financial services industry, in particular. The U.S. economy entered a recession in January 2008 and most economists believe this recession ended in the third quarter of 2009 when positive growth returned. Most economists now expect positive growth to continue through 2010. However, the recovery has been slow, and the unemployment rate is expected to remain high for some time.

Although the disruption in the global financial markets has moderated, not all global financial markets are functioning normally, and some remain reliant upon government intervention and liquidity. Throughout 2008 and continuing in 2009, Congress, the Federal Reserve Bank of New York, the U.S. Treasury and other agencies of the Federal government took a number of increasingly aggressive actions (in addition to continuing a series of interest rate reductions that began in the second half of 2007) intended to provide liquidity to financial institutions and markets, to avert a loss of investor confidence in particular troubled institutions, to prevent or contain the spread of the financial crisis and to spur economic growth. How and to whom these governmental institutions distribute amounts available under the governmental programs could have the effect of supporting some aspects of the financial services industry more than others or provide advantages to some of our competitors. Governments in many of the foreign markets in which MetLife operates have also responded to address market imbalances and have taken meaningful steps intended to restore market confidence. As market conditions have returned to more normal levels in 2010, the nature of the original government programs has changed and some of the programs have been terminated or allowed to expire. We cannot predict whether or when the U.S. or foreign governments will establish additional governmental programs or terminate or permit other programs to expire or the impact any additional measures, existing programs or termination or expiration of programs will have on the financial markets, whether on the levels of volatility currently being experienced, the levels of lending by financial institutions, the prices buyers are willing to pay for financial assets or otherwise.

The economic crisis and the resulting recession have had and could continue to have an adverse effect on the financial results of companies in the financial services industry, including MetLife. The declining financial markets and economic conditions have negatively impacted our investment income, our net investment gains (losses), and the demand for and the cost and profitability of certain of our products, including variable annuities and guarantee benefits. See Consolidated Results of Operations and Liquidity and Capital Resources.

Summary of Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the interim condensed consolidated financial statements. The most critical estimates include those used in determining:

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

(ii) investment impairments;

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

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

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

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

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

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

(ix) accounting for employee benefit plans; and

(x) the liability for litigation and regulatory matters.

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

The above critical accounting estimates are described in Management s Discussion and Analysis of Financial Condition and Results of Operations Summary of Critical Accounting Estimates and Note 1 of the Notes to the Consolidated Financial Statements of our 2009 Annual Report. In addition, effective January 1, 2010 the Company adopted new accounting guidance relating to the consolidation of VIEs. See Note 1 of the Notes to the Interim Condensed Consolidated Financial Statements.

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 MetLife s businesses. As a part of the economic capital process, a portion of net investment income is credited to the segments based on the level of allocated equity. This is in contrast to the standardized regulatory risk-based capital (RBC) formula, which is not as refined in its risk calculations with respect to the nuances of the Company s businesses.

Consolidated Results of Operations

Three Months Ended March 31, 2010 compared with the Three Months Ended March 31, 2009

We have continued to experience growth and an increase in market share in several of our businesses, especially in the structured settlement business, income annuities business, and our pension closeout business in the United Kingdom. Market conditions continued to improve in 2010, positively impacting our results, most significantly through improved yields on our investment portfolio. Sales of our domestic annuity products were down 40% driven by a decline in fixed annuity sales compared with the prior period. The unusually high level of domestic fixed annuity sales experienced in the first quarter of 2009 were in response to the market disruption and dislocation at that time and, as expected, were not sustained in the current period reflecting the stabilization of the financial markets. Higher levels of unemployment continued to impact certain group businesses as a decrease in covered payrolls dampened growth and general economic conditions negatively impacted revenues, particularly in our non-medical health and individual life businesses. An improvement in the global financial markets contributed to a recovery of sales in most of our international regions and resulted in improved investment performance in some regions during the first quarter of 2010. In 2010, mortgage interest rates increased and the mortgage refinancing market began a return to more moderate levels compared to the unusually high level experienced in 2009 in response to the low interest rate environment.

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	Three Months Ended March 31, 2010	2009	Change	% Change
		(In millions)		
Revenues				
Premiums	$ 6,854	$ 6,122	$ 732	12.0%
Universal life and investment-type product policy fees	1,407	1,183	224	18.9%
Net investment income	4,344	3,261	1,083	33.2%
Other revenues	513	554	(41)	(7.4)%
Net investment gains (losses)	72	(906)	978	107.9%
Total revenues	13,190	10,214	2,976	29.1%
Expenses				
Policyholder benefits and claims and policyholder dividends	7,914	7,006	908	13.0%
Interest credited to policyholder account balances	1,143	1,168	(25)	(2.1)%
Interest credited to bank deposits	39	43	(4)	(9.3)%
Capitalization of DAC	(744)	(786)	42	5.3%
Amortization of DAC and VOBA	602	929	(327)	(35.2)%
Interest expense	370	245	125	51.0%
Other expenses	2,675	2,571	104	4.0%
Total expenses	11,999	11,176	823	7.4%
Income (loss) from continuing operations before provision for income tax	1,191	(962)	2,153	223.8%
Provision for income tax expense (benefit)	358	(377)	735	195.0%
Income (loss) from continuing operations, net of income tax	833	(585)	1,418	242.4%
Income (loss) from discontinued operations, net of income tax	1	37	(36)	(97.3)%
Net Income (loss)	834	(548)	1,382	252.2%
Less: Net income (loss) attributable to noncontrolling interests	(1)	(4)	3	75.0%
Net income (loss) attributable to MetLife, Inc.	835	(544)	1,379	253.5%
Less: Preferred stock dividends	30	30		%
Net income (loss) available to MetLife, Inc. s common shareholders	$ 805	$ (574)	$ 1,379	240.2%

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

During the three months ended March 31, 2010, MetLife s income (loss) from continuing operations, net of income tax increased $1.4 billion to income of $833 million from a loss of $585 million in the comparable 2009 period. The period over period change was largely due to a $756 million favorable change in net investment gains (losses) to gains of $37 million, net of related adjustments, in the first quarter of 2010, from losses of $719 million, net of related adjustments, in the comparable 2009 period.

We manage our investment portfolio using disciplined Asset/Liability Management (ALM) principles, focusing on cash flow and duration to support our current and future liabilities. Our intent is to match the timing and amount of liability cash outflows with invested assets that have cash inflows of comparable timing and amount, while optimizing risk-adjusted net investment income and risk-adjusted total return. Our investment portfolio is heavily weighted toward fixed income investments, with over 80% of our portfolio invested in fixed maturity securities and mortgage loans. These securities and loans have varying maturities and other characteristics which cause them to be generally well suited for matching the cash flow and duration of insurance liabilities. Other invested asset classes including, but not limited to equity securities, other limited partnership interests and real estate and real estate joint ventures provide additional diversification and opportunity for long term yield enhancement in addition to supporting the cash flow and duration objectives of our investment portfolio. We also use derivatives as an integral part of our management of the investment portfolio to hedge certain risks, including changes in interest rates, foreign currencies, credit spreads and equity market levels. Additional considerations for our investment portfolio include current and expected market conditions and expectations for changes within our unique mix of products and business segments.

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

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

The favorable variance in net investment gains (losses) of $756 million, net of related adjustments, was primarily driven by a decrease in impairments and by lower additions to the mortgage loan valuation allowance, partially offset by a decrease in net gains on derivatives. Improving market conditions across several invested asset classes and sectors as compared to the prior year resulted in decreased impairments in fixed maturity securities, equity securities, and other limited partnership interests and a decrease in additions to the mortgage valuation allowance. Period over period, there was a small unfavorable variance in derivatives, as net gains decreased. Underlying this small net variance were large decreases in gross gains on embedded derivatives offsetting large decreases in gross losses on freestanding derivatives. In the prior year period there was significant movement in interest rates, equity markets and credit spreads, driving large gross gains and gross losses on derivatives, while in the current period there was much less movement in these markets resulting in lower levels of both gross gains and gross losses related to our derivatives programs.

We use freestanding interest rate, currency, credit and equity derivatives to provide economic hedges of certain invested assets and insurance liabilities, as well as to hedge certain of the risks inherent in our embedded derivatives associated with our variable annuity minimum benefit guarantees. Modest decreases in mid- and long-term interest rates in the current period compared to more significant increases in such rates in the prior period drove decreased losses on interest rate derivatives, which we use to hedge interest rate risk. This favorable variance was partially offset by the unfavorable variance, from gains in the prior year period to losses in the current year period, that was driven by the impact of both improving equity market valuations and decreased volatility in the equity markets on our equity derivatives used to hedge variable annuity minimum benefit guarantees. To a much lesser degree there was a favorable variance from the impact of U.S. dollar strengthening on certain of our foreign currency derivatives, which are used to hedge foreign denominated asset and liability exposures.

We issue variable annuity products with minimum benefit guarantees. Certain of these products contain embedded derivatives that are measured at fair value separately from the host variable annuity contract, with changes in estimated fair value reported in net investment gains (losses). The estimated fair value of these embedded derivatives also includes the impact of MetLife s own credit spread. Decreased embedded derivative gains in the current period resulted from a modest change in MetLife s own credit spread as compared with a significant widening of MetLife s own credit spread in the prior year period. This was partially offset by a favorable change from improving equity markets and decreasing equity volatility. Losses on the freestanding derivatives that hedge these embedded derivative risks substantially offset the change in liabilities attributable to market factors, excluding the adjustment for the change in MetLife s own credit spread, which is unhedged.

Income from continuing operations, net of income tax, for the first quarter of 2010 includes $19 million of expenses related to the pending acquisition of Alico. This expense, which primarily consisted of investment banking and legal fees, is recorded in Banking, Corporate & Other. This expense is not included as a component of operating earnings.

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As more fully described in the discussion of performance measures above, we use operating earnings, which does not equate to income (loss) from continuing operations as determined in accordance with GAAP, to analyze our performance, evaluate segment performance, and allocate resources. Operating earnings is also a measure by which senior management s and many other employees performance is evaluated for the purposes of determining their compensation under applicable compensation plans. We believe that the presentation of operating earnings, as we measure it for management purposes, enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of the business. Operating earnings should not be viewed as a substitute for GAAP income (loss) from continuing operations, net of income tax. Operating earnings available to common shareholders increased by $703 million to $834 million in the first quarter of 2010 from $131 million in the comparable 2009 period.

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

Three Months Ended March 31, 2010

	Insurance Products	Retirement Products	Corporate Benefit Funding	Auto & Home	International	Banking, Corporate & Other	Total
				(In millions)			
Income (loss) from continuing operations, net of income tax	$ 289	$ 180	$ 256	$ 71	$ 111	$ (74)	$ 833
Less: Net investment gains (losses)	33	101	(5)	(1)	(29)	(27)	72
Less: Other adjustments to continuing operations (1)	(47)	(69)	50		(35)	(20)	(121)
Less: Provision for income tax expense (benefit)	5	(11)	(17)		24	17	18
Operating earnings	$ 298	$ 159	$ 228	$ 72	$ 151	(44)	864
Less: Preferred stock dividends						30	30
Operating earnings available to common shareholders						$ (74)	$ 834