METLIFE INC
Form 10-Q
May 08, 2014

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, 2014
or

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

FOR THE TRANSITION PERIOD FROM TO
Commission file number: 001-15787

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

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

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

Indicate by check mark 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 ¨ (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 ¨ No þ

At April 30, 2014, 1,125,577,419 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, its subsidiaries and affiliates.

Note Regarding Forward-Looking Statements

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

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

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of MetLife, Inc., its subsidiaries and affiliates. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife, Inc.'s filings with the U.S. Securities and Exchange Commission (the "SEC"). These factors include: (1) difficult conditions in the global capital markets; (2) increased volatility and disruption of the capital and credit markets, which may affect our ability to meet liquidity needs and access capital, including through our credit facilities, generate fee income and market-related revenue and finance statutory reserve requirements and may require us to pledge collateral or make payments related to declines in value of specified assets, including assets supporting risks ceded to certain of our captive reinsurers or hedging arrangements associated with those risks; (3) exposure to financial and capital market risks, including as a result of the disruption in Europe; (4) impact of comprehensive financial services regulation reform on us, as a potential non-bank systemically important financial institution, or otherwise; (5) numerous rulemaking initiatives required or permitted by the Dodd-Frank Wall Street Reform and Consumer Protection Act which may impact how we conduct our business, including those compelling the liquidation of certain financial institutions; (6) regulatory, legislative or tax changes relating to our insurance, international, or other operations that may affect the cost of, or demand for, our products or services, or increase the cost or administrative burdens of providing benefits to employees; (7) adverse results or other consequences from litigation, arbitration or regulatory investigations; (8) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; (9) investment losses and defaults, and changes to investment valuations; (10) changes in assumptions related to investment valuations, deferred policy acquisition costs, deferred sales inducements, value of business acquired or goodwill; (11) impairments of goodwill and realized losses or market value impairments to illiquid assets; (12) defaults on our mortgage loans; (13) the defaults or deteriorating credit of other financial institutions that could adversely affect us; (14) economic, political, legal, currency and other risks relating to our international operations, including with respect to fluctuations of exchange rates; (15) downgrades in our claims paying ability, financial strength or credit ratings; (16) a deterioration in the experience of the "closed block" established in connection with the reorganization of Metropolitan Life Insurance Company; (17) availability and effectiveness of reinsurance or indemnification arrangements, as well as any default or failure of counterparties to perform; (18) differences between actual claims experience and underwriting and reserving assumptions; (19) ineffectiveness of risk management policies and procedures; (20) catastrophe losses; (21) increasing cost and limited market capacity for statutory life insurance reserve financings; (22) 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; (23) exposure to losses related to variable annuity guarantee benefits, including from significant and sustained downturns or extreme volatility in equity markets, reduced interest rates, unanticipated policyholder behavior, mortality or longevity, and the adjustment for nonperformance risk; (24) our ability to address difficulties, unforeseen liabilities, asset impairments, or rating agency actions arising from business acquisitions, including our acquisition of American Life Insurance Company and Delaware American Life Insurance Company, and integrating and managing the growth of such acquired businesses, or arising from dispositions of businesses or legal entity reorganizations; (25) the dilutive impact on our stockholders resulting from the settlement of our outstanding common equity units; (26) regulatory and other restrictions affecting MetLife, Inc.'s ability to pay dividends and repurchase common stock; (27) 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; (28) the possibility that MetLife, Inc.'s Board of Directors may influence the outcome of stockholder votes through the voting provisions of the MetLife Policyholder Trust; (29) changes in accounting standards, practices and/or policies; (30) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (31) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (32) inability to attract and retain sales representatives; (33) provisions of laws and our incorporation documents may delay, deter or prevent takeovers and corporate combinations involving MetLife; (34) the effects of business disruption or economic contraction due to disasters such as terrorist attacks, cyberattacks, other hostilities, or natural catastrophes, including any related impact on the value of our investment portfolio, our disaster recovery systems, cyber- or other information security systems and management continuity planning; (35) the effectiveness of our programs and practices in avoiding giving our associates incentives to take excessive risks; and (36) other risks and uncertainties described from time to time in MetLife, Inc.'s filings with the SEC.

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

Note Regarding Reliance on Statements in Our Contracts

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

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MetLife, Inc.
Interim Condensed Consolidated Balance Sheets
March 31, 2014 (Unaudited) and December 31, 2013
(In millions, except share and per share data)

Part I — Financial Information
Item 1. Financial Statements

	March 31, 2014	December 31, 2013
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $332,542 and $ 333,599, respectively; includes $4,152 and $4,005, respectively, relating to variable interest entities)	$355,069	$ 350,187
Equity securities available-for-sale, at estimated fair value (cost: $3,241 and $3,012, respectively)	3,693	3,402
Fair value option and trading securities, at estimated fair value (includes $628 and $662, respectively, of actively traded securities; and $88 and $92, respectively, relating to variable interest entities)	17,494	17,423
Mortgage loans (net of valuation allowances of $326 and $322, respectively; includes $1,140 and $1,621, respectively, at estimated fair value, relating to variable interest entities; includes $352 and $338, respectively, under the fair value option)	57,139	57,706
Policy loans (includes $3 and $2, respectively, relating to variable interest entities)	11,762	11,764
Real estate and real estate joint ventures (includes $9 and $1,141, respectively, relating to variable interest entities, includes $1 and $186, respectively, of real estate held-for-sale)	9,930	10,712
Other limited partnership interests (includes $53 and $53, respectively, relating to variable interest entities)	7,819	7,401
Short-term investments, principally at estimated fair value (includes $6 and $8, respectively, relating to variable interest entities)	13,908	13,955
Other invested assets, principally at estimated fair value (includes $71 and $78, respectively, relating to variable interest entities)	16,433	16,229
Total investments	493,247	488,779
Cash and cash equivalents, principally at estimated fair value (includes $45 and $70, respectively, relating to variable interest entities)	8,573	7,585
Accrued investment income (includes $28 and $26, respectively, relating to variable interest entities)	4,446	4,255
Premiums, reinsurance and other receivables (includes $27 and $22, respectively, relating to variable interest entities)	23,031	21,859
Deferred policy acquisition costs and value of business acquired (includes $263 and $255, respectively, relating to variable interest entities)	26,352	26,706
Goodwill	10,433	10,542
Other assets (includes $139 and $152, respectively, relating to variable interest entities)	8,387	8,369
Separate account assets (includes $1,099 and $1,033, respectively, relating to variable interest entities)	316,434	317,201
Total assets	$890,903	$ 885,296
Liabilities and Equity		
Liabilities		
	$189,970	$ 187,942

Future policy benefits (includes $591 and $516, respectively, relating to variable interest entities)		
Policyholder account balances (includes $63 and $56, respectively, relating to variable interest entities)	209,498	212,885
Other policy-related balances (includes $125 and $123, respectively, relating to variable interest entities)	15,369	15,214
Policyholder dividends payable	656	675
Policyholder dividend obligation	2,463	1,771
Payables for collateral under securities loaned and other transactions	32,469	30,411
Short-term debt	100	175
Long-term debt (includes $996 and $1,868, respectively, at estimated fair value, relating to variable interest entities)	16,793	18,653
Collateral financing arrangements	4,196	4,196
Junior subordinated debt securities	3,193	3,193
Current income tax payable	239	186
Deferred income tax liability	8,906	6,643
Other liabilities (includes $79 and $88, respectively, relating to variable interest entities)	24,178	23,168
Separate account liabilities (includes $1,099 and $1,033, respectively, relating to variable interest entities)	316,434	317,201
Total liabilities	824,464	822,313
Contingencies, Commitments and Guarantees (Note 13)		
Redeemable noncontrolling interests	107	887
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; 1,127,994,116 and 1,125,224,024 shares issued at March 31, 2014 and December 31, 2013, respectively; 1,124,800,229 and 1,122,030,137 shares outstanding at March 31, 2014 and December 31, 2013, respectively	11	11
Additional paid-in capital	29,384	29,277
Retained earnings	28,319	27,332
Treasury stock, at cost; 3,193,887 shares at March 31, 2014 and December 31, 2013	(172)	(172)
Accumulated other comprehensive income (loss)	8,215	5,104
Total MetLife, Inc.'s stockholders' equity	65,758	61,553
Noncontrolling interests	574	543
Total equity	66,332	62,096
Total liabilities and equity	$890,903	$885,296

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Three Months Ended March 31, 2014 and 2013 (Unaudited)
(In millions, except per share data)

	Three Months Ended March 31,	
	2014	2013
Revenues		
Premiums	$9,219	$9,151
Universal life and investment-type product policy fees	2,421	2,291
Net investment income	5,035	6,077
Other revenues	478	480
Net investment gains (losses):		
Other-than-temporary impairments on fixed maturity securities	(14)	(29)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	4	(31)
Other net investment gains (losses)	(401)	374
Total net investment gains (losses)	(411)	314
Net derivative gains (losses)	343	(630)
Total revenues	17,085	17,683
Expenses		
Policyholder benefits and claims	9,324	9,395
Interest credited to policyholder account balances	1,469	2,590
Policyholder dividends	303	313
Other expenses	4,163	4,138
Total expenses	15,259	16,436
Income (loss) from continuing operations before provision for income tax	1,826	1,247
Provision for income tax expense (benefit)	484	252
Income (loss) from continuing operations, net of income tax	1,342	995
Income (loss) from discontinued operations, net of income tax	(3)	(3)
Net income (loss)	1,339	992
Less: Net income (loss) attributable to noncontrolling interests	11	6
Net income (loss) attributable to MetLife, Inc.	1,328	986
Less: Preferred stock dividends	30	30
Net income (loss) available to MetLife, Inc.’s common shareholders	$1,298	$956
Comprehensive income (loss)	$4,482	$178
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of income tax	43	9
Comprehensive income (loss) attributable to MetLife, Inc.	$4,439	$169
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.’s common shareholders per common share:		
Basic	$1.15	$0.87
Diluted	$1.14	$0.87
Net income (loss) available to MetLife, Inc.’s common shareholders per common share:		
Basic	$1.15	$0.87
Diluted	$1.14	$0.87

Cash dividends declared per common share	$0.275	$0.185

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Equity
For the Three Months Ended March 31, 2014 (Unaudited)
(In millions)

						Accumulated Other Comprehensive Income (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	Noncontrolling Interests (1)	Total Equity
Balance at December 31, 2013	$1	$11	$29,277	$27,332	$(172)	$8,553	$(139)	$(1,659)	$(1,651)	$61,553	$543	$62,096
Stock-based compensation			107							107		107
Dividends on preferred stock				(30)						(30)		(30)
Dividends on common stock				(311)						(311)		(311)
Change in equity of noncontrolling interests										—	(12)	(12)
Net income (loss)				1,328						1,328	11	1,339
Other comprehensive income (loss), net of income tax						3,242	24	(184)	29	3,111	32	3,143
Balance at March 31, 2014	$1	$11	$29,384	$28,319	$(172)	$11,795	$(115)	$(1,843)	$(1,622)	$65,758	$574	$66,332

(1) Net income (loss) attributable to noncontrolling interests excludes gains (losses) of redeemable noncontrolling interests of less than $1 million.

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Equity — (Continued)
For the Three Months Ended March 31, 2013 (Unaudited)
(In millions)

						Accumulated Other Comprehensive Income (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	Noncontrolling Interests (1)	Total Equity
Balance at December 31, 2012	$1	$11	$28,011	$25,205	$(172)	$14,642	$(223)	$(533)	$(2,489)	$64,453	$384	$64,837
Stock-based compensation			100							100		100
Dividends on preferred stock				(30)						(30)		(30)
Dividends on common stock				(203)						(203)		(203)
Change in equity of noncontrolling interests			(39)							(39)	29	(10)
Net income (loss)				986						986	6	992
Other comprehensive income (loss), net of income tax						(241)	59	(672)	37	(817)	3	(814)
Balance at March 31, 2013	$1	$11	$28,072	$25,958	$(172)	$14,401	$(164)	$(1,205)	$(2,452)	$64,450	$422	$64,872

(1) Net income (loss) attributable to noncontrolling interests excludes gains (losses) of redeemable noncontrolling interests of less than $1 million.

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, 2014 and 2013 (Unaudited)
(In millions)

	Three Months Ended March 31, 2014	2013
Net cash provided by (used in) operating activities	$2,484	$2,733
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	27,904	30,024
Equity securities	72	249
Mortgage loans	2,973	2,510
Real estate and real estate joint ventures	260	86
Other limited partnership interests	220	225
Purchases of:		
Fixed maturity securities	(24,954)	(34,698)
Equity securities	(209)	(389)
Mortgage loans	(2,483)	(1,764)
Real estate and real estate joint ventures	(578)	(426)
Other limited partnership interests	(485)	(481)
Cash received in connection with freestanding derivatives	395	330
Cash paid in connection with freestanding derivatives	(1,045)	(2,428)
Sales of businesses (1)	—	373
Sale of bank deposits	—	(6,395)
Net change in policy loans	(2)	(52)
Net change in short-term investments	47	3,303
Net change in other invested assets	115	(226)
Other, net	(66)	40
Net cash provided by (used in) investing activities	2,164	(9,719)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	19,004	21,370
Withdrawals	(22,628)	(20,034)
Net change in payables for collateral under securities loaned and other transactions	2,058	528
Net change in bank deposits	—	8
Net change in short-term debt	(75)	—
Long-term debt repaid	(1,460)	(240)
Dividends on preferred stock	(30)	(30)
Dividends on common stock	(311)	(203)
Other, net	(217)	(75)
Net cash provided by (used in) financing activities	(3,659)	1,324
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	(1)	(93)
Change in cash and cash equivalents	988	(5,755)
Cash and cash equivalents, beginning of period	7,585	15,738
Cash and cash equivalents, end of period	$8,573	$9,983
Supplemental disclosures of cash flow information:		

Net cash paid (received) for:		
Interest	$245	$264
Income tax	$97	$217
Non-cash transactions:		
Real estate and real estate joint ventures acquired in satisfaction of debt	$—	$55
Deconsolidation of MetLife Core Property Fund (see Note 6):		
Reduction of redeemable noncontrolling interests	$774	$—
Reduction of long-term debt	$413	$—
Reduction of real estate and real estate joint ventures	$1,132	$—

(1) See Note 3 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report.

See accompanying notes to the interim condensed consolidated financial statements.

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, its subsidiaries and affiliates. MetLife is a leading global provider of insurance, annuities and employee benefit programs throughout the United States, Japan, Latin America, Asia, Europe and the Middle East. MetLife offers life insurance, annuities, property & casualty insurance, and other financial services to individuals, as well as group insurance and retirement & savings products and services to corporations and other institutions.

MetLife is organized into six segments: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the "Americas"); Asia; and Europe, the Middle East and Africa ("EMEA").

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the interim condensed consolidated financial statements. In applying these policies and estimates, management makes subjective and complex judgments that frequently require assumptions about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company's business and operations. Actual results could differ from estimates.

The accompanying interim condensed consolidated financial statements include the accounts of MetLife, Inc. and its subsidiaries, as well as partnerships and joint ventures in which the Company has control, and variable interest entities ("VIEs") for which the Company is the primary beneficiary. Intercompany accounts and transactions have been eliminated.

Certain international subsidiaries have a fiscal year-end of November 30. Accordingly, the Company's interim condensed consolidated financial statements reflect the assets and liabilities of such subsidiaries as of February 28, 2014 and November 30, 2013 and the operating results of such subsidiaries for the three months ended February 28, 2014 and 2013.

The Company uses the equity method of accounting for investments in equity securities when it has significant influence or at least 20% interest and for investments in real estate joint ventures and other limited partnership interests ("investees") when it has more than a minor ownership interest or more than a minor influence over the investee's operations, but does not have a controlling financial interest. The Company generally recognizes its share of the investee's earnings on a three-month lag in instances where the investee's financial information is not sufficiently timely or when the investee's reporting period differs from the Company's reporting period. The Company uses the cost method of accounting for investments in which it has virtually no influence over the investee's operations.

Certain amounts in the prior year periods' interim condensed consolidated financial statements and related footnotes thereto have been reclassified to conform with the 2014 presentation as discussed throughout the Notes to the Interim Condensed Consolidated Financial Statements.

The accompanying interim condensed consolidated financial statements are unaudited and reflect all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2013 consolidated balance sheet data was derived from audited consolidated financial statements included in MetLife, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 (the "2013 Annual Report"), filed with the U.S. Securities and Exchange Commission ("SEC"), which include 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 2013 Annual Report.

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

Adoption of New Accounting Pronouncements

Effective January 1, 2014, the Company adopted new guidance regarding reporting of discontinued operations and disclosures of disposals of components of an entity. The guidance increases the threshold for a disposal to qualify as a discontinued operation, expands the disclosures for discontinued operations and requires new disclosures for certain disposals that do not meet the definition of a discontinued operation. Disposals must now represent a strategic shift that has or will have a major effect on the entity's operations and financial results to qualify as discontinued operations. As discussed in Note 3, the Company has entered into a definitive agreement to sell its wholly-owned subsidiary, MetLife Assurance Limited ("MAL"). As a result of the adoption of this new guidance, the results of operations of MAL and the estimated loss on sale have been included in income from continuing operations.

Effective January 1, 2014, the Company adopted new guidance regarding the presentation of an unrecognized tax benefit. The new guidance requires that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. However, when the carryforwards are not available at the reporting date to settle any additional income taxes that would result from the disallowance of a tax position or the applicable tax law does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit will be presented in the financial statements as a liability and will not be combined with the related deferred tax asset. The adoption was prospectively applied and resulted in a reduction to other liabilities and a corresponding increase to deferred income tax liability in the amount of $277 million.

Effective January 1, 2014, the Company adopted new guidance regarding foreign currency that requires an entity that ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. For an equity method investment that is a foreign entity, a pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of such an equity method investment. The new guidance did not have a material impact on the financial statements upon adoption.

Effective January 1, 2014, the Company adopted new guidance regarding liabilities that requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. In addition, the amendments require an entity to disclose the nature and amount of the obligation, as well as other information about the obligation. The new guidance did not have a material impact on the financial statements upon adoption.

Effective January 1, 2014, the Company adopted new guidance on other expenses which address how health insurers should recognize and classify in their income statements fees mandated by the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act. The amendments in this standard specify that the liability for the fee should be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable with a corresponding deferred cost that is amortized to expense using the straight-line method of allocation unless another method better allocates the fee over the calendar year that it is payable. In accordance with the adoption of the new accounting pronouncement on January 1, 2014, the Company recorded $57 million in other liabilities, and a corresponding deferred cost, in other assets.

Future Adoption of New Accounting Pronouncements

In January 2014, the Financial Accounting Standards Board issued new guidance regarding investments (Accounting Standards Update 2014-01, Investments — Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects). This guidance is applicable to investments in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. Under the guidance, an entity that meets certain conditions is permitted to make an accounting policy election to amortize the initial cost of its investment in proportion to the tax credits and other tax benefits received and recognize the net investment performance on the statement of operations as a component of income tax expense (benefit). The new guidance is effective for annual periods and interim reporting periods within those annual periods, beginning after December 15, 2014, and should be applied retrospectively to all periods presented. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

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2. Segment Information

MetLife is organized into six segments, reflecting three broad geographic regions: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the “Americas”); Asia; and EMEA. In addition, the Company reports certain of its results of operations in Corporate & Other.

Americas

The Americas consists of the following segments:

Retail

The Retail segment offers a broad range of protection products and services and a variety of annuities to individuals and employees of corporations and other institutions, and is organized into two businesses: Life & Other and Annuities. Life & Other insurance products and services include variable life, universal life, term life and whole life products. Additionally, through broker-dealer affiliates, the Company offers a full range of mutual funds and other securities products. Life & Other products and services also include individual disability income products and personal lines property & casualty insurance, including private passenger automobile, homeowners and personal excess liability insurance. Annuities includes a variety of variable and fixed annuities which provide for both asset accumulation and asset distribution needs.

Group, Voluntary & Worksite Benefits

The Group, Voluntary & Worksite Benefits segment offers a broad range of protection products and services to individuals and corporations, as well as other institutions and their respective employees, and is organized into two businesses: Group and Voluntary & Worksite. Group insurance products and services include variable life, universal life and term life products. Group insurance products and services also include dental, group short- and long-term disability and accidental death & dismemberment (“AD&D”) coverages. The Voluntary & Worksite business includes personal lines property & casualty insurance, including private passenger automobile, homeowners and personal excess liability insurance offered to employees on a voluntary basis. The Voluntary & Worksite business also includes long-term care, prepaid legal plans and critical illness products.

Corporate Benefit Funding

The Corporate Benefit Funding segment offers a broad range of annuity and investment products, including guaranteed interest products and other stable value products, income annuities, and separate account contracts for the investment management of defined benefit and defined contribution plan assets. This segment also includes structured settlements and certain products to fund postretirement benefits and company-, bank- or trust-owned life insurance used to finance non-qualified benefit programs for executives.

Latin America

The Latin America segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include life insurance, accident and health insurance, group medical, dental, credit insurance, endowment and retirement & savings products written in Latin America. Starting in the first quarter of 2013, the Latin America segment includes U.S. sponsored direct business, comprised of group and individual products sold through sponsoring organizations and affinity groups. Products included are life, dental, group short- and long-term disability, AD&D coverages, property & casualty and other accident and health coverages, as well as non-insurance products such as identity protection.

Asia

The Asia segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include whole life, term life, variable life, universal life, accident and health insurance, fixed and variable annuities, credit insurance and endowment products.

EMEA

The EMEA segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include life insurance, accident and health insurance, credit insurance, annuities, endowment and retirement & savings products.

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

2. Segment Information (continued)

Corporate & Other
Corporate & Other contains the excess capital not allocated to the segments, external integration costs, internal resource costs for associates committed to acquisitions, enterprise-wide strategic initiative restructuring charges, and various business activities including start-up and certain run-off businesses. Start-up businesses include expatriate benefits insurance, as well as direct and digital marketing products. Corporate & Other also includes assumed reinsurance of certain variable annuity products from the Company's former operating joint venture in Japan. Under this in-force reinsurance agreement, the Company reinsures living and death benefit guarantees issued in connection with variable annuity products. Corporate & Other also includes the investment management business through which the Company offers fee-based investment management services to institutional clients. Additionally, Corporate & Other includes interest expense related to the majority of the Company's outstanding debt and expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings.
Financial Measures and Segment Accounting Policies
Operating earnings is the measure of segment profit or loss the Company uses to evaluate segment performance and allocate resources. Consistent with GAAP guidance for segment reporting, operating earnings is the Company's measure of segment performance and is reported below. Operating earnings should not be viewed as a substitute for income (loss) from continuing operations, net of income tax. The Company believes the presentation of operating earnings as the Company measures it for management purposes enhances the understanding of its performance by highlighting the results of operations and the underlying profitability drivers of the business.
Operating earnings is defined as operating revenues less operating expenses, both net of income tax.
Operating revenues and operating expenses exclude results of discontinued operations and other businesses that have been or will be sold or exited by MetLife ("Divested Businesses"). Operating revenues also excludes net investment gains (losses) and net derivative gains (losses). Operating expenses also excludes goodwill impairments.
The following additional adjustments are made to GAAP revenues, in the line items indicated, in calculating operating revenues:

- Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity guaranteed minimum income benefits ("GMIBs") fees ("GMIB Fees");
- Net investment income: (i) includes amounts for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment, (ii) includes income from discontinued real estate operations, (iii) excludes post-tax operating earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iv) excludes certain amounts related to contractholder-directed unit-linked investments, and (v) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Other revenues are adjusted for settlements of foreign currency earnings hedges.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

2. Segment Information (continued)

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

- Policyholder benefits and claims and policyholder dividends excludes: (i) changes in the policyholder dividend obligation related to net investment gains (losses) and net derivative gains (losses), (ii) inflation-indexed benefit adjustments associated with contracts backed by inflation-indexed investments and amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and other pass through adjustments, (iii) benefits and hedging costs related to GMIBs (“GMIB Costs”), and (iv) market value adjustments associated with surrenders or terminations of contracts (“Market Value Adjustments”);
- Interest credited to policyholder account balances includes adjustments for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of policyholder account balances (“PABs”) but do not qualify for hedge accounting treatment and excludes amounts related to net investment income earned on contractholder-directed unit-linked investments;
- Amortization of deferred policy acquisition costs (“DAC”) and value of business acquired (“VOBA”) excludes amounts related to: (i) net investment gains (losses) and net derivative gains (losses), (ii) GMIB Fees and GMIB Costs, and (iii) Market Value Adjustments;
- Amortization of negative VOBA excludes amounts related to Market Value Adjustments;
- Interest expense on debt excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Other expenses excludes costs related to: (i) noncontrolling interests, (ii) implementation of new insurance regulatory requirements, and (iii) acquisition and integration costs.

Operating earnings also excludes the recognition of certain contingent assets and liabilities that could not be recognized at acquisition or adjusted for during the measurement period under GAAP business combination accounting guidance.

In the first quarter of 2014, MetLife, Inc. began reporting the operations of MAL as divested business. See Note 3. Consequently, the results for Corporate Benefit Funding and Corporate & Other have decreased by $5 million, net of $3 million of income tax, and $3 million, net of $2 million of income tax, respectively, for the three months ended March 31, 2013.

Set forth in the tables below is certain financial information with respect to the Company’s segments, as well as Corporate & Other, for the three months ended March 31, 2014 and 2013. The segment accounting policies are the same as those used to prepare the Company’s consolidated financial statements, except for operating earnings adjustments as defined above. In addition, segment accounting policies include the method of capital allocation described below.

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

The Company’s economic capital model aligns segment allocated equity with emerging standards and consistent risk principles. The model applies statistics-based risk evaluation principles to the material risks to which the Company is exposed. These consistent risk principles include calibrating required economic capital shock factors to a specific confidence level and time horizon and applying an industry standard method for the inclusion of diversification benefits among risk types.

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

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

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

2. Segment Information (continued)

Three Months Ended March 31, 2014	Operating Earnings										
	Americas										
	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consolidated
	(In millions)										
Revenues											
Premiums	$1,724	$4,002	$301	$668	$6,695	$1,890	$597	$35	$9,217	$2	$9,219
Universal life and investment-type product policy fees	1,247	177	57	311	1,792	389	109	33	2,323	98	2,421
Net investment income	2,014	453	1,410	325	4,202	693	123	67	5,085	(50)	5,035
Other revenues	245	107	68	7	427	27	16	21	491	(13)	478
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	(411)	(411)
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	343	343
Total revenues	5,230	4,739	1,836	1,311	13,116	2,999	845	156	17,116	(31)	17,085
Expenses											
Policyholder benefits and claims and policyholder dividends	2,407	3,781	888	604	7,680	1,397	261	35	9,373	254	9,627
Interest credited to policyholder account balances	555	40	278	98	971	387	34	9	1,401	68	1,469
Capitalization of DAC	(234)	(34)	(1)	(89)	(358)	(494)	(176)	(18)	(1,046)	—	(1,046)
Amortization of DAC and VOBA	429	36	4	79	548	338	164	—	1,050	8	1,058
Amortization of negative VOBA	—	—	—	—	—	(94)	(9)	—	(103)	(12)	(115)
Interest expense on debt	—	—	2	—	2	—	—	292	294	18	312
Other expenses	1,142	628	120	402	2,292	990	456	213	3,951	3	3,954
Total expenses	4,299	4,451	1,291	1,094	11,135	2,524	730	531	14,920	339	15,259
Provision for income tax expense (benefit)	319	100	190	34	643	147	27	(213)	604	(120)	484
Operating earnings	$612	$188	$355	$183	$1,338	$328	$88	$(162)	1,592		
Adjustments to:											
Total revenues									(31)		
Total expenses									(339)		
Provision for income tax (expense) benefit									120		
Income (loss) from continuing operations, net of income tax									$1,342		$1,342

2. Segment Information (continued)

Three Months Ended March 31, 2013	Operating Earnings										
	Americas										
	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consolidated
	(In millions)										
Revenues											
Premiums	$1,547	$3,874	$416	$675	$6,512	$1,998	$567	$26	$9,103	$48	$9,151
Universal life and investment-type product policy fees	1,167	180	68	225	1,640	444	91	36	2,211	80	2,291
Net investment income	1,961	453	1,390	277	4,081	732	128	141	5,082	995	6,077
Other revenues	243	108	73	4	428	13	27	13	481	(1)	480
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	314	314
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	(630)	(630)
Total revenues	4,918	4,615	1,947	1,181	12,661	3,187	813	216	16,877	806	17,683
Expenses											
Policyholder benefits and claims and policyholder dividends	2,153	3,640	1,017	554	7,364	1,415	237	9	9,025	683	9,708
Interest credited to policyholder account balances	579	39	343	104	1,065	442	35	12	1,554	1,036	2,590
Capitalization of DAC	(374)	(33)	(17)	(105)	(529)	(546)	(177)	(4)	(1,256)	—	(1,256)
Amortization of DAC and VOBA	331	34	11	74	450	401	165	—	1,016	(192)	824
Amortization of negative VOBA	—	—	—	(1)	(1)	(113)	(17)	—	(131)	(15)	(146)
Interest expense on debt	—	—	2	(1)	1	—	1	286	288	33	321
Other expenses	1,278	588	139	372	2,377	1,094	448	164	4,083	312	4,395
Total expenses	3,967	4,268	1,495	997	10,727	2,693	692	467	14,579	1,857	16,436
Provision for income tax expense (benefit)	325	117	158	41	641	161	34	(195)	641	(389)	252
Operating earnings	$626	$230	$294	$143	$1,293	$333	$87	$(56)	1,657		
Adjustments to:											
Total revenues									806		
Total expenses									(1,857)		
Provision for income tax (expense) benefit									389		
Income (loss) from continuing operations, net of income tax									$995		$995

2. Segment Information (continued)

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

	March 31, 2014	December 31, 2013
	(In millions)	
Retail	$354,461	$349,516
Group, Voluntary & Worksite Benefits	44,346	43,404
Corporate Benefit Funding	223,163	220,612
Latin America	71,778	69,874
Asia	121,088	119,717
EMEA	30,522	33,382
Corporate & Other	45,545	48,791
Total	$890,903	$885,296

3. Pending Disposition

On February 14, 2014, the Company entered into a definitive agreement to sell its wholly-owned subsidiary, MAL, for an expected gross consideration of $705 million (£424 million) in cash. The transaction is expected to close in the second quarter of 2014, subject to regulatory approvals and satisfaction of other closing conditions. As a result of this agreement, an expected loss of $495 million ($343 million, net of income tax), which includes a reduction to goodwill of $60 million, was recorded for the three months ended March 31, 2014, and is reflected within net investment gains (losses) on the consolidated statement of operations and comprehensive income (loss). MAL's results of operations are included in continuing operations and were historically reported in the Corporate Benefit Funding segment. See Note 2.

The carrying amount of major classes of assets and liabilities related to the MAL disposition were as follows at:

	March 31, 2014
	(In millions)
Total investments	$5,028
Total assets	$5,347
Other liabilities (1)	$741
Future policy benefits	$3,645
Total liabilities	$4,508

(1) Includes an estimate of $435 million ($292 million, net of income tax) related to the loss on sale.

4. Insurance

Guarantees

As discussed in Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report, the Company issues variable annuity products with guaranteed minimum benefits. The non-life-contingent portion of guaranteed minimum withdrawal benefits ("GMWBs") and the portion of certain GMIBs that does not require annuitization are accounted for as embedded derivatives in PABs and are further discussed in Note 7.

The Company also issues annuity contracts that apply a lower rate on funds deposited if the contractholder elects to surrender the contract for cash and a higher rate if the contractholder elects to annuitize ("two tier annuities"). These guarantees include benefits that are payable in the event of death, maturity or at annuitization. Additionally, the Company issues universal and variable life contracts where the Company contractually guarantees to the contractholder a secondary guarantee or a guaranteed paid-up benefit.

Based on the type of guarantee, the Company defines net amount at risk as listed below. These amounts include direct and assumed business, but exclude offsets from hedging or reinsurance, if any.

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4. Insurance (continued)

Variable Annuity Guarantees
In the Event of Death
Defined as the death benefit less the total contract account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date and includes any additional contractual claims associated with riders purchased to assist with covering income taxes payable upon death.
At Annuitization
Defined as the amount (if any) that would be required to be added to the total contract account value to purchase a lifetime income stream, based on current annuity rates, equal to the minimum amount provided under the guaranteed benefit. This amount represents the Company's potential economic exposure to such guarantees in the event all contractholders were to annuitize on the balance sheet date, even though the contracts contain terms that allow annuitization of the guaranteed amount only after the 10th anniversary of the contract, which not all contractholders have achieved.
Two Tier Annuities
Defined as the excess of the upper tier, adjusted for a profit margin, less the lower tier, as of the balance sheet date. These contracts apply a lower rate on funds if the contractholder elects to surrender the contract for cash and a higher rate if the contractholder elects to annuitize.
Universal and Variable Life Contracts
Defined as the guarantee amount less the account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date.
Information regarding the types of guarantees relating to annuity contracts and universal and variable life contracts was as follows at:

	March 31, 2014		December 31, 2013	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
	(In millions)			
Annuity Contracts (1)				
Variable Annuity Guarantees				
Total contract account value (2)	$200,796	$100,746	$201,395	$100,527
Separate account value	$164,767	$96,749	$164,500	$96,459
Net amount at risk	$4,336	$1,305	$4,203	$1,219
Average attained age of contractholders	64 years	64 years	63 years	63 years
Two Tier Annuities				
General account value	N/A	$1,021	N/A	$880
Net amount at risk	N/A	$313	N/A	$234
Average attained age of contractholders	N/A	49 years	N/A	50 years

	March 31, 2014		December 31, 2013	
	Secondary Guarantees	Paid-Up Guarantees	Secondary Guarantees	Paid-Up Guarantees
	(In millions)			
Universal and Variable Life Contracts (1)				
Account value (general and separate account)	$16,355	$3,669	$16,048	$3,700
Net amount at risk	$184,884	$21,387	$185,920	$21,737
Average attained age of policyholders	56 years	60 years	55 years	60 years

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(1) The Company’s annuity and life contracts with guarantees may offer more than one type of guarantee in each contract. Therefore, the amounts listed above may not be mutually exclusive.

(2) Includes amounts, which are not reported in the consolidated balance sheets, from assumed reinsurance of certain variable annuity products from the Company’s former operating joint venture in Japan.

5. Closed Block

On April 7, 2000 (the "Demutualization Date"), Metropolitan Life Insurance Company ("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.

Experience within the closed block, in particular mortality and investment yields, as well as realized and unrealized gains and losses, directly impact the policyholder dividend obligation. Amortization of the closed block DAC, which resides outside of the closed block, is based upon cumulative actual and expected earnings within the closed block. Accordingly, the Company's net income continues to be sensitive to the actual performance of the closed block.

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.

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

	March 31, 2014	December 31, 2013
	(In millions)	
Closed Block Liabilities		
Future policy benefits	$41,929	$42,076
Other policy-related balances	328	298
Policyholder dividends payable	470	456
Policyholder dividend obligation	2,463	1,771
Current income tax payable	15	18
Other liabilities	608	582
Total closed block liabilities	45,813	45,201
Assets Designated to the Closed Block		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value	28,810	28,374
Equity securities available-for-sale, at estimated fair value	90	86
Mortgage loans	6,117	6,155
Policy loans	4,647	4,669
Real estate and real estate joint ventures	509	492
Other invested assets	935	814
Total investments	41,108	40,590
Cash and cash equivalents	375	238
Accrued investment income	496	477
Premiums, reinsurance and other receivables	67	98
Deferred income tax assets	292	293
Total assets designated to the closed block	42,338	41,696
Excess of closed block liabilities over assets designated to the closed block	3,475	3,505
Amounts included in accumulated other comprehensive income (loss) ("AOCI"):		
Unrealized investment gains (losses), net of income tax	1,931	1,502
Unrealized gains (losses) on derivatives, net of income tax	(3)	(3)
Allocated to policyholder dividend obligation, net of income tax	(1,601)	(1,151)
Total amounts included in AOCI	327	348
Maximum future earnings to be recognized from closed block assets and liabilities	$3,802	$3,853

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

5. Closed Block (continued)

Information regarding the closed block policyholder dividend obligation was as follows:

	Three Months Ended March 31, 2014	Year Ended December 31, 2013
	(In millions)	
Balance, beginning of period	$1,771	$3,828
Change in unrealized investment and derivative gains (losses)	692	(2,057)
Balance, end of period	$2,463	$1,771

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

	Three Months Ended March 31, 2014	2013
	(In millions)	
Revenues		
Premiums	$446	$464
Net investment income	530	533
Net investment gains (losses)	—	3
Net derivative gains (losses)	(1)	8
Total revenues	975	1,008
Expenses		
Policyholder benefits and claims	624	643
Policyholder dividends	233	242
Other expenses	41	42
Total expenses	898	927
Revenues, net of expenses before provision for income tax expense (benefit)	77	81
Provision for income tax expense (benefit)	27	27
Revenues, net of expenses and provision for income tax expense (benefit)	$50	$54

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.

6. Investments
Fixed Maturity and Equity Securities Available-for-Sale
Fixed Maturity and Equity Securities Available-for-Sale by Sector
The following table presents the fixed maturity and equity securities available-for-sale (“AFS”) by sector. Redeemable preferred stock is reported within U.S. corporate and foreign corporate fixed maturity securities and non-redeemable preferred stock is reported within equity securities. Included within fixed maturity securities are structured securities including residential mortgage-backed securities (“RMBS”), commercial mortgage-backed securities (“CMBS”) and asset-backed securities (“ABS”).

	March 31, 2014					December 31, 2013				
	Cost or Amortized Cost	Gross Unrealized Gains	Temporary Losses	OTTI Losses	Estimated Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Temporary Losses	OTTI Losses	Estimated Fair Value
	(In millions)									
Fixed maturity securities										
U.S. corporate	$100,806	$9,133	$739	$—	$109,200	$100,203	$7,495	$1,229	$—	$106,469
Foreign corporate	59,963	4,543	329	—	64,177	59,778	3,939	565	—	63,152
Foreign government	50,691	4,313	297	—	54,707	50,717	4,107	387	—	54,437
U.S. Treasury and agency	41,931	3,352	474	—	44,809	43,928	2,251	1,056	—	45,123
RMBS	36,047	1,728	405	167	37,203	34,167	1,584	490	206	35,055
CMBS	15,541	549	98	—	15,992	16,115	605	170	—	16,550
ABS	14,438	322	94	13	14,653	15,458	296	171	12	15,571
State and political subdivision	13,125	1,355	152	—	14,328	13,233	903	306	—	13,830
Total fixed maturity securities	$332,542	$25,295	$2,588	$180	$355,069	$333,599	$21,180	$4,374	$218	$350,187
Equity securities										
Common stock	$2,079	$470	$19	$—	$2,530	$1,927	$431	$5	$—	$2,353
Non-redeemable preferred stock	1,162	84	83	—	1,163	1,085	76	112	—	1,049
Total equity securities	$3,241	$554	$102	$—	$3,693	$3,012	$507	$117	$—	$3,402

The Company held non-income producing fixed maturity securities with an estimated fair value of $49 million and $74 million with unrealized gains (losses) of $26 million and $23 million at March 31, 2014 and December 31, 2013, respectively.
Maturities of Fixed Maturity Securities
The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date, were as follows at:

	March 31, 2014		December 31, 2013	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)			
Due in one year or less	$15,537	$15,723	$15,828	$16,030

Due after one year through five years	69,929	73,964	70,467	74,229
Due after five years through ten years	77,486	83,422	78,159	83,223
Due after ten years	103,564	114,112	103,405	109,529
Subtotal	266,516	287,221	267,859	283,011
Structured securities (RMBS, CMBS and ABS)	66,026	67,848	65,740	67,176
Total fixed maturity securities	$332,542	$355,069	$333,599	$350,187

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 presented in the year of final contractual maturity. RMBS, CMBS and ABS are shown separately, as they are not due at a single maturity.

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6. Investments (continued)

Continuous Gross Unrealized Losses for Fixed Maturity and Equity Securities AFS by Sector
The following table presents the estimated fair value and gross unrealized losses of fixed maturity and equity securities AFS in an unrealized loss position, aggregated by sector and by length of time that the securities have been in a continuous unrealized loss position.

	March 31, 2014				December 31, 2013			
	Less than 12 Months		Equal to or Greater than 12 Months		Less than 12 Months		Equal to or Greater than 12 Months	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions, except number of securities)							
Fixed maturity securities								
U.S. corporate	$9,989	$349	$4,233	$390	$13,889	$808	$3,807	$421
Foreign corporate	5,576	211	2,206	118	9,019	402	2,320	163
Foreign government	3,622	237	1,660	60	5,052	336	1,846	51
U.S. Treasury and agency	8,877	458	310	16	15,225	1,037	357	19
RMBS	10,252	280	1,890	292	10,754	363	2,302	333
CMBS	2,790	79	644	19	3,696	142	631	28
ABS	3,216	41	726	66	3,772	59	978	124
State and political subdivision	1,551	80	393	72	3,109	225	351	81
Total fixed maturity securities	$45,873	$1,735	$12,062	$1,033	$64,516	$3,372	$12,592	$1,220
Equity securities								
Common stock	$81	$8	$65	$11	$81	$4	$16	$1
Non-redeemable preferred stock	389	44	172	39	364	65	191	47
Total equity securities	$470	$52	$237	$50	$445	$69	$207	$48
Total number of securities in an unrealized loss position	3,290		1,415		4,480		1,571	

Evaluation of AFS Securities for OTTI and Evaluating Temporarily Impaired AFS Securities
As described more fully in Notes 1 and 8 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report, the Company performs a regular evaluation of all investment classes for impairment, including fixed maturity securities, equity securities and perpetual hybrid securities, in accordance with its impairment policy, in order to evaluate whether such investments are other-than-temporarily impaired.
Current Period Evaluation
Based on the Company’s current evaluation of its AFS securities in an unrealized loss position in accordance with its impairment policy, and the Company’s current intentions and assessments (as applicable to the type of security) about holding, selling and any requirements to sell these securities, the Company has concluded that these securities are not other-than-temporarily impaired at March 31, 2014. Future other-than-temporary impairment (“OTTI”) will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), and changes in credit ratings, collateral valuation, interest rates and credit spreads. If economic fundamentals deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in

upcoming periods.

Gross unrealized losses on fixed maturity securities decreased $1.8 billion during the three months ended March 31, 2014 from $4.6 billion to $2.8 billion. The decrease in gross unrealized losses for the three months ended March 31, 2014, was primarily attributable to a decrease in interest rates, and to a lesser extent narrowing credit spreads.

At March 31, 2014, $231 million of the total $2.8 billion of gross unrealized losses were from 74 fixed maturity securities with an unrealized loss position of 20% or more of amortized cost for six months or greater.

6. Investments (continued)

Investment Grade Fixed Maturity Securities

Of the $231 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, $122 million, or 53% , are related to gross unrealized losses on 48 investment grade fixed maturity securities. Unrealized losses on investment grade fixed maturity securities are principally related to widening credit spreads and, with respect to fixed-rate fixed maturity securities, rising interest rates since purchase.

Below Investment Grade Fixed Maturity Securities

Of the $231 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, $109 million, or 47%, are related to gross unrealized losses on 26 below investment grade fixed maturity securities. Unrealized losses on below investment grade fixed maturity securities are principally related to non-agency RMBS (primarily alternative residential mortgage loans) and ABS (primarily foreign ABS) and are the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic and market uncertainties including concerns over unemployment levels and valuations of residential real estate supporting non-agency RMBS. Management evaluates non-agency RMBS and ABS based on actual and projected cash flows after considering the quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying assets backing a particular security, and the payment priority within the tranche structure of the security.

Equity Securities

Gross unrealized losses on equity securities decreased $15 million during the three months ended March 31, 2014 from $117 million to $102 million. Of the $102 million, $33 million were from 12 equity securities with gross unrealized losses of 20% or more of cost for 12 months or greater, all of which were financial services industry investment grade non-redeemable preferred stock, of which 64% were rated A or better.

Mortgage Loans

Mortgage Loans by Portfolio Segment

Mortgage loans are summarized as follows at:

	March 31, 2014		December 31, 2013	
	Carrying Value (In millions)	% of Total	Carrying Value (In millions)	% of Total
Mortgage loans held-for-investment:				
Commercial	$40,398	70.7 %	$40,926	70.9 %
Agricultural	12,284	21.5	12,391	21.5
Residential	3,291	5.8	2,772	4.8
Subtotal (1)	55,973	98.0	56,089	97.2
Valuation allowances	(326)	(0.6)	(322)	(0.6)
Subtotal mortgage loans held-for-investment, net	55,647	97.4	55,767	96.6
Residential — fair value option (“FVO”)	352	0.6	338	0.6
Commercial mortgage loans held by CSEs — FVO	1,140	2.0	1,598	2.8
Total mortgage loans held-for-investment, net	57,139	100.0	57,703	100.0
Mortgage loans held-for-sale	—	—	3	—
Total mortgage loans, net	$57,139	100.0 %	$57,706	100.0 %

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(1) Purchases of mortgage loans were $597 million and $50 million for the three months ended March 31, 2014 and 2013, respectively.

See “— Variable Interest Entities” for discussion of consolidated securitization entities (“CSEs”).

6. Investments (continued)

Mortgage Loans and Valuation Allowance by Portfolio Segment

The carrying value prior to valuation allowance (“recorded investment”) in mortgage loans held-for-investment, by portfolio segment, by method of evaluation of credit loss, and the related valuation allowances, by type of credit loss, were as follows at:

	March 31, 2014				December 31, 2013			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
	(In millions)							
Mortgage loans:								
Evaluated individually for credit losses	$508	$ 100	$ 9	$617	$506	$ 100	$ 16	$622
Evaluated collectively for credit losses	39,890	12,184	3,282	55,356	40,420	12,291	2,756	55,467
Total mortgage loans	40,398	12,284	3,291	55,973	40,926	12,391	2,772	56,089
Valuation allowances:								
Specific credit losses	60	5	—	65	58	7	1	66
Non-specifically identified credit losses	199	37	25	261	200	37	19	256
Total valuation allowances	259	42	25	326	258	44	20	322
Mortgage loans, net of valuation allowance	$40,139	$ 12,242	$ 3,266	$55,647	$40,668	$ 12,347	$ 2,752	$55,767

Valuation Allowance Rollforward by Portfolio Segment

The changes in the valuation allowance, by portfolio segment, were as follows:

	Three Months Ended March 31, 2014				2013			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
	(In millions)							
Balance, beginning of period	$258	$ 44	$ 20	$322	$293	$ 52	$ 2	$347
Provision (release)	1	(2)	6	5	(18)	6	1	(11)
Charge-offs, net of recoveries	—	—	(1)	(1)	—	(4)	—	(4)
Balance, end of period	$259	$ 42	$ 25	$326	$275	$ 54	$ 3	$332

Credit Quality of Commercial Mortgage Loans

The credit quality of commercial mortgage loans held-for-investment were as follows at:

	Recorded Investment						
	Debt Service Coverage Ratios				% of Total	Estimated Fair Value	% of Total
	> 1.20x	1.00x - 1.20x	< 1.00x	Total			
	(In millions)					(In millions)	
March 31, 2014							
Loan-to-value ratios:							
Less than 65%	$30,719	$ 537	$767	$32,023	79.3 %	$ 33,790	80.0 %
65% to 75%	5,815	498	149	6,462	16.0	6,568	15.6
76% to 80%	555	192	103	850	2.1	847	2.0
Greater than 80%	660	242	161	1,063	2.6	1,000	2.4

Total	$37,749	$ 1,469	$1,180	$40,398	100.0	%	$42,205	100.0	%
December 31, 2013									
Loan-to-value ratios:									
Less than 65%	$30,552	$ 614	$841	$32,007	78.2	%	$33,519	78.9	%
65% to 75%	6,360	438	149	6,947	17.0		7,039	16.6	
76% to 80%	525	192	189	906	2.2		892	2.1	
Greater than 80%	661	242	163	1,066	2.6		1,006	2.4	
Total	$38,098	$ 1,486	$1,342	$40,926	100.0	%	$42,456	100.0	%

6. Investments (continued)

Credit Quality of Agricultural Mortgage Loans
The credit quality of agricultural mortgage loans held-for-investment were as follows at:

	March 31, 2014			December 31, 2013		
	Recorded Investment	% of Total		Recorded Investment	% of Total	
	(In millions)			(In millions)		
Loan-to-value ratios:						
Less than 65%	$11,368	92.5	%	$11,461	92.5	%
65% to 75%	734	6.0		729	5.9	
76% to 80%	67	0.6		84	0.7	
Greater than 80%	115	0.9		117	0.9	
Total	$12,284	100.0	%	$12,391	100.0	%

The estimated fair value of agricultural mortgage loans held-for-investment was $12.6 billion and $12.7 billion at March 31, 2014 and December 31, 2013, respectively.
Credit Quality of Residential Mortgage Loans
The credit quality of residential mortgage loans held-for-investment were as follows at:

	March 31, 2014			December 31, 2013		
	Recorded Investment	% of Total		Recorded Investment	% of Total	
	(In millions)			(In millions)		
Performance indicators:						
Performing	$3,201	97.3	%	$2,693	97.1	%
Nonperforming	90	2.7		79	2.9	
Total	$3,291	100.0	%	$2,772	100.0	%

The estimated fair value of residential mortgage loans held-for-investment was $3.3 billion and $2.8 billion at March 31, 2014 and December 31, 2013, respectively.
Past Due and Interest Accrual Status of Mortgage Loans
The Company has a high quality, well performing mortgage loan portfolio, with 99% of all mortgage loans classified as performing at both March 31, 2014 and December 31, 2013. The Company defines delinquency consistent with industry practice, when mortgage loans are past due as follows: commercial and residential mortgage loans — 60 days and agricultural mortgage loans — 90 days. The past due and accrual status of mortgage loans at recorded investment, prior to valuation allowances, by portfolio segment, were as follows at:

	Past Due		Greater than 90 Days Past Due and Still Accruing Interest		Nonaccrual Status	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
	(In millions)					
Commercial	$12	$12	$12	$12	$190	$191
Agricultural	66	44	24	—	48	47
Residential	90	79	—	—	77	65
Total	$168	$135	$36	$12	$315	$303

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

6. Investments (continued)

Impaired Mortgage Loans
Impaired mortgage loans held-for-investment, including those modified in a troubled debt restructuring, by portfolio segment, were as follows at:

	Loans with a Valuation Allowance				Loans without a Valuation Allowance		All Impaired Loans	
	Unpaid Principal Balance	Recorded Investment	Valuation Allowances	Carrying Value	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Carrying Value
	(In millions)							
March 31, 2014								
Commercial	$213	$210	$ 60	$150	$298	$298	$511	$448
Agricultural	57	54	5	49	47	46	104	95
Residential	—	—	—	—	11	9	11	9
Total	$270	$264	$ 65	$199	$356	$353	$626	$552
December 31, 2013								
Commercial	$214	$210	$ 58	$152	$299	$296	$513	$448
Agricultural	68	66	7	59	35	34	103	93
Residential	12	12	1	11	5	4	17	15
Total	$294	$288	$ 66	$222	$339	$334	$633	$556

Unpaid principal balance is generally prior to any charge-offs.
The average recorded investment in impaired mortgage loans held-for-investment, including those modified in a troubled debt restructuring, and the related interest income, which is primarily recognized on a cash basis, by portfolio segment, was:

	Three Months Ended March 31,			
	2014		2013	
	Average Recorded Investment	Interest Income	Average Recorded Investment	Interest Income
	(In millions)			
Commercial	$507	$3	$536	$3
Agricultural	100	3	169	1
Residential	13	—	14	—
Total	$620	$6	$719	$4

Mortgage Loans Modified in a Troubled Debt Restructuring
The number of mortgage loans and carrying value after specific valuation allowance of mortgage loans modified during the period in a troubled debt restructuring were as follows:

Three Months Ended March 31,			
2014		2013	
Number of	Carrying Value after Specific Valuation Allowance	Number of Mortgage Loans	Carrying Value after Specific Valuation Allowance

	Mortgage Loans					
		Pre-Modification	Post-Modification		Pre-Modification	Post-Modification
		(In millions)			(In millions)	
Commercial	—	$—	$ —	—	$—	$ —
Agricultural	—	—	—	—	—	—
Residential	27	6	5	—	—	—
Total	27	$6	$ 5	—	$—	$ —

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6. Investments (continued)

The number of mortgage loans and carrying value of mortgage loans with subsequent payment defaults that were modified in a troubled debt restructuring during the previous 12 months were as follows:

	Three Months Ended March 31, 2014		2013	
	Number of Mortgage Loans	Carrying Value	Number of Mortgage Loans	Carrying Value
		(In millions)		(In millions)
Commercial	—	$—	—	$—
Agricultural	2	24	—	—
Residential (1)	1	—	—	—
Total	3	$24	—	$—

(1) Residential mortgage loans for the three months ended March 31, 2014 had a carrying value of less than $1 million.

Payment default is determined in the same manner as delinquency status as described above.

Cash Equivalents

The carrying value of cash equivalents, which includes securities and other investments with an original or remaining maturity of three months or less at the time of purchase, was $4.3 billion and $3.8 billion at March 31, 2014 and December 31, 2013, respectively.

Net Unrealized Investment Gains (Losses)

The components of net unrealized investment gains (losses), included in AOCI, were as follows:

	March 31, 2014	December 31, 2013
	(In millions)	
Fixed maturity securities	$22,592	$16,672
Fixed maturity securities with noncredit OTTI losses in AOCI	(180)	(218)
Total fixed maturity securities	22,412	16,454
Equity securities	457	390
Derivatives	642	375
Other	(64)	(73)
Subtotal	23,447	17,146
Amounts allocated from:		
Insurance liability loss recognition	(1,252)	(898)
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	5	6
DAC and VOBA	(1,512)	(1,190)
Policyholder dividend obligation	(2,463)	(1,771)
Subtotal	(5,222)	(3,853)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	60	73
Deferred income tax benefit (expense)	(6,623)	(4,956)
Net unrealized investment gains (losses)	11,662	8,410
Net unrealized investment gains (losses) attributable to noncontrolling interests	18	4

Net unrealized investment gains (losses) attributable to MetLife, Inc.	$11,680	$8,414

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

6. Investments (continued)

The changes in fixed maturity securities with noncredit OTTI losses included in AOCI were as follows:

	Three Months Ended March 31, 2014	Year Ended December 31, 2013
	(In millions)	
Balance, beginning of period	$(218)	$(361)
Noncredit OTTI losses and subsequent changes recognized (1)	(4)	60
Securities sold with previous noncredit OTTI loss	12	149
Subsequent changes in estimated fair value	30	(66)
Balance, end of period	$(180)	$(218)

(1) Noncredit OTTI losses and subsequent changes recognized, net of DAC, were ($8) million and $52 million for the three months ended March 31, 2014 and the year ended December 31, 2013, respectively.

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

	Three Months Ended March 31, 2014
	(In millions)
Balance, beginning of period	$8,414
Fixed maturity securities on which noncredit OTTI losses have been recognized	38
Unrealized investment gains (losses) during the period	6,263
Unrealized investment gains (losses) relating to:	
Insurance liability gain (loss) recognition	(354)
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	(1)
DAC and VOBA	(322)
Policyholder dividend obligation	(692)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	(13)
Deferred income tax benefit (expense)	(1,667)
Net unrealized investment gains (losses)	11,666
Net unrealized investment gains (losses) attributable to noncontrolling interests	14
Balance, end of period	$11,680
Change in net unrealized investment gains (losses)	$3,252
Change in net unrealized investment gains (losses) attributable to noncontrolling interests	14
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	$3,266

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

6. Investments (continued)

Concentrations of Credit Risk
Investments in any counterparty that were greater than 10% of the Company's equity, other than the U.S. government and its agencies, were in fixed income securities of the Japanese government and its agencies with an estimated fair value of $22.0 billion and $21.7 billion at March 31, 2014 and December 31, 2013, respectively. The Company's investment in fixed maturity and equity securities to counterparties that primarily conduct business in Japan, including Japan government and agency fixed maturity securities, was $27.2 billion and $26.9 billion at March 31, 2014 and December 31, 2013, respectively.
Securities Lending
Elements of the securities lending program are presented below at:

	March 31, 2014	December 31, 2013
	(In millions)	
Securities on loan: (1)		
Amortized cost	$27,515	$27,094
Estimated fair value	$29,095	$27,595
Cash collateral on deposit from counterparties (2)	$29,694	$28,319
Security collateral on deposit from counterparties (3)	$120	$—
Reinvestment portfolio — estimated fair value	$30,003	$28,481

(1) Included within fixed maturity securities, short-term investments, equity securities and cash and cash equivalents.
(2) Included within payables for collateral under securities loaned and other transactions.
(3) Security collateral on deposit from counterparties may not be sold or repledged, unless the counterparty is in default, and is not reflected in the consolidated financial statements.

Invested Assets on Deposit, Held in Trust and Pledged as Collateral
Invested assets on deposit, held in trust and pledged as collateral are presented below at estimated fair value for cash and cash equivalents, short-term investments, fixed maturity and equity securities and FVO and trading securities, and at carrying value for mortgage loans at:

	March 31, 2014	December 31, 2013
	(In millions)	
Invested assets on deposit (regulatory deposits) (1)	$8,688	$2,153
Invested assets held in trust (collateral financing arrangements and reinsurance agreements)	11,414	11,004
Invested assets pledged as collateral (2)	23,826	23,770
Total invested assets on deposit, held in trust and pledged as collateral	$43,928	$36,927

(1) In 2013, MetLife, Inc. announced its plans to merge three U.S. based life insurance companies and an offshore reinsurance subsidiary to create one larger U.S. based and U.S. regulated life insurance company (the "Mergers"). The companies to be merged are MetLife Insurance Company of Connecticut ("MICC"), MetLife Investors USA Insurance Company ("MLI-USA") and MetLife Investors Insurance Company, each a U.S. insurance company that issues variable annuity products in addition to other products, and Exeter Reassurance Company, Ltd. ("Exeter"), a reinsurance company that mainly reinsures guarantees associated with variable annuity products. MICC, which is expected to be renamed and domiciled in Delaware, will be the surviving entity. In October 2013, Exeter, formerly a Cayman Islands company, was re-domesticated to Delaware. Effective January 1, 2014, following receipt of New York State Department of Financial Services (the "Department of Financial Services") approval, MICC withdrew its

license to issue insurance policies and annuity contracts in New York. Also effective January 1, 2014, MICC reinsured with an affiliate all existing New York insurance policies and annuity contracts that include a separate account feature; on December 31, 2013, MICC deposited investments with an estimated fair market value of $6.3 billion into a custodial account to secure MICC's remaining New York policyholder liabilities not covered by the reinsurance, which became restricted on January 1, 2014. The Mergers are expected to occur in the fourth quarter of 2014, subject to regulatory approvals.

(2) The Company has pledged invested assets in connection with various agreements and transactions, including funding agreements (see Notes 4 and 12 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report), collateral financing arrangements (see Note 13 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report) and derivative transactions (see Note 7).

See "— Securities Lending" for securities on loan and Note 5 for investments designated to the closed block.

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6. Investments (continued)

Variable Interest Entities

The Company has invested in certain structured transactions (including CSEs), formed trusts to invest proceeds from certain collateral financing arrangements and has insurance operations 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, is deemed to be the primary beneficiary or consolidator of the entity.

The determination of the VIE's primary beneficiary requires an evaluation of the contractual and implied rights and obligations associated with each party's relationship with or involvement in the entity, an estimate of the entity's expected losses and expected residual returns and the allocation of such estimates to each party involved in the entity. The Company generally uses a qualitative approach to determine whether it is the primary beneficiary. However, for VIEs that are investment companies or apply measurement principles consistent with those utilized by investment companies, the primary beneficiary is based on a risks and rewards model and is defined as the entity that will absorb a majority of a VIE's expected losses, receive a majority of a VIE's expected residual returns if no single entity absorbs a majority of expected losses, or both. The Company reassesses its involvement with VIEs on a quarterly basis. The use of different methodologies, assumptions and inputs in the determination of the primary beneficiary could have a material effect on the amounts presented within the consolidated financial statements.

Consolidated VIEs

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 at March 31, 2014 and December 31, 2013. Creditors or beneficial interest holders of VIEs where the 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, 2014		December 31, 2013	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
MRSC (collateral financing arrangement (primarily securities)) (1)	$3,467	$—	$3,440	$—
Operating joint venture (2)	2,275	1,932	2,095	1,777
CSEs (assets (primarily loans) and liabilities (primarily debt)) (3)	1,166	1,006	1,630	1,457
Investments:				
Real estate and real estate joint ventures (4)	10	15	1,181	443
Other invested assets	75	—	82	7
FVO and trading securities	69	—	69	—
Other limited partnership interests	61	—	61	—
Total	$7,123	$2,953	$8,558	$3,684

(1) See Note 13 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report for a description of the MetLife Reinsurance Company of South Carolina ("MRSC") collateral financing arrangement.

(2) Assets of the operating joint venture are primarily fixed maturity securities and separate account assets. Liabilities of the operating joint venture are primarily future policy benefits, other policyholder funds and separate account liabilities.

(3) The Company consolidates entities that are structured as CMBS and as collateralized debt obligations. The assets of these entities can only be used to settle their respective liabilities, and under no circumstances is the Company liable for any principal or interest shortfalls should any arise. The Company's exposure was limited to that of its remaining investment in these entities of $141 million and $154 million at estimated fair value at March 31, 2014

and December 31, 2013, respectively. The long-term debt bears interest primarily at fixed rates ranging from 2.25% to 5.57%, payable primarily on a monthly basis. Interest expense related to these obligations, included in other expenses, was $18 million and $33 million for the three months ended March 31, 2014 and 2013, respectively.

6. Investments (continued)

(4) At December 31, 2013, the Company consolidated an open ended core real estate fund formed in the fourth quarter of 2013 (the "MetLife Core Property Fund"), which represented the majority of the balances at December 31, 2013. As a result of the quarterly reassessment in the first quarter of 2014, the Company no longer consolidates the MetLife Core Property Fund, effective March 31, 2014, based on the terms of the revised partnership agreement. The Company accounts for its retained interest in the real estate fund under the equity method. Assets of the real estate fund are a real estate investment trust which holds primarily traditional core income-producing real estate which has associated liabilities that are primarily non-recourse debt secured by certain real estate assets of the fund. The assets of these entities can only be used to settle their respective liabilities, and under no circumstances is the Company liable for any principal or interest shortfalls should any arise. The Company's exposure was limited to that of its investment in the real estate fund of $178 million at carrying value at December 31, 2013. The long-term debt bears interest primarily at fixed rates ranging from 1.39% to 4.45%, payable primarily on a monthly basis.

Unconsolidated VIEs

The carrying amount and maximum exposure to loss relating to VIEs in which the Company holds a significant variable interest but is not the primary beneficiary and which have not been consolidated were as follows at:

	March 31, 2014		December 31, 2013	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
	(In millions)			
Fixed maturity securities AFS:				
Structured securities (RMBS, CMBS and ABS) (2)	$67,848	$67,848	$67,176	$67,176
U.S. and foreign corporate	4,343	4,343	3,966	3,966
Other limited partnership interests	5,226	7,246	5,041	6,994
Other invested assets	1,567	1,837	1,509	1,897
FVO and trading securities	589	589	619	619
Mortgage loans	107	107	106	106
Real estate joint ventures	70	72	70	71
Equity securities AFS:				
Non-redeemable preferred stock	36	36	35	35
Total	$79,786	$82,078	$78,522	$80,864

(1) The maximum exposure to loss relating to fixed maturity securities AFS, FVO and trading securities and equity securities AFS is equal to their carrying amounts or the carrying amounts of retained interests. The maximum exposure to loss relating to other limited partnership interests, mortgage loans and real estate joint ventures is equal to the carrying amounts plus any unfunded commitments of the Company. For certain of its investments in other invested assets, the Company's return is in the form of income tax credits which are guaranteed by creditworthy third parties. For such investments, the maximum exposure to loss is equal to the carrying amounts plus any unfunded commitments, reduced by income tax credits guaranteed by third parties of $250 million and $257 million at March 31, 2014 and December 31, 2013, respectively. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or investee.

(2) For these variable interests, the Company's involvement is limited to that of a passive investor in mortgage-backed or asset-backed securities issued by trusts that do not have substantial equity.

As described in Note 13, 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, 2014 and 2013.

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6. Investments (continued)

Net Investment Income

The components of net investment income were as follows:

	Three Months Ended March 31,	
	2014	2013
	(In millions)	
Investment income:		
Fixed maturity securities	$3,653	$3,826
Equity securities	30	24
FVO and trading securities — Actively Traded Securities and FVO general account securities (1)	37	21
Mortgage loans	709	738
Policy loans	157	155
Real estate and real estate joint ventures	217	193
Other limited partnership interests	329	246
Cash, cash equivalents and short-term investments	47	49
International joint ventures	—	(14)
Other	45	63
Subtotal	5,224	5,301
Less: Investment expenses	276	300
Subtotal, net	4,948	5,001
FVO and trading securities — FVO contractholder-directed unit-linked investments (1)	65	1,039
FVO CSEs — interest income:		
Commercial mortgage loans	22	37
Subtotal	87	1,076
Net investment income	$5,035	$6,077

(1) Changes in estimated fair value subsequent to purchase for securities still held as of the end of the respective periods included in net investment income were as follows:

	Three Months Ended March 31,	
	2014	2013
	(In millions)	
Actively Traded Securities and FVO general account securities	$11	$13
FVO contractholder-directed unit-linked investments	$(41)	$956

See "— Variable Interest Entities" for discussion of CSEs.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

6. Investments (continued)

Net Investment Gains (Losses)
Components of Net Investment Gains (Losses)
The components of net investment gains (losses) were as follows:

	Three Months Ended March 31, 2014	2013
	(In millions)	
Total gains (losses) on fixed maturity securities:		
Total OTTI losses recognized — by sector and industry:		
U.S. and foreign corporate securities — by industry:		
Utility	$—	$(5)
Consumer	(7)	(8)
Finance	—	(10)
Total U.S. and foreign corporate securities	(7)	(23)
RMBS	(3)	(37)
OTTI losses on fixed maturity securities recognized in earnings	(10)	(60)
Fixed maturity securities — net gains (losses) on sales and disposals	96	369
Total gains (losses) on fixed maturity securities	86	309
Total gains (losses) on equity securities:		
Total OTTI losses recognized — by sector:		
Non-redeemable preferred stock	—	(20)
Common stock	(1)	(1)
OTTI losses on equity securities recognized in earnings	(1)	(21)
Equity securities — net gains (losses) on sales and disposals	26	(6)
Total gains (losses) on equity securities	25	(27)
FVO and trading securities — FVO general account securities	9	4
Mortgage loans	(11)	12
Real estate and real estate joint ventures	65	(14)
Other limited partnership interests	(2)	—
Other investment portfolio gains (losses)	(4)	7
Subtotal — investment portfolio gains (losses)	168	291
FVO CSEs:		
Commercial mortgage loans	1	(13)
Long-term debt — related to commercial mortgage loans	1	22
Long-term debt — related to securities	—	(1)
Non-investment portfolio gains (losses) (1)	(581)	15
Subtotal FVO CSEs and non-investment portfolio gains (losses)	(579)	23
Total net investment gains (losses)	$(411)	$314

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(1) Non-investment portfolio gain (losses) for the three months ended March 31, 2014 includes a loss of $495 million related to the disposition of MAL. See Note 3.

See "— Variable Interest Entities" for discussion of CSEs.
Gains (losses) from foreign currency transactions included within net investment gains (losses) were $5 million and $58 million for the three months ended March 31, 2014 and 2013, respectively.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

6. Investments (continued)

Sales or Disposals and Impairments of Fixed Maturity and Equity Securities

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 in the table below. Investment gains and losses on sales of securities are determined on a specific identification basis.

	Three Months Ended March 31,					
	2014	2013	2014	2013	2014	2013
	Fixed Maturity Securities		Equity Securities		Total	
	(In millions)					
Proceeds	$22,291	$19,550	$101	$86	$22,392	$19,636
Gross investment gains	$314	$500	$27	$8	$341	$508
Gross investment losses	(218)	(131)	(1)	(14)	(219)	(145)
Total OTTI losses:						
Credit-related	(10)	(42)	—	—	(10)	(42)
Other (1)	—	(18)	(1)	(21)	(1)	(39)
Total OTTI losses	(10)	(60)	(1)	(21)	(11)	(81)
Net investment gains (losses)	$86	$309	$25	$(27)	$111	$282

(1) Other OTTI losses recognized in earnings include impairments on (i) equity securities, (ii) 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 (iii) 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.

Credit Loss Rollforward

The table below presents a rollforward of the cumulative credit loss component of OTTI loss recognized in earnings on fixed maturity securities still held for which a portion of the OTTI loss was recognized in other comprehensive income (loss) (“OCI”):

	Three Months Ended March 31,	
	2014	2013
	(In millions)	
Balance, beginning of period	$378	$392
Additions:		
Initial impairments — credit loss OTTI recognized on securities not previously impaired	—	1
Additional impairments — credit loss OTTI recognized on securities previously impaired	2	35
Reductions:		
Sales (maturities, pay downs or prepayments) during the period of securities previously impaired as credit loss OTTI	(10)	(30)
Balance, end of period	$370	$398

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7. Derivatives
Accounting for Derivatives
Freestanding Derivatives
Freestanding derivatives are carried on the Company's balance sheet either as assets within other invested assets or as liabilities within other liabilities at estimated fair value. The Company does not offset the fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement.
Accruals on derivatives are generally recorded in accrued investment income or within other liabilities. However, accruals that are not scheduled to settle within one year are included with the derivatives carrying value in other invested assets or other liabilities.
If a derivative is not designated as an accounting hedge or its use in managing risk does not qualify for hedge accounting, changes in the estimated fair value of the derivative are reported in net derivative gains (losses) except as follows:

Statement of Operations Presentation:	Derivative:
Policyholder benefits and claims	• Economic hedges of variable annuity guarantees included in future policy benefits
Net investment income	• Economic hedges of equity method investments in joint ventures
	• All derivatives held in relation to trading portfolios
	• Derivatives held within contractholder-directed unit-linked investments

Hedge Accounting
To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge. Hedge designation and financial statement presentation of changes in estimated fair value of the hedging derivatives are as follows:
•Fair value hedge (a hedge of the estimated fair value of a recognized asset or liability) - in net derivative gains (losses), consistent with the change in fair value of the hedged item attributable to the designated risk being hedged.
•Cash flow hedge (a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability) - effectiveness in OCI (deferred gains or losses on the derivative are reclassified into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item); ineffectiveness in net derivative gains (losses).
•Net investment in a foreign operation hedge - effectiveness in OCI, consistent with the translation adjustment for the hedged net investment in the foreign operation; ineffectiveness in net derivative gains (losses).
The changes in estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported on the statement of operations within interest income or interest expense to match the location of the hedged item. Accruals on derivatives in net investment hedges are recognized in OCI.
In its hedge documentation, the Company sets forth how the hedging instrument is expected to hedge the designated risks related to the hedged item and sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument's effectiveness and the method that will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and at least quarterly throughout the life of the designated hedging relationship. Assessments of hedge effectiveness and measurements of ineffectiveness are also subject to interpretation and estimation and different interpretations or estimates may have a material effect on the amount reported in net income.
The Company discontinues hedge accounting prospectively when: (i) it is determined that the derivative is no longer highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item; (ii) the derivative expires, is sold, terminated, or exercised; (iii) it is no longer probable that the hedged forecasted transaction will occur; or (iv) the derivative is de-designated as a hedging instrument.

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7. Derivatives (continued)

When hedge accounting is discontinued because it is determined that the derivative is not highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item, the derivative continues to be carried on the balance sheet at its estimated fair value, with changes in estimated fair value recognized in net derivative gains (losses). The carrying value of the hedged recognized asset or liability under a fair value hedge is no longer adjusted for changes in its estimated fair value due to the hedged risk, and the cumulative adjustment to its carrying value is amortized into income over the remaining life of the hedged item. Provided the hedged forecasted transaction is still probable of occurrence, the changes in estimated fair value of derivatives recorded in OCI related to discontinued cash flow hedges are released into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item.

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

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

Embedded Derivatives

The Company sells variable annuities and issues certain insurance products and investment contracts and is a party to certain reinsurance agreements that have embedded derivatives. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated. The embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative if:

- the combined instrument is not accounted for in its entirety at fair value with changes in fair value recorded in earnings;
- the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract; and
- a separate instrument with the same terms as the embedded derivative would qualify as a derivative instrument.

Such embedded derivatives are carried on the balance sheet at estimated fair value with the host contract and changes in their estimated fair value are generally reported in net derivative gains (losses) except for those in policyholder benefits and claims related to ceded reinsurance of GMIB. If the Company is unable to properly identify and measure an embedded derivative for separation from its host contract, the entire contract is carried on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income. Additionally, the Company may elect to carry an entire contract on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income if that contract contains an embedded derivative that requires bifurcation. At inception, the Company attributes to the embedded derivative a portion of the projected future guarantee fees to be collected from the policyholder equal to the present value of projected future guaranteed benefits. Any additional fees represent "excess" fees and are reported in universal life and investment-type product policy fees.

See Note 8 for information about the fair value hierarchy for derivatives.

Derivative Strategies

The Company is exposed to various risks relating to its ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. The Company uses a variety of strategies to manage these risks, including the use of derivatives.

Derivatives are financial instruments whose values are derived from interest rates, foreign currency exchange rates, credit spreads and/or other financial indices. Derivatives may be exchange-traded or contracted in the over-the-counter (“OTC”) market. Certain of the Company’s OTC derivatives are cleared and settled through central clearing counterparties (“OTC-cleared”), while others are bilateral contracts between two counterparties (“OTC-bilateral”). The types of derivatives the Company uses include swaps, forwards, futures and option contracts. To a lesser extent, the Company uses credit default swaps and structured interest rate swaps to synthetically replicate investment risks and returns which are not readily available in the cash market.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

7. Derivatives (continued)

Interest Rate Derivatives
The Company uses a variety of interest rate derivatives to reduce its exposure to changes in interest rates, including interest rate swaps, caps, floors, swaptions, futures and forwards.
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 amount. The Company utilizes interest rate swaps in fair value, cash flow and non-qualifying hedging relationships.
The Company uses structured interest rate swaps 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, agency, or other fixed maturity security. Structured interest rate swaps are included in interest rate swaps. Structured interest rate swaps are not designated as hedging instruments.
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, 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 and invested assets. 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. The Company utilizes swaptions in non-qualifying hedging relationships. Swaptions are included in interest rate options.
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 utilizes interest rate forwards in cash flow hedging relationships.
Foreign Currency Exchange Rate Derivatives
The Company uses foreign currency exchange rate derivatives including foreign currency swaps, foreign currency forwards and currency options, 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 derivatives to hedge the foreign currency exchange rate 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 notional amount. The notional 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 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 at the specified future date. The Company utilizes foreign currency forwards in fair value, net investment in foreign operations and non-qualifying hedging relationships.

7. Derivatives (continued)

The Company enters into currency options 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 net investment in foreign operations and non-qualifying hedging relationships.

To a lesser extent, the Company uses exchange-traded currency futures to hedge currency mismatches between assets and liabilities. The Company utilizes exchange-traded currency futures in non-qualifying hedging relationships.

Credit Derivatives

The Company enters into purchased credit default swaps to hedge against credit-related changes in the value of its investments. In a credit default swap transaction, the Company agrees with another party to pay, at specified intervals, a premium to hedge credit risk. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may 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. Credit events vary by type of issuer but typically include bankruptcy, failure to pay debt obligations, repudiation, moratorium, or involuntary restructuring. In each case, payout on a credit default swap is triggered only after the Credit Derivatives Determinations Committee of the International Swaps and Derivatives Association, Inc. ("ISDA") deems that a credit event has occurred. The Company utilizes credit default swaps in non-qualifying hedging relationships.

The Company enters into written credit default swaps to synthetically create credit investments that are either more expensive to acquire or otherwise unavailable in the cash markets. These transactions are a combination of a derivative and one or more cash instruments, such as U.S. Treasury securities, agency securities or other fixed maturity securities. These credit default swaps are not designated as hedging instruments.

The Company also enters into certain purchased and written 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.

Equity Derivatives

The Company uses a variety of equity derivatives to reduce its exposure to equity market risk, including equity index options, variance swaps, exchange-traded equity futures and total rate of return swaps ("TRRs").

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. Certain of these contracts may also contain settlement provisions linked to interest rates. 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. 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. The Company utilizes equity variance swaps in non-qualifying 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.

7. Derivatives (continued)

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 the London Interbank Offered Rate (LIBOR), calculated by reference to an agreed notional 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. 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.

Primary Risks Managed by Derivatives

The following table presents the gross notional amount, estimated fair value and primary underlying risk exposure of the Company's derivatives, excluding embedded derivatives, held at:

	Primary Underlying Risk Exposure	March 31, 2014			December 31, 2013		
		Notional Amount	Estimated Fair Value		Notional Amount	Estimated Fair Value	
			Assets	Liabilities		Assets	Liabilities
		(In millions)					
Derivatives Designated as Hedging Instruments							
Fair value hedges:							
Interest rate swaps	Interest rate	$6,300	$1,488	$35	$6,419	$1,282	$78
Foreign currency swaps	Foreign currency exchange rate	2,140	245	80	2,713	252	135
Foreign currency forwards	Foreign currency exchange rate	3,025	47	1	2,935	—	77
Subtotal		11,465	1,780	116	12,067	1,534	290
Cash flow hedges:							
Interest rate swaps	Interest rate	3,011	196	48	3,121	83	141
Interest rate forwards	Interest rate	735	38	—	450	7	7
Foreign currency swaps	Foreign currency exchange rate	12,837	422	616	12,452	401	660
Subtotal		16,583	656	664	16,023	491	808
Foreign operations hedges:							
Foreign currency forwards	Foreign currency exchange rate	3,178	19	16	3,182	82	47
Currency options	Foreign currency exchange rate	8,366	168	4	7,362	318	—
Subtotal		11,544	187	20	10,544	400	47
Total qualifying hedges		39,592	2,623	800	38,634	2,425	1,145
Derivatives Not Designated or Not Qualifying as Hedging Instruments							
Interest rate swaps	Interest rate	102,687	3,515	1,617	107,354	3,330	1,767
Interest rate floors	Interest rate	66,943	454	314	63,064	451	346
Interest rate caps	Interest rate	34,460	126	—	39,460	177	—
Interest rate futures	Interest rate	5,778	2	5	6,011	9	9
Interest rate options	Interest rate	28,036	357	220	40,978	255	243
Synthetic GICs	Interest rate	4,405	—	—	4,409	—	—
	Foreign currency exchange rate	8,896	128	645	9,307	133	684

Foreign currency swaps							
Foreign currency forwards	Foreign currency exchange rate	12,228	94	122	11,311	69	359
Currency futures	Foreign currency exchange rate	1,340	1	1	1,316	1	1
Currency options	Foreign currency exchange rate	5,996	103	21	2,265	53	48
Credit default swaps — purchased	Credit	3,627	7	43	3,725	7	51
Credit default swaps — written	Credit	9,848	146	7	9,055	166	1
Equity futures	Equity market	5,598	3	72	5,157	1	43
Equity options	Equity market	31,467	1,370	1,151	37,411	1,344	1,068
Variance swaps	Equity market	21,919	199	646	21,636	174	577
TRRs	Equity market	3,633	2	81	3,802	—	179
Total non-designated or non-qualifying derivatives		346,861	6,507	4,945	366,261	6,170	5,376
Total		$386,453	$9,130	$5,745	$404,895	$8,595	$6,521

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7. Derivatives (continued)

Based on notional amounts, a substantial portion of the Company's derivatives was not designated or did not qualify as part of a hedging relationship at both March 31, 2014 and December 31, 2013. The Company's use of derivatives includes (i) derivatives that serve as macro hedges of the Company's exposure to various risks and that generally do not qualify for hedge accounting due to the criteria required under the portfolio hedging rules; (ii) derivatives that economically hedge insurance liabilities that contain mortality or morbidity risk and that generally do not qualify for hedge accounting because the lack of these risks in the derivatives cannot support an expectation of a highly effective hedging relationship; (iii) derivatives that economically hedge embedded derivatives that do not qualify for hedge accounting because the changes in estimated fair value of the embedded derivatives are already recorded in net income; and (iv) written credit default swaps that are used to synthetically create credit investments and that do not qualify for hedge accounting because they do not involve a hedging relationship. For these non-qualified derivatives, changes in market factors can lead to the recognition of fair value changes on the statement of operations without an offsetting gain or loss recognized in earnings for the item being hedged.

Net Derivative Gains (Losses)

The components of net derivative gains (losses) were as follows:

	Three Months Ended March 31, 2014	2013
	(In millions)	
Derivatives and hedging gains (losses) (1)	$452	$(2,314)
Embedded derivatives	(109)	1,684
Total net derivative gains (losses)	$343	$(630)

(1) Includes foreign currency transaction gains (losses) on hedged items in cash flow and non-qualifying hedging relationships, which are not presented elsewhere in this note.

The following table presents earned income on derivatives:

	Three Months Ended March 31, 2014	2013
	(In millions)	
Qualifying hedges:		
Net investment income	$33	$36
Interest credited to policyholder account balances	32	35
Other expenses	(1)	(3)
Non-qualifying hedges:		
Net investment income	(1)	(1)
Net derivative gains (losses)	219	15
Policyholder benefits and claims	(8)	(65)
Total	$274	$17

7. Derivatives (continued)

Non-Qualifying Derivatives and Derivatives for Purposes Other Than Hedging

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

	Net Derivative Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)
	(In millions)		
Three Months Ended March 31, 2014			
Interest rate derivatives	$298	$—	$12
Foreign currency exchange rate derivatives	69	—	—
Credit derivatives — purchased	1	1	—
Credit derivatives — written	(9)	—	—
Equity derivatives	(181)	(6)	(38)
Total	$178	$(5)	$(26)
Three Months Ended March 31, 2013			
Interest rate derivatives	$(233)	$—	$2
Foreign currency exchange rate derivatives	(451)	—	—
Credit derivatives — purchased	(6)	(3)	—
Credit derivatives — written	32	—	—
Equity derivatives	(1,553)	(7)	(274)
Total	$(2,211)	$(10)	$(272)

(1) Changes in estimated fair value related to economic hedges of equity method investments in joint ventures; changes in estimated fair value related to derivatives held in relation to trading portfolios; and changes in estimated fair value related to derivatives held within contractholder-directed unit-linked investments.

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

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 assets and liabilities to floating rate assets and liabilities; (ii) foreign currency swaps to hedge the foreign currency fair value exposure of foreign currency denominated assets and liabilities; and (iii) foreign currency forwards to hedge the foreign currency fair value exposure of foreign currency denominated investments.

7. Derivatives (continued)

The Company recognizes gains and losses on derivatives and the related hedged items in fair value hedges within net derivative gains (losses). The following table presents the amount of such net derivative gains (losses):

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Net Derivative Gains (Losses) Recognized for Derivatives	Net Derivative Gains (Losses) Recognized for Hedged Items	Ineffectiveness Recognized in Net Derivative Gains (Losses)
		(In millions)		
Three Months Ended March 31, 2014				
Interest rate swaps:	Fixed maturity securities	$1	$ 1	$ 2
	Policyholder liabilities (1)	209	(204)	5
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(4)	4	—
	Foreign-denominated PABs (2)	(27)	32	5
Foreign currency forwards:	Foreign-denominated fixed maturity securities	10	(9)	1
Total		$189	$ (176)	$ 13
Three Months Ended March 31, 2013				
Interest rate swaps:	Fixed maturity securities	$8	$ (8)	$ —
	Policyholder liabilities (1)	(153)	152	(1)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	4	(5)	(1)
	Foreign-denominated PABs (2)	(139)	133	(6)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	—	—	—
Total		$(280)	$ 272	$ (8)

(1) Fixed rate liabilities reported in PABs or future policy benefits.
(2) Fixed rate or floating rate liabilities.

For the Company’s foreign currency forwards, the change in the fair value of the derivative related to the changes in the difference between the spot price and the forward price is excluded from the assessment of hedge effectiveness. For all other derivatives, all components of each derivative’s gain or loss were included in the assessment of hedge effectiveness. For the three months ended March 31, 2014, $3 million of the change in fair value of derivatives was excluded from the assessment of effectiveness. For the three months ended March 31, 2013, no component of the change in fair value of derivatives was excluded from the assessment of hedge effectiveness.

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 assets and liabilities to fixed rate assets and liabilities; (ii) foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated assets and liabilities; (iii) interest rate forwards and credit forwards to lock in the price to be paid for forward purchases of investments; (iv) interest rate swaps and interest rate forwards to hedge the forecasted purchases of fixed-rate investments; and (v) interest rate swaps and interest rate forwards to hedge forecasted fixed-rate borrowings.

In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions were no longer probable of occurring. Because certain of the forecasted transactions also were not probable of occurring within two months of the anticipated date, the Company reclassified certain amounts from AOCI into net derivative gains (losses). These amounts were ($2) million and $0 for the three months ended March 31, 2014 and 2013, respectively.

At both March 31, 2014 and December 31, 2013, the maximum length of time over which the Company was hedging its exposure to variability in future cash flows for forecasted transactions did not exceed seven years.

At March 31, 2014 and December 31, 2013, the balance in AOCI associated with cash flow hedges was $642 million and $375 million, respectively.

MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

7. Derivatives (continued)

The following table presents the effects of derivatives in cash flow hedging relationships on the consolidated statements of operations and comprehensive income (loss) and the consolidated statements of equity:

Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Deferred in AOCI on Derivatives (Effective Portion)	Amount and Location of Gains (Losses) Reclassified from AOCI into Income (Loss) (Effective Portion)			Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives (Ineffective Portion)
		Net Derivative Gains (Losses)	Net Investment Income	Other Expenses	Net Derivative Gains (Losses)
	(In millions)				
Three Months Ended March 31, 2014					
Interest rate swaps	$228	$15	$ 2	$—	$5
Interest rate forwards	41	—	1	—	1
Foreign currency swaps	52	36	(1)	1	—
Credit forwards	—	—	—	—	—
Total	$321	$51	$ 2	$1	$6
Three Months Ended March 31, 2013					
Interest rate swaps	$(124)	$4	$ 2	$—	$(2)
Interest rate forwards	(25)	3	1	(1)	—
Foreign currency swaps	87	(189)	(1)	—	4
Credit forwards	—	—	—	—	—
Total	$(62)	$(182)	$ 2	$(1)	$2

All components of each derivative's gain or loss were included in the assessment of hedge effectiveness.
At March 31, 2014, ($8) million of deferred net gains (losses) on derivatives in AOCI was expected to be reclassified to earnings within the next 12 months.

Hedges of Net Investments in Foreign Operations

The Company uses foreign currency exchange rate derivatives, which may include foreign currency forwards and currency options, to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. The Company measures ineffectiveness on these derivatives based upon the change in forward rates. When net investments in foreign operations are sold or substantially liquidated, the amounts in AOCI are reclassified to the statement of operations.

The following table presents the effects of derivatives in net investment hedging relationships on the consolidated statements of operations and comprehensive income (loss) and the consolidated statements of equity:

Derivatives in Net Investment Hedging Relationships (1), (2)	Amount of Gains (Losses) Deferred in AOCI (Effective Portion)
	(In millions)
Three Months Ended March 31, 2014	
Foreign currency forwards	$ (34)
Currency options	(114)
Total	$ (148)
Three Months Ended March 31, 2013	

Foreign currency forwards	$ 80
Currency options	90
Total	$ 170

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(1) During both of the three months ended March 31, 2014 and 2013, there were no sales or substantial liquidations of net investments in foreign operations that would have required the reclassification of gains or losses from AOCI into earnings.

(2) There was no ineffectiveness recognized for the Company’s hedges of net investments in foreign operations. All components of each derivative’s gain or loss were included in the assessment of hedge effectiveness.

At March 31, 2014 and December 31, 2013, the cumulative foreign currency translation gain (loss) recorded in AOCI related to hedges of net investments in foreign operations was $85 million and $233 million, respectively.

7. Derivatives (continued)

Credit Derivatives

In connection with synthetically created credit 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, the contract may be cash settled or it may be settled gross by the Company paying 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 $9.8 billion and $9.1 billion at March 31, 2014 and December 31, 2013, 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, 2014 and December 31, 2013, the Company would have received $139 million and $165 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, 2014			December 31, 2013		
Rating Agency Designation of Referenced Credit Obligations (1)	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps (2)	Weighted Average Years to Maturity (3)	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps (2)	Weighted Average Years to Maturity (3)
	(In millions)			(In millions)		
Aaa/Aa/A						
Single name credit default swaps (corporate)	$9	$ 560	2.4	$10	$ 545	2.6
Credit default swaps referencing indices	16	3,263	1.9	26	2,739	1.5
Subtotal	25	3,823	2.0	36	3,284	1.6
Baa						
Single name credit default swaps (corporate)	21	1,485	3.1	24	1,320	3.1
Credit default swaps referencing indices	64	4,160	5.0	73	4,071	4.7
Subtotal	85	5,645	4.5	97	5,391	4.3
Ba						
Single name credit default swaps (corporate)	—	5	3.5	—	5	3.8
Credit default swaps referencing indices	—	—	—	—	—	—
Subtotal	—	5	3.5	—	5	3.8
B						
Single name credit default swaps (corporate)	—	—	—	—	—	—
Credit default swaps referencing indices	29	375	5.1	32	375	4.9
Subtotal	29	375	5.1	32	375	4.9

Total	$139	$ 9,848	3.5	$165	$ 9,055	3.4

(1) The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody's Investors Service ("Moody's"), 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 $9.8 billion and $9.1 billion from the table above were $55 million and $90 million at March 31, 2014 and December 31, 2013, respectively.

Written credit default swaps held in relation to the trading portfolio amounted to $15 million in notional and $0 in fair value at March 31, 2014. Written credit default swaps held in relation to the trading portfolio amounted to $10 million in notional and $0 in fair value at December 31, 2013.

7. Derivatives (continued)

Credit Risk on Freestanding Derivatives

The Company may be exposed to credit-related losses in the event of nonperformance by counterparties to derivatives. Generally, the current credit exposure of the Company's derivatives is limited to the net positive estimated fair value of derivatives at the reporting date after taking into consideration the existence of master netting or similar agreements and any collateral received pursuant to such agreements.

The Company manages its credit risk related to derivatives by entering into transactions with creditworthy counterparties and establishing and monitoring exposure limits. The Company's OTC-bilateral derivative transactions are generally governed by ISDA Master Agreements which provide for legally enforceable set-off and close-out netting of exposures to specific counterparties in the event of early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from the counterparty against payables to the same counterparty arising out of all included transactions. Substantially all of the Company's ISDA Master Agreements also include Credit Support Annex provisions which require both the pledging and accepting of collateral in connection with its OTC-bilateral derivatives.

The Company's OTC-cleared derivatives are effected through central clearing counterparties and its exchange-traded derivatives are effected through regulated exchanges. Such positions are marked to market and margined on a daily basis, and the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to such derivatives.

See Note 8 for a description of the impact of credit risk on the valuation of derivatives.

The estimated fair values of the Company's net derivative assets and net derivative liabilities after the application of master netting agreements and collateral were as follows at:

Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement	March 31, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
	(In millions)			
Gross estimated fair value of derivatives:				
OTC-bilateral (1)	$9,103	$5,391	$8,537	$6,367
OTC-cleared (1)	254	324	302	129
Exchange-traded	6	78	11	53
Total gross estimated fair value of derivatives (1)	9,363	5,793	8,850	6,549
Amounts offset on the consolidated balance sheets	—	—	—	—
Estimated fair value of derivatives presented on the consolidated balance sheets (1)	9,363	5,793	8,850	6,549
Gross amounts not offset on the consolidated balance sheets:				
Gross estimated fair value of derivatives: (2)				
OTC-bilateral	(4,255)	(4,255)	(4,631)	(4,631)
OTC-cleared	(156)	(156)	(122)	(122)
Exchange-traded	(5)	(5)	(5)	(5)
Cash collateral: (3)				
OTC-bilateral	(2,437)	(3)	(1,679)	(3)
OTC-cleared	(96)	(168)	(169)	(7)
Exchange-traded	—	(60)	—	(44)
Securities collateral: (4)				
OTC-bilateral	(2,193)	(933)	(2,105)	(1,464)
OTC-cleared	—	—	—	—

Exchange-traded	—	(13)	—	(4)
Net amount after application of master netting agreements and collateral	$221	$200	$139	$269

(1) At March 31, 2014 and December 31, 2013, derivative assets include income or expense accruals reported in accrued investment income or in other liabilities of $233 million and $255 million, respectively, and derivative liabilities include income or expense accruals reported in accrued investment income or in other liabilities of $48 million and $28 million, respectively.

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7. Derivatives (continued)

(2) Estimated fair value of derivatives is limited to the amount that is subject to set-off and includes income or expense accruals.

(3) Cash collateral received is included in cash and cash equivalents, short-term investments or in fixed maturity securities, and the obligation to return it is included in payables for collateral under securities loaned and other transactions on the balance sheet. The receivable for the return of cash collateral provided by the Company is inclusive of initial margin on exchange-traded and OTC-cleared derivatives and is included in premiums, reinsurance and other receivables on the balance sheet. The amount of cash collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements. At March 31, 2014 and December 31, 2013, the Company received excess cash collateral of $102 million and $104 million, respectively, and provided excess cash collateral of $250 million and $236 million, respectively, which is not included in the table above due to the foregoing limitation.

(4) Securities collateral received by the Company is held in separate custodial accounts and is not recorded on the balance sheet. Subject to certain constraints, the Company is permitted by contract to sell or repledge this collateral, but at March 31, 2014 none of the collateral had been sold or repledged. Securities collateral pledged by the Company is reported in fixed maturity securities on the balance sheet. Subject to certain constraints, the counterparties are permitted by contract to sell or repledge this collateral. The amount of securities collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements and cash collateral. At March 31, 2014 and December 31, 2013, the Company received excess securities collateral with an estimated fair value of $247 million and $238 million, respectively, for its OTC-bilateral derivatives, which are not included in the table above due to the foregoing limitation. At March 31, 2014 and December 31, 2013, the Company provided excess securities collateral with an estimated fair value of $41 million and $66 million, respectively, for its OTC-bilateral derivatives, and $135 million and $141 million, respectively, for its OTC-cleared derivatives, and $63 million and $81 million, respectively, for its exchange-traded derivatives, which are not included in the table above due to the foregoing limitation.

The Company’s collateral arrangements for its OTC-bilateral 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 derivatives contain provisions that require both the Company and the counterparty to maintain a specific investment grade credit rating from each of Moody’s and S&P. If a party’s credit ratings were to fall below that specific investment grade credit rating, that party would be in violation of these provisions, and the other party to the derivatives could terminate the transactions and demand immediate settlement and payment based on such party’s reasonable valuation of the derivatives.

The following table presents the estimated fair value of the Company’s OTC-bilateral derivatives that are in a net liability position after considering the effect of netting agreements, together with the estimated fair value and 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. OTC-bilateral derivatives that are not subject to collateral agreements are excluded from this table.

7. Derivatives (continued)

	Estimated Fair Value of Derivatives in Net Liability Position (1)	Estimated Fair Value of Collateral Provided: Fixed Maturity Securities	Cash	Fair Value of Incremental Collateral Provided Upon: One Notch Downgrade in the Company's Credit Rating	Downgrade in the Company's Credit Rating to a Level that Triggers Full Overnight Collateralization or Termination of the Derivative Position
	(In millions)				
March 31, 2014					
Derivatives subject to credit-contingent provisions	$1,074	$974	$—	$22	$ 28
Derivatives not subject to credit-contingent provisions	27	—	3	—	—
Total	$1,101	$974	$3	$22	$ 28
December 31, 2013					
Derivatives subject to credit-contingent provisions	$1,674	$1,530	$—	$27	$ 34
Derivatives not subject to credit-contingent provisions	20	—	3	—	—
Total	$1,694	$1,530	$3	$27	$ 34

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

Embedded Derivatives

The Company issues certain products or purchases certain investments that contain embedded derivatives that are required to be separated from their host contracts and accounted for as freestanding derivatives. These host contracts principally include: variable annuities with guaranteed minimum benefits, including GMWBs, guaranteed minimum accumulation benefits ("GMABs") and certain GMIBs; ceded reinsurance of guaranteed minimum benefits related to certain GMIBs; assumed reinsurance of guaranteed minimum benefits related to GMWBs and GMABs; funding agreements with equity or bond indexed crediting rates; funds withheld on assumed and ceded reinsurance; fixed annuities with equity-indexed returns; and certain debt and equity securities.

The following table presents the estimated fair value and balance sheet location of the Company's embedded derivatives that have been separated from their host contracts at:

	Balance Sheet Location	March 31, 2014	December 31, 2013
		(In millions)	
Net embedded derivatives within asset host contracts:			
Ceded guaranteed minimum benefits	Premiums, reinsurance and other receivables	$259	$247
Funds withheld on assumed reinsurance	Other invested assets	42	38

Options embedded in debt or equity securities	Investments	(164)	(145)
Net embedded derivatives within asset host contracts		$137	$140
Net embedded derivatives within liability host contracts:			
Direct guaranteed minimum benefits	PABs	$(2,154)	$(2,296)
Assumed guaranteed minimum benefits	PABs	1,402	1,262
Funds withheld on ceded reinsurance	Other liabilities	64	60
Other	PABs	15	5
Net embedded derivatives within liability host contracts		$(673)	$(969)

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

7. Derivatives (continued)

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

	Three Months Ended March 31,	
	2014	2013
	(In millions)	
Net derivative gains (losses) (1)	$(109)	$1,684
Policyholder benefits and claims	$15	$(47)

(1) The valuation of guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net derivative gains (losses), in connection with this adjustment, were $43 million and ($414) million for the three months ended March 31, 2014 and 2013, respectively.

8. 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.

Recurring Fair Value Measurements

The assets and liabilities measured at estimated fair value on a recurring basis and their corresponding placement in the fair value hierarchy, including those items for which the Company has elected the FVO, are presented below.

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MetLife, Inc.
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8. Fair Value (continued)

	March 31, 2014 Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	$—	$101,822	$7,378	$109,200
Foreign corporate	—	57,676	6,501	64,177
Foreign government	—	53,162	1,545	54,707
U.S. Treasury and agency	19,605	25,159	45	44,809
RMBS	1,087	32,677	3,439	37,203
CMBS	—	15,310	682	15,992
ABS	—	11,853	2,800	14,653
State and political subdivision	—	14,307	21	14,328
Total fixed maturity securities	20,692	311,966	22,411	355,069
Equity securities:				
Common stock	1,293	1,034	203	2,530
Non-redeemable preferred stock	—	722	441	1,163
Total equity securities	1,293	1,756	644	3,693
FVO and trading securities:				
Actively Traded Securities	—	617	11	628
FVO general account securities	550	76	29	655
FVO contractholder-directed unit-linked investments	10,921	4,647	624	16,192
FVO securities held by CSEs	—	8	11	19
Total FVO and trading securities	11,471	5,348	675	17,494
Short-term investments (1)	5,259	6,020	1,032	12,311
Mortgage loans:				
Residential mortgage loans — FVO	—	—	352	352
Commercial mortgage loans held by CSEs — FVO	—	1,140	—	1,140
Total mortgage loans	—	1,140	352	1,492
Other invested assets:				
Other investments	160	67	—	227
Derivative assets: (2)				
Interest rate	2	6,110	64	6,176
Foreign currency exchange rate	1	1,192	34	1,227
Credit	—	131	22	153
Equity market	3	1,253	318	1,574
Total derivative assets	6	8,686	438	9,130
Total other invested assets	166	8,753	438	9,357
Net embedded derivatives within asset host contracts (3)	—	—	301	301
Separate account assets (4)	87,021	227,683	1,730	316,434

Total assets	$125,902	$562,666	$27,583	$716,151
Liabilities				
Derivative liabilities: (2)				
Interest rate	$5	$2,226	$8	$2,239
Foreign currency exchange rate	1	1,458	47	1,506
Credit	—	48	2	50
Equity market	72	1,204	674	1,950
Total derivative liabilities	78	4,936	731	5,745
Net embedded derivatives within liability host contracts (3)	—	6	(679)	(673)
Long-term debt of CSEs — FVO	—	981	15	996
Trading liabilities (5)	40	161	—	201
Total liabilities	$118	$6,084	$67	$6,269

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

8. Fair Value (continued)

	December 31, 2013 Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	$—	$99,321	$7,148	$106,469
Foreign corporate	—	56,448	6,704	63,152
Foreign government	—	52,202	2,235	54,437
U.S. Treasury and agency	25,061	20,000	62	45,123
RMBS	—	32,098	2,957	35,055
CMBS	—	15,578	972	16,550
ABS	—	11,361	4,210	15,571
State and political subdivision	—	13,820	10	13,830
Total fixed maturity securities	25,061	300,828	24,298	350,187
Equity securities:				
Common stock	1,186	990	177	2,353
Non-redeemable preferred stock	—	654	395	1,049
Total equity securities	1,186	1,644	572	3,402
FVO and trading securities:				
Actively Traded Securities	2	648	12	662
FVO general account securities	518	80	29	627
FVO contractholder-directed unit-linked investments	10,702	4,806	603	16,111
FVO securities held by CSEs	—	23	—	23
Total FVO and trading securities	11,222	5,557	644	17,423
Short-term investments (1)	5,915	6,943	254	13,112
Mortgage loans:				
Residential mortgage loans — FVO	—	—	338	338
Commercial mortgage loans held by CSEs — FVO	—	1,598	—	1,598
Total mortgage loans	—	1,598	338	1,936
Other invested assets:				
Other investments	188	71	—	259
Derivative assets: (2)				
Interest rate	10	5,557	27	5,594
Foreign currency exchange rate	1	1,280	28	1,309
Credit	—	144	29	173
Equity market	1	1,233	285	1,519
Total derivative assets	12	8,214	369	8,595
Total other invested assets	200	8,285	369	8,854
Net embedded derivatives within asset host contracts (3)	—	—	285	285
Separate account assets (4)	89,960	225,776	1,465	317,201
Total assets	$133,544	$550,631	$28,225	$712,400

Liabilities				
Derivative liabilities: (2)				
Interest rate	$9	$2,568	$14	$2,591
Foreign currency exchange rate	1	1,971	39	2,011
Credit	—	52	—	52
Equity market	43	1,222	602	1,867
Total derivative liabilities	53	5,813	655	6,521
Net embedded derivatives within liability host contracts (3)	—	4	(973)	(969)
Long-term debt of CSEs — FVO	—	1,427	28	1,455
Trading liabilities (5)	260	2	—	262
Total liabilities	$313	$7,246	$(290)	$7,269

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

8. Fair Value (continued)

(1) Short-term investments as presented in the tables above differ from the amounts presented on the consolidated balance sheets because certain short-term investments are not measured at estimated fair value on a recurring basis.
(2) Derivative assets are presented within other invested assets on the consolidated balance sheets and derivative liabilities are presented within other liabilities on the consolidated balance sheets. The amounts are presented gross in the tables above to reflect the presentation on the consolidated balance sheets, but are presented net for purposes of the rollforward in the Fair Value Measurements Using Significant Unobservable Inputs (Level 3) tables.
(3) Net embedded derivatives within asset host contracts are presented primarily within premiums, reinsurance and other receivables on the consolidated balance sheets. Net embedded derivatives within liability host contracts are presented within PABs and other liabilities on the consolidated balance sheets. At March 31, 2014 and December 31, 2013, equity securities also included embedded derivatives of ($164) million and ($145) million, respectively.
(4) 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.
(5) Trading liabilities are presented within other liabilities on the consolidated balance sheets.

The following describes the valuation methodologies used to measure assets and liabilities at fair value. The description includes the valuation techniques and key inputs for each category of assets or liabilities that are classified within Level 2 and Level 3 of the fair value hierarchy.

Investments

Valuation Controls and Procedures

On behalf of the Company's Chief Investment Officer and Chief Financial Officer, a pricing and valuation committee that is independent of the trading and investing functions and comprised of senior management, provides oversight of control systems and valuation policies for securities, mortgage loans and derivatives. On a quarterly basis, this committee reviews and approves new transaction types and markets, ensures that observable market prices and market-based parameters are used for valuation, wherever possible, and determines that judgmental valuation adjustments, when applied, are based upon established policies and are applied consistently over time. This committee also provides oversight of the selection of independent third party pricing providers and the controls and procedures to evaluate third party pricing. Periodically, the Chief Accounting Officer reports to the Audit Committee of MetLife, Inc.'s Board of Directors regarding compliance with fair value accounting standards.

The Company reviews its valuation methodologies on an ongoing basis and revises those methodologies when necessary based on changing market conditions. Assurance is gained on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with fair value accounting standards through controls designed to ensure valuations represent an exit price. Several controls are utilized, including certain monthly controls, which include, but are not limited to, analysis of portfolio returns to corresponding benchmark returns, comparing a sample of executed prices of securities sold to the fair value estimates, comparing fair value estimates to management's knowledge of the current market, reviewing the bid/ask spreads to assess activity, comparing prices from multiple independent pricing services and ongoing due diligence to confirm that independent pricing services use market-based parameters. The process includes a determination of the observability of inputs used in estimated fair values received from independent pricing services or brokers by assessing whether these inputs can be corroborated by observable market data. The Company ensures that prices received from independent brokers, also referred to herein as "consensus pricing," represent a reasonable estimate of fair value by considering such pricing relative to the Company's knowledge of the current market dynamics and current pricing for similar financial instruments. While independent non-binding broker quotations are utilized, they are not used for a significant portion of the portfolio. For example, fixed maturity securities priced using independent non-binding broker quotations represent less than 1% of the total estimated fair value of fixed maturity securities and 10% of the total estimated fair value of Level 3 fixed maturity securities.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

8. Fair Value (continued)

The Company also applies a formal process to challenge any prices received from independent pricing services that are not considered representative of estimated fair value. If prices received from independent pricing services are not considered reflective of market activity or representative of estimated fair value, independent non-binding broker quotations are obtained, or an internally developed valuation is prepared. Internally developed valuations of current estimated fair value, which reflect internal estimates of liquidity and nonperformance risks, compared with pricing received from the independent pricing services, did not produce material differences in the estimated fair values for the majority of the portfolio; accordingly, overrides were not material. This is, in part, because internal estimates of liquidity and nonperformance risks are generally based on available market evidence and estimates used by other market participants. In the absence of such market-based evidence, management's best estimate is used.

Securities, Short-term Investments, Other Investments, Long-term Debt of CSEs — FVO and Trading Liabilities

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

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies, giving priority to observable inputs. The 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. When observable inputs are not available, the market standard valuation methodologies 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's judgment or estimation and cannot be supported by reference to market activity. Even though these inputs are unobservable, management believes they are consistent with what other market participants would use when pricing such securities and are considered appropriate given the circumstances.

The estimated fair value of investments in certain separate accounts included in FVO general account securities, FVO securities held by CSEs, other investments, long-term debt of CSEs — FVO and trading liabilities is determined on a basis consistent with the methodologies described herein for securities.

Level 2 Valuation Techniques and Key Inputs:

This level includes securities priced principally by independent pricing services using observable inputs. FVO and trading securities, short-term investments and other investments within this level are of a similar nature and class to the Level 2 fixed maturity securities and equity securities. Contractholder-directed unit-linked investments reported within FVO and trading securities include mutual fund interests without readily determinable fair values given prices are not published publicly. Valuation of these mutual funds is based upon quoted prices or reported net asset value ("NAV") provided by the fund managers, which were based on observable inputs.

U.S. corporate and foreign corporate securities

These securities are principally valued using the market and income approaches. Valuations are 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 benchmark yields, spreads off benchmark yields, new issuances, issuer rating, duration, and trades of identical or comparable securities. Privately-placed securities are valued using matrix pricing 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, and in certain cases, delta spread adjustments to reflect specific credit-related issues.

Foreign government and state and political subdivision securities

These securities are principally valued using the market approach. Valuations are based primarily on matrix pricing or other similar techniques using standard market observable inputs, including a benchmark U.S. Treasury yield 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.

8. Fair Value (continued)

U.S. Treasury and agency securities
These securities are principally valued using the market approach. Valuations are 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 a benchmark U.S. Treasury yield curve, the spread off the U.S. Treasury yield curve for the identical security and comparable securities that are actively traded.
Structured securities comprised of RMBS, CMBS and ABS
These securities are principally valued using the market and income approaches. Valuations are based primarily on matrix pricing, discounted cash flow methodologies 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, but not limited to: collateral type, payment terms of the underlying assets, payment priority within the tranche, structure of the security, deal performance and vintage of loans.
Common and non-redeemable preferred stock
These securities are principally valued using the market approach. Valuations are based principally on observable inputs, including quoted prices in markets that are not considered active.
Level 3 Valuation Techniques and Key Inputs:
In general, securities classified within Level 3 use many of the same valuation techniques and inputs as described previously for Level 2. 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 a lack of transparency in the process to develop the valuation estimates, generally causing these investments to be classified in Level 3.
FVO and trading securities and short-term investments within this level are of a similar nature and class to the Level 3 securities described below; accordingly, the valuation techniques and significant market standard observable inputs used in their valuation are also similar to those described below.
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 approach. Valuations are based primarily on matrix pricing or other similar techniques that utilize unobservable inputs or inputs that cannot be derived principally from, or corroborated by, observable market data, including illiquidity premium, delta spread adjustments to reflect specific credit-related issues, credit spreads; and 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. Certain valuations are based on independent non-binding broker quotations.
Foreign government and state and political subdivision securities
These securities are principally valued using the market approach. Valuations are based primarily on independent non-binding broker quotations and 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. Certain valuations are based on matrix pricing that utilize inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data, including credit spreads.
Structured securities comprised of RMBS, CMBS and ABS
These securities are principally valued using the market and income approaches. Valuations are based primarily on matrix pricing, discounted cash flow methodologies or other similar techniques that utilize inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data, including credit spreads. Below investment grade securities and sub-prime RMBS 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. Certain of these valuations are based on independent non-binding broker quotations.

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MetLife, Inc.
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8. Fair Value (continued)

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, discounted cash flow methodologies or other similar techniques using inputs such as comparable credit rating and issuance structure. Certain of these securities 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 independent non-binding broker quotations.
Mortgage Loans
The Company has elected the FVO for commercial mortgage loans held by CSEs and certain residential mortgage loans held-for-investment.
Level 2 Valuation Techniques and Key Inputs:
Commercial mortgage loans held by CSEs — FVO
These investments are principally valued using the market approach. The principal market for these investments is the securitization market. The Company uses the quoted securitization market price of the obligations of the CSEs to determine the estimated fair value of these commercial loan portfolios. These market prices are determined principally by independent pricing services using observable inputs.
Level 3 Valuation Techniques and Key Inputs:
Residential mortgage loans — FVO
For these investments, the estimated fair values are 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.
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 is based on the estimated fair value of the underlying assets. Separate account assets include: mutual funds, fixed maturity securities, equity securities, derivatives, hedge funds, other limited partnership interests, short-term investments and cash and cash equivalents.
Level 2 Valuation Techniques and Key Inputs:
These assets are comprised of investments that are similar in nature to the instruments described under "— Securities, Short-term Investments, Other Investments, Long-term Debt of CSEs — FVO and Trading Liabilities" and "— Derivatives — Freestanding Derivatives." Also included are certain mutual funds and hedge funds without readily determinable fair values as prices are not published publicly. Valuation of the mutual funds and hedge funds is based upon quoted prices or reported NAV provided by the fund managers.
Level 3 Valuation Techniques and Key Inputs:
These assets are comprised of investments that are similar in nature to the instruments described under "— Securities, Short-term Investments, Other Investments, Long-term Debt of CSEs — FVO and Trading Liabilities" and "— Derivatives — Freestanding Derivatives." Also included are other limited partnership interests, which 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 that may impact the exit value of the particular partnership interest.

8. Fair Value (continued)

Derivatives
The estimated fair value of derivatives is determined through the use of quoted market prices for exchange-traded derivatives, or through the use of pricing models for OTC-bilateral and OTC-cleared derivatives. The determination of estimated fair value, when quoted market values are not available, is based on market standard valuation methodologies and inputs that management believes are consistent with what other market participants would use when pricing such instruments. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk, nonperformance risk, volatility, liquidity and changes in estimates and assumptions used in the pricing models. The valuation controls and procedures for derivatives are described in "— Investments."
The significant inputs to the pricing models for most OTC-bilateral and OTC-cleared 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 OTC-bilateral and OTC-cleared 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 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 management believes they are consistent with what other market participants would use when pricing such instruments.
Most inputs for OTC-bilateral and OTC-cleared derivatives are mid-market inputs but, in certain cases, liquidity adjustments are made 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.
The credit risk of both the counterparty and the Company are considered in determining the estimated fair value for all OTC-bilateral and OTC-cleared 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 values its OTC-bilateral and OTC-cleared derivatives using standard swap curves which may include a spread to the risk free rate, depending upon specific collateral arrangements. This credit spread is appropriate for those parties that execute trades at pricing levels consistent with similar collateral arrangements. As the Company and its significant derivative counterparties generally execute trades at such pricing levels and hold sufficient collateral, 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. An evaluation of the requirement to make additional credit risk adjustments is performed by the Company each reporting period.
Freestanding Derivatives
Level 2 Valuation Techniques and Key Inputs:
This level includes all types of derivatives utilized by the Company with the exception of exchange-traded derivatives included within Level 1 and those derivatives with unobservable inputs as described in Level 3. These derivatives are principally valued using the income approach.
Interest rate
Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve and basis curves.
Option-based. Valuations are based on option pricing models, which utilize significant inputs that may include the swap yield curve, basis curves and interest rate volatility.

Foreign currency exchange rate
Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve, basis curves, currency spot rates and cross currency basis curves.

8. Fair Value (continued)

Option-based. Valuations are based on option pricing models, which utilize significant inputs that may include the swap yield curve, basis curves, currency spot rates, cross currency basis curves and currency volatility.

Credit

Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve, credit curves and recovery rates.

Equity market

Non-option-based. 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.

Option-based. 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.

Level 3 Valuation Techniques and Key Inputs:

These derivatives are principally valued using the income approach. Valuations of non-option-based derivatives utilize present value techniques, whereas valuations of option-based derivatives utilize option pricing models. These valuation methodologies generally use the same inputs as described in the corresponding sections above for Level 2 measurements of 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.

Interest rate

Non-option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of the swap yield curve and basis curves.

Option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of the swap yield curve, basis curves and interest rate volatility.

Foreign currency exchange rate

Non-option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of the swap yield curve, basis curves, cross currency basis curves and currency correlation.

Option-based. Significant unobservable inputs may include currency correlation and the extrapolation beyond observable limits of the swap yield curve, basis curves, cross currency basis curves and currency volatility.

Credit

Non-option-based. Significant unobservable inputs may include credit spreads, repurchase rates and the extrapolation beyond observable limits of the swap yield curve and credit curves. Certain of these derivatives are valued based on independent non-binding broker quotations.

Equity market

Non-option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of dividend yield curves and equity volatility.

Option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of dividend yield curves, equity volatility and unobservable correlation between model inputs.

8. Fair Value (continued)

Embedded Derivatives
Embedded derivatives principally include certain direct, assumed and ceded variable annuity guarantees and equity or bond indexed crediting rates within certain funding agreements. Embedded derivatives are recorded at estimated fair value with changes in estimated fair value reported in net income.
The Company issues certain variable annuity products with guaranteed minimum benefits. GMWBs, GMABs and GMIBs contain 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 derivative gains (losses). These embedded derivatives are classified within PABs on the consolidated balance sheets.
The fair value of these embedded derivatives, estimated as the present value of projected future benefits minus the present value of projected future fees using actuarial and capital market assumptions including expectations concerning policyholder behavior, is calculated by the Company’s actuarial department. The calculation is based on in-force business, and is performed using standard actuarial valuation software which projects future cash flows from the embedded derivative over multiple risk neutral stochastic scenarios using observable risk free rates.
Capital market assumptions, such as risk free rates and implied volatilities, are based on market prices for publicly traded instruments to the extent that prices for such instruments are observable. Implied volatilities beyond the observable period are extrapolated based on observable implied volatilities and historical volatilities. Actuarial assumptions, including mortality, lapse, withdrawal and utilization, are unobservable and are reviewed at least annually based on actuarial studies of historical experience.
The valuation of these guarantee liabilities includes nonperformance risk adjustments and adjustments for a risk margin related to non-capital market inputs. The nonperformance adjustment is determined by taking into consideration publicly available information relating to spreads in the secondary market for MetLife, Inc.’s debt, including related credit default swaps. These observable spreads are then adjusted, as necessary, to reflect the priority of these liabilities and the claims paying ability of the issuing insurance subsidiaries compared to MetLife, Inc.
Risk margins are established to capture the non-capital market risks of the instrument which represent the additional compensation a market participant would require to assume the risks related to the uncertainties 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 nonperformance risk; 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 GMIBs previously described. These reinsurance agreements contain embedded derivatives which are included within premiums, reinsurance and other receivables on the consolidated balance sheets with changes in estimated fair value reported in net derivative gains (losses) or policyholder benefits 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 with the exception of the input for nonperformance risk that reflects the credit of the reinsurer.
The estimated fair value of the embedded derivatives within funds withheld 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 previously described in “— Investments — Securities, Short-term Investments, Other Investments, Long-term Debt of CSEs — FVO and Trading Liabilities.” The estimated fair value of these embedded derivatives is included, along with their funds withheld hosts, in other liabilities on the consolidated balance sheets with changes in estimated fair value

recorded in net derivative 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.

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MetLife, Inc.
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8. Fair Value (continued)

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 a nonperformance risk adjustment. The estimated fair value of these embedded derivatives are included, along with their funding agreements host, within PABs with changes in estimated fair value recorded in net derivative 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.
Embedded Derivatives Within Asset and Liability Host Contracts
Level 3 Valuation Techniques and Key Inputs:
Direct and assumed guaranteed minimum benefits
These embedded derivatives are principally valued using the 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, nonperformance risk and cost of capital for purposes of calculating the risk margin.
Reinsurance ceded on certain guaranteed minimum benefits
These embedded derivatives are principally valued using the income approach. The valuation techniques and significant market standard unobservable inputs used in their valuation are similar to those described above in "— Direct and Assumed Guaranteed Minimum Benefits" and also include counterparty credit spreads.
Transfers between Levels
Overall, transfers between levels occur when there are changes in the observability of inputs and market activity. Transfers into or out of any level are assumed to occur at the beginning of the period.
Transfers between Levels 1 and 2:
For assets and liabilities measured at estimated fair value and still held at March 31, 2014, transfers between Levels 1 and 2 were not significant. For assets and liabilities measured at estimated fair value and still held at December 31, 2013, transfers between Levels 1 and 2 were $101 million.
Transfers into or out of Level 3:
Assets and liabilities are transferred into Level 3 when a significant input cannot be corroborated with market observable data. This occurs when market activity decreases significantly and underlying inputs cannot be observed, current prices are not available, and/or when there are significant variances in quoted prices, thereby affecting transparency. Assets and liabilities are transferred out of Level 3 when circumstances change such that a significant input can be corroborated with market observable data. This may be due to a significant increase in market activity, a specific event, or one or more significant input(s) becoming observable.
Transfers into Level 3 for fixed maturity securities and FVO and trading securities were due primarily to a lack of trading activity, decreased liquidity and credit ratings downgrades (e.g., from investment grade to below investment grade) which have resulted in decreased transparency of valuations and an increased use of independent non-binding broker quotations and unobservable inputs, such as illiquidity premiums, delta spread adjustments, or credit spreads. Transfers out of Level 3 for fixed maturity securities, short-term investments and separate account assets resulted primarily from increased transparency of both new issuances that, subsequent to issuance and establishment of trading activity, became priced by independent pricing services and existing issuances that, over time, the Company was able to obtain pricing from, or corroborate pricing received from, independent pricing services with observable inputs (such as observable spreads used in pricing securities) or increases in market activity and upgraded credit ratings.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

8. Fair Value (continued)

Assets and Liabilities Measured at Fair Value Using Significant Unobservable Inputs (Level 3)
The following table presents certain quantitative information about the significant unobservable inputs used in the fair value measurement, and the sensitivity of the estimated fair value to changes in those inputs, for the more significant asset and liability classes measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at:

			March 31, 2014			December 31, 2013			Impac Increa on Es Fair V
	Valuation Techniques	Significant Unobservable Inputs	Range		Weighted Average (1)	Range		Weighted Average (1)	
Fixed maturity securities (3)									
U.S. corporate and foreign corporate	•Matrix pricing	•Delta spread adjustments (4)	(5)	-250	48	(10)	-240	46	Decre
		•Illiquidity premium (4)	30	-30	30	30	-30	30	Decre
		•Credit spreads (4)	(1,485)	-787	191	(1,489)	-876	174	Decre
		•Offered quotes (5)	—	-127	101	4	-145	100	Increa
	•Market pricing	•Quoted prices (5)	—	-286	110				Increa
	•Consensus pricing	•Offered quotes (5)	31	-1,250	239	33	-145	95	Increa
Foreign government	•Matrix pricing	•Credit spreads (4)	10	-105	25	4	-72	32	Decre
	•Market pricing	•Quoted prices (5)	64	-906	140	64	-156	100	Increa
	•Consensus pricing	•Offered quotes (5)	66	-157	110	84	-156	107	Increa
RMBS	•Matrix pricing and discounted cash flow	•Credit spreads (4)	(141)	-1,234	252	(136)	-3,609	288	Decre
	•Market pricing	•Quoted prices (5)	—	-120	96	10	-109	98	Increa
	•Consensus pricing	•Offered quotes (5)	2	-110	90	69	-101	93	Increa
CMBS	•Matrix pricing and discounted cash flow	•Credit spreads (4)	350	-350	350	215	-2,025	409	Decre
	•Market pricing	•Quoted prices (5)	1	-112	97	70	-104	97	Increa
	•Consensus pricing	•Offered quotes (5)	13	-100	100	90	-101	95	Increa
ABS	•Matrix pricing and discounted	•Credit spreads (4)	131	-1,879	225	30	-1,878	145	Decre

	cash flow								
	•Market pricing	•Quoted prices (5)	—	-107	101	—	-110	101	Increa
	•Consensus pricing	•Offered quotes (5)	—	-106	98	56	-106	98	Increa
Derivatives									
Interest rate	•Present value techniques	•Swap yield (7)	242	-401		248	-450		Increa
Foreign currency exchange rate	•Present value techniques	•Swap yield (7)	57	-936		97	-767		Increa
		•Correlation (8)	39%	-47%		38%	-47%		
Credit	•Present value techniques	•Credit spreads (9)	98	-101		98	-101		Decre
	•Consensus pricing	•Offered quotes (10)							
Equity market	•Present value techniques or option pricing models	•Volatility (11)	13%	-28%		13%	-28%		Increa
		•Correlation (8)	60%	-60%		60%	-60%		
Embedded derivatives									
Direct and assumed guaranteed minimum benefits	•Option pricing techniques	•Mortality rates:							
		Ages 0 - 40	0%	-0.28%		0%	-0.14%		Decre
		Ages 41 - 60	0.04%	-0.88%		0.04%	-0.88%		Decre
		Ages 61 - 115	0.26%	-100%		0.26%	-100%		Decre
		•Lapse rates:							
		Durations 1 - 10	0.50%	-100%		0.50%	-100%		Decre
		Durations 11 - 20	2%	-100%		2%	-100%		Decre
		Durations 21 - 116	2%	-100%		2%	-100%		Decre
		•Utilization rates	20%	-50%		20%	-50%		Increa
		•Withdrawal rates	0%	-40%		0%	-40%		(16)
		•Long-term equity volatilities	15.86%	-40%		9.14%	-40%		Increa
		•Nonperformance risk spread	(0.28)%	-0.90%		(1.08)%	-0.83%		Decre

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8. Fair Value (continued)

(1) The weighted average for fixed maturity securities is determined based on the estimated fair value of the securities.
(2) The impact of a decrease in input would have the opposite impact on the estimated fair value. For embedded derivatives, changes are based on liability positions.
(3) Significant increases (decreases) in expected default rates in isolation would result in substantially lower (higher) valuations.
(4) Range and weighted average are presented in basis points.
(5) Range and weighted average are presented in accordance with the market convention for fixed maturity securities of dollars per hundred dollars of par.
(6) Changes in the assumptions used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumptions used for prepayment rates.
(7) Ranges represent the rates across different yield curves and are presented in basis points. The swap yield curve is utilized among different types of derivatives to project cash flows, as well as to discount future cash flows to present value. Since this valuation methodology uses a range of inputs across a yield curve to value the derivative, presenting a range is more representative of the unobservable input used in the valuation.
(8) Ranges represent the different correlation factors utilized as components within the valuation methodology. Presenting a range of correlation factors is more representative of the unobservable input used in the valuation. Increases (decreases) in correlation in isolation will increase (decrease) the significance of the change in valuations.
(9) Represents the risk quoted in basis points of a credit default event on the underlying instrument. Credit derivatives with significant unobservable inputs are primarily comprised of written credit default swaps.
(10) At both March 31, 2014 and December 31, 2013, independent non-binding broker quotations were used in the determination of less than 1% of the total net derivative estimated fair value.
(11) Ranges represent the underlying equity volatility quoted in percentage points. Since this valuation methodology uses a range of inputs across multiple volatility surfaces to value the derivative, presenting a range is more representative of the unobservable input used in the valuation.
(12) Changes are based on long U.S. dollar net asset positions and will be inversely impacted for short U.S. dollar net asset positions.
(13) Mortality rates vary by age and by demographic characteristics such as gender. Mortality rate assumptions are based on company experience. A mortality improvement assumption is also applied. For any given contract, mortality rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
(14) Base lapse rates are adjusted at the contract level based on a comparison of the actuarially calculated guaranteed values and the current policyholder account value, as well as other factors, such as the applicability of any surrender charges. A dynamic lapse function reduces the base lapse rate when the guaranteed amount is greater than the account value as in the money contracts are less likely to lapse. Lapse rates are also generally assumed to be lower in periods when a surrender charge applies. For any given contract, lapse rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
(15) The utilization rate assumption estimates the percentage of contract holders with a GMIB or lifetime withdrawal benefit who will elect to utilize the benefit upon becoming eligible. The rates may vary by the type of guarantee, the amount by which the guaranteed amount is greater than the account value, the contract’s withdrawal history and by the age of the policyholder. For any given contract, utilization rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
(16)

The withdrawal rate represents the percentage of account balance that any given policyholder will elect to withdraw from the contract each year. The withdrawal rate assumption varies by age and duration of the contract, and also by other factors such as benefit type. For any given contract, withdrawal rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative. For GMWBs, any increase (decrease) in withdrawal rates results in an increase (decrease) in the estimated fair value of the guarantees. For GMABs and GMIBs, any increase (decrease) in withdrawal rates results in a decrease (increase) in the estimated fair value.

(17) Long-term equity volatilities represent equity volatility beyond the period for which observable equity volatilities are available. For any given contract, long-term equity volatility rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

8. Fair Value (continued)

(18) Nonperformance risk spread varies by duration and by currency. For any given contract, multiple nonperformance risk spreads will apply, depending on the duration of the cash flow being discounted for purposes of valuing the embedded derivative.

The following is a summary of the valuation techniques and significant unobservable inputs used in the fair value measurement of assets and liabilities classified within Level 3 that are not included in the preceding table. Generally, all other classes of securities classified within Level 3, including those within separate account assets, use the same valuation techniques and significant unobservable inputs as previously described for Level 3 securities. This includes matrix pricing and discounted cash flow methodologies, inputs such as 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, as well as independent non-binding broker quotations. The residential mortgage loans — FVO and long-term debt of CSEs — FVO are valued using independent non-binding broker quotations and internal models including matrix pricing and discounted cash flow methodologies using current interest rates. The sensitivity of the estimated fair value to changes in the significant unobservable inputs for these other assets and liabilities is similar in nature to that described in the preceding table. The valuation techniques and significant unobservable inputs used in the fair value measurement for the more significant assets measured at estimated fair value on a nonrecurring basis and determined using significant unobservable inputs (Level 3) are summarized in "— Nonrecurring Fair Value Measurements."

The following tables summarize the change of all assets and (liabilities) measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Fixed Maturity Securities							
	U.S. Corporate	Foreign Corporate	Foreign Government	U.S. Treasury and Agency	RMBS	CMBS	ABS	State and Political Subdivision
	(In millions)							
Three Months Ended March 31, 2014								
Balance, beginning of period	$7,148	$6,704	$ 2,235	$ 62	$2,957	$972	$4,210	$ 10
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	9	6	—	10	—	5	—
Net investment gains (losses)	(7)	—	(6)	—	8	1	(43)	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
OCI	160	120	14	—	(12)	(25)	75	—
Purchases (3)	651	471	74	25	571	103	652	—
Sales (3)	(206)	(109)	(52)	—	(192)	(155)	(315)	—
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—
Transfers into Level 3 (4)	459	435	231	—	147	24	578	21
Transfers out of Level 3 (4)	(827)	(1,129)	(957)	(42)	(50)	(238)	(2,362)	(10)
Balance, end of period	$7,378	$6,501	$ 1,545	$ 45	$3,439	$682	$2,800	$ 21
Changes in unrealized gains (losses) included in net income								

(loss): (5)								
Net investment income	$—	$9	$5	$—	$10	$—	$—	$—
Net investment gains (losses)	$(7)	$—	$—	$—	$(1)	$—	$—	$—
Net derivative gains (losses)	$—	$—	$—	$—	$—	$—	$—	$—
Policyholder benefits and claims	$—	$—	$—	$—	$—	$—	$—	$—

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
	Equity Securities		FVO and Trading Securities					Mortgage Loans	
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	FVO Securities held by CSEs	Short-term Investments	Residential Mortgage Loans - FVO	Mortgage Loans Held-for-sale
	(In millions)								
Three Months Ended March 31, 2014									
Balance, beginning of period	$177	$ 395	$12	$ 29	$ 603	$—	$ 254	$338	$ —
Total realized/unrealized gains (losses) included in:									
Net income (loss): (1), (2)									
Net investment income	—	—	—	—	14	—	1	3	—
Net investment gains (losses)	19	—	—	—	—	—	—	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—	—
OCI	(8)	6	—	—	—	—	(1)	—	—
Purchases (3)	3	—	11	—	237	—	947	28	—
Sales (3)	(26)	—	(5)	—	(300)	(1)	(59)	(5)	—
Issuances (3)	—	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	(12)	—
Transfers into Level 3 (4)	38	40	—	—	96	12	—	—	—
Transfers out of Level 3 (4)	—	—	(7)	—	(26)	—	(110)	—	—
Balance, end of period	$203	$ 441	$11	$ 29	$ 624	$11	$ 1,032	$352	$ —
Changes in unrealized gains (losses) included in net income (loss): (5)									
Net investment income	$—	$ —	$—	$ —	$ 14	$—	$ 1	$3	$ —
Net investment gains (losses)	$—	$ —	$—	$ —	$ —	$—	$ —	$—	$ —
Net derivative gains (losses)	$—	$ —	$—	$ —	$ —	$—	$ —	$—	$ —
Policyholder benefits and claims	$—	$ —	$—	$ —	$ —	$—	$ —	$—	$ —

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
	Net Derivatives (6)						
	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)	Long-term Debt of CSEs — FVO
	(In millions)						
Three Months Ended March 31, 2014							
Balance, beginning of period	$13	$(11)	$29	$(317)	$ 1,258	$1,465	$(28)
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income	—	—	—	—	—	—	—
Net investment gains (losses)	—	—	—	—	—	44	—
Net derivative gains (losses)	7	(1)	(6)	(43)	(95)	—	—
Policyholder benefits and claims	—	—	—	4	15	—	—
OCI	37	(2)	—	—	(5)	—	—
Purchases (3)	—	—	—	—	—	321	—
Sales (3)	—	—	—	—	—	(83)	—
Issuances (3)	—	—	(3)	—	—	25	—
Settlements (3)	(1)	1	—	—	(193)	(2)	13
Transfers into Level 3 (4)	—	—	—	—	—	18	—
Transfers out of Level 3 (4)	—	—	—	—	—	(58)	—
Balance, end of period	$56	$(13)	$20	$(356)	$ 980	$1,730	$(15)
Changes in unrealized gains (losses) included in net income (loss): (5)							
Net investment income	$—	$—	$—	$—	$ —	$—	$—
Net investment gains (losses)	$—	$—	$—	$—	$ —	$—	$—
Net derivative gains (losses)	$6	$—	$(6)	$(42)	$ (94)	$—	$—
Policyholder benefits and claims	$—	$—	$—	$4	$ 16	$—	$—

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Fixed Maturity Securities							
	U.S. Corporate	Foreign Corporate	Foreign Government	U.S. Treasury and Agency	RMBS	CMBS	ABS	State and Political Subdivision
	(In millions)							
Three Months Ended March 31, 2013								
Balance, beginning of period	$7,433	$6,208	$ 1,814	$ 71	$2,037	$1,147	$3,656	$ 54
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	6	1	5	—	8	—	3	—
Net investment gains (losses)	(4)	(17)	5	—	(1)	—	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
OCI	171	1	(25)	—	112	(21)	(23)	—
Purchases (3)	288	313	395	45	432	392	805	—
Sales (3)	(326)	(275)	(41)	(1)	(77)	(315)	(275)	(1)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—
Transfers into Level 3 (4)	412	26	149	—	9	143	1	—
Transfers out of Level 3 (4)	(1,554)	(432)	(99)	—	(94)	(262)	(401)	—
Balance, end of period	$6,426	$5,825	$ 2,203	$ 115	$2,426	$1,084	$3,766	$ 53
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$4	$4	$ 6	$ —	$8	$(2)	$3	$ —
Net investment gains (losses)	$(5)	$(18)	$ —	$ —	$(1)	$—	$—	$ —
Net derivative gains (losses)	$—	$—	$ —	$ —	$—	$—	$—	$ —
Policyholder benefits and claims	$—	$—	$ —	$ —	$—	$—	$—	$ —

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (Continued)

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
	Equity Securities		FVO and Trading Securities					Mortgage Loans	
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	FVO Securities held by CSEs	Short-term Investments	Residential Mortgage Loans - FVO	Mortgage Loans Held-for-sale
	(In millions)								
Three Months Ended March 31, 2013									
Balance, beginning of period	$190	$ 419	$6	$ 32	$ 937	$—	$ 429	$—	$49
Total realized/unrealized gains (losses) included in:									
Net income (loss): (1), (2)									
Net investment income	—	—	—	4	(27)	—	1	—	—
Net investment gains (losses)	(1)	(22)	—	—	—	—	(23)	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—	—
OCI	(3)	48	—	—	—	—	21	—	—
Purchases (3)	5	3	8	—	578	—	2,048	—	—
Sales (3)	(2)	(47)	—	(7)	(628)	—	(341)	—	(43)
Issuances (3)	—	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—	(4)
Transfers into Level 3 (4)	—	—	—	15	30	—	—	—	—
Transfers out of Level 3 (4)	—	—	—	—	(59)	—	(5)	—	—
Balance, end of period	$189	$ 401	$14	$ 44	$ 831	$—	$ 2,130	$—	$2
Changes in unrealized gains (losses) included in net income (loss): (5)									
Net investment income	$—	$ —	$—	$ 3	$ (1)	$—	$ 2	$—	$—
Net investment gains (losses)	$—	$ (20)	$—	$ —	$ —	$—	$ —	$—	$—
Net derivative gains (losses)	$—	$ —	$—	$ —	$ —	$—	$ —	$—	$—
Policyholder benefits and claims	$—	$ —	$—	$ —	$ —	$—	$ —	$—	$—

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
	Net Derivatives (6)						
	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)	Long-term Debt of CSEs — FVO
	(In millions)						
Three Months Ended March 31, 2013							
Balance, beginning of period	$177	$37	$43	$128	$(3,162)	$1,205	$(44)
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income	—	—	—	—	—	—	—
Net investment gains (losses)	—	—	—	—	—	16	(1)
Net derivative gains (losses)	5	(8)	(5)	(272)	1,690	—	—
Policyholder benefits and claims	—	—	—	13	(47)	—	—
OCI	(25)	—	—	(1)	104	—	—
Purchases (3)	—	—	—	—	—	92	—
Sales (3)	—	—	—	—	—	(49)	—
Issuances (3)	—	—	—	—	—	3	—
Settlements (3)	(13)	1	—	(7)	(169)	—	14
Transfers into Level 3 (4)	—	—	—	—	—	3	—
Transfers out of Level 3 (4)	—	—	—	—	—	(51)	—
Balance, end of period	$144	$30	$38	$(139)	$(1,584)	$1,219	$(31)
Changes in unrealized gains (losses) included in net income (loss): (5)							
Net investment income	$—	$—	$—	$—	$—	$—	$—
Net investment gains (losses)	$—	$—	$—	$—	$—	$—	$(1)
Net derivative gains (losses)	$5	$(7)	$(5)	$(272)	$1,683	$—	$—
Policyholder benefits and claims	$—	$—	$—	$13	$(46)	$—	$—

(1) Amortization of premium/accretion of discount is included within net investment income. Impairments charged to net income (loss) on securities and mortgage loans held-for-sale are included in net investment gains (losses), while changes in estimated fair value of mortgage loans - FVO are included in net investment income. Lapses

associated with net embedded derivatives are included in net derivative gains (losses).

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

(3) Items purchased/issued and then sold/settled in the same period are excluded from the rollforward. Fees attributed to embedded derivatives are included in settlements.

(4) Gains and losses, in net income (loss) and OCI, are calculated assuming transfers into and/or out of Level 3 occurred at the beginning of the period. Items transferred into and then out of Level 3 in the same period are excluded from the rollforward.

(5) Changes in unrealized gains (losses) included in net income (loss) relate to assets and liabilities still held at the end of the respective periods.

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

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

(8) Investment performance related to separate account assets is fully offset by corresponding amounts credited to contractholders within separate account liabilities. Therefore, such changes in estimated fair value are not recorded in net income. For the purpose of this disclosure, these changes are presented within net investment gains (losses).

8. Fair Value (continued)

Fair Value Option

The following table presents information for certain assets and liabilities accounted for under the FVO. These assets and liabilities were initially measured at fair value.

	Residential Mortgage Loans — FVO (1)		Certain Assets and Liabilities of CSEs — FVO (2)	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
	(In millions)			
Assets				
Unpaid principal balance	$537	$508	$1,068	$1,528
Difference between estimated fair value and unpaid principal balance	(185)	(170)	72	70
Carrying value at estimated fair value	$352	$338	$1,140	$1,598
Loans in non-accrual status	$134	$—	$—	$—
Loans more than 90 days past due	$98	$81	$—	$—
Loans in non-accrual status or more than 90 days past due, or both — difference between aggregate estimated fair value and unpaid principal balance	$(114)	$(82)	$—	$—
Liabilities				
Contractual principal balance			$985	$1,445
Difference between estimated fair value and contractual principal balance			11	10
Carrying value at estimated fair value			$996	$1,455

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(1) Interest income, changes in estimated fair value and gains or losses on sales are recognized in net investment income. Changes in estimated fair value for these loans were due to the following:

	Three Months Ended March 31,	
	2014	2013
	(In millions)	
Instrument-specific credit risk based on changes in credit spreads for non-agency loans and adjustments in individual loan quality	$2	$—
Other changes in estimated fair value	1	—
Total gains (losses) recognized in net investment income	$3	$—

(2) These assets and liabilities are comprised of commercial mortgage loans and long-term debt. Changes in estimated fair value on these assets and liabilities and gains or losses on sales of these assets are recognized in net investment gains (losses). Interest income on commercial mortgage loans held by CSEs — FVO is recognized in net investment income. Interest expense from long-term debt of CSEs — FVO is recognized in other expenses.

8. Fair Value (continued)

Nonrecurring Fair Value Measurements
The following table presents information for assets measured at estimated fair value on a nonrecurring basis during the periods and still held at the reporting dates; that is, they are not measured at fair value on a recurring basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). The estimated fair values for these assets were determined using significant unobservable inputs (Level 3).

	At March 31,		Three Months Ended March 31,	
	2014	2013	2014	2013
	Carrying Value After Measurement		Gains (Losses)	
	(In millions)			
Mortgage loans, net (1)	$199	$522	$—	$(14)
Other limited partnership interests (2)	$4	$1	$(2)	$—
Real estate joint ventures (3)	$—	$3	$—	$(2)

(1) Estimated fair values for impaired mortgage loans are based on independent broker quotations or valuation models using unobservable inputs or, if the loans are in foreclosure or are otherwise determined to be collateral dependent, are based on the estimated fair value of the underlying collateral or the present value of the expected future cash flows.

(2) For these cost method investments, estimated fair value is determined from information provided in the financial statements of the underlying entities including NAV data. These investments include private equity and debt funds that typically invest primarily in various strategies including domestic and international leveraged buyout funds; power, energy, timber and infrastructure development funds; venture capital funds; and below investment grade debt and mezzanine debt funds. Distributions 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 two to 10 years. Unfunded commitments for these investments at both March 31, 2014 and 2013 were not significant.

(3) For these cost method investments, estimated fair value is determined from information provided in the financial statements of the underlying entities including NAV data. These investments include several real estate funds that typically invest primarily in commercial real estate and mezzanine debt. Distributions 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 one to 10 years. Unfunded commitments for these investments at both March 31, 2014 and 2013 were not significant.

Fair Value of Financial Instruments Carried at Other Than Fair Value
The following tables provide fair value information for financial instruments that are carried on the balance sheet at amounts other than fair value. These tables exclude the following financial instruments: cash and cash equivalents, accrued investment income, payables for collateral under securities loaned and other transactions, short-term debt and those short-term investments that are not securities, such as time deposits, and therefore are not included in the three level hierarchy table disclosed in the " — Recurring Fair Value Measurements" section. The estimated fair value of the excluded financial instruments, which are primarily classified in Level 2 and, to a lesser extent, in Level 1, approximates carrying value as they are short-term in nature such that the Company believes there is minimal risk of material changes in interest rates or credit quality. All remaining balance sheet amounts excluded from the table below are not considered financial instruments subject to this disclosure.

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8. Fair Value (continued)

The carrying values and estimated fair values for such financial instruments, and their corresponding placement in the fair value hierarchy, are summarized as follows at:

	March 31, 2014				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets					
Mortgage loans	$55,647	$—	$—	$58,104	$58,104
Policy loans	$11,762	$—	$1,688	$11,647	$13,335
Real estate joint ventures	$101	$—	$—	$180	$180
Other limited partnership interests	$908	$—	$—	$1,125	$1,125
Other invested assets	$714	$233	$150	$331	$714
Premiums, reinsurance and other receivables	$4,018	$—	$1,622	$2,444	$4,066
Other assets	$262	$—	$212	$80	$292
Liabilities					
PABs	$135,189	$—	$—	$140,688	$140,688
Long-term debt	$15,766	$—	$17,610	$—	$17,610
Collateral financing arrangements	$4,196	$—	$—	$3,993	$3,993
Junior subordinated debt securities	$3,193	$—	$3,890	$—	$3,890
Other liabilities	$4,853	$—	$3,545	$1,310	$4,855
Separate account liabilities	$115,260	$—	$115,260	$—	$115,260

	December 31, 2013				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets					
Mortgage loans	$55,770	$—	$—	$57,924	$57,924
Policy loans	$11,764	$—	$1,694	$11,512	$13,206
Real estate joint ventures	$102	$—	$—	$169	$169
Other limited partnership interests	$950	$—	$—	$1,109	$1,109
Other invested assets	$844	$322	$163	$359	$844
Premiums, reinsurance and other receivables	$3,116	$—	$728	$2,382	$3,110
Other assets	$324	$—	$210	$142	$352
Liabilities					
PABs	$139,735	$—	$—	$144,631	$144,631
Long-term debt	$17,170	$—	$18,564	$—	$18,564
Collateral financing arrangements	$4,196	$—	$—	$3,984	$3,984
Junior subordinated debt securities	$3,193	$—	$3,789	$—	$3,789
Other liabilities	$2,239	$—	$948	$1,292	$2,240

Separate account liabilities	$117,562	$—	$117,562	$—	$117,562

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8. Fair Value (continued)

The methods, assumptions and significant valuation techniques and inputs used to estimate the fair value of financial instruments are summarized as follows:

Mortgage Loans

The estimated fair value of mortgage loans is primarily determined by estimating expected future cash flows and discounting them using current interest rates for similar mortgage loans with similar credit risk, or is determined from pricing for similar loans.

Policy Loans

Policy loans with fixed interest rates are classified within Level 3. The estimated fair values for these loans 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 by 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. Policy loans with variable interest rates are classified within Level 2 and the estimated fair value 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

The estimated fair values of these cost method investments are generally based on the Company's share of the 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.

Other Invested Assets

These other invested assets are principally comprised of various interest-bearing assets held in foreign subsidiaries and certain amounts due under contractual indemnifications. For 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.

Premiums, Reinsurance and Other Receivables

Premiums, reinsurance and other receivables are principally comprised of certain amounts recoverable under reinsurance agreements, amounts on deposit with financial institutions to facilitate daily settlements related to certain derivatives and amounts receivable for securities sold but not yet settled.

Amounts recoverable under ceded reinsurance agreements, which the Company has determined do not transfer significant risk such that they are accounted for using the deposit method of accounting, have been classified as Level 3. The valuation is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using interest rates determined to reflect the appropriate credit standing of the assuming counterparty.

The amounts on deposit for derivative settlements, classified within Level 2, 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.

Other Assets

These other assets are principally comprised of a receivable for cash paid to an unaffiliated financial institution under the MetLife Reinsurance Company of Charleston ("MRC") collateral financing arrangement described in Note 13 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report. The estimated fair value of the receivable for the cash paid to the unaffiliated financial institution under the MRC collateral financing arrangement is determined by discounting the expected future cash flows using a discount rate that reflects the credit rating of the unaffiliated financial institution.

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8. Fair Value (continued)

PABs
These PABs include investment contracts. Embedded derivatives on investment contracts and certain variable annuity guarantees accounted for as embedded derivatives are excluded from this caption in the preceding tables as they are separately presented in "— Recurring Fair Value Measurements."
The investment contracts primarily include certain funding agreements, fixed deferred annuities, modified guaranteed annuities, fixed term payout annuities and total control accounts. The valuation of these investment contracts is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using current market risk-free interest rates adding a spread to reflect the nonperformance risk in the liability.
Long-term Debt, Collateral Financing Arrangements and Junior Subordinated Debt Securities
The estimated fair values of long-term debt and junior subordinated debt securities are principally determined using market standard valuation methodologies. Capital leases, which are not required to be disclosed at estimated fair value are excluded from the preceding tables.
Valuations classified as Level 2 are based primarily on quoted prices in markets that are not active or using matrix pricing that use standard market observable inputs such as quoted prices in markets that are not active and observable yields and spreads in the market. Instruments valued using discounted cash flow methodologies use standard market observable inputs including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues.
Valuations classified as Level 3 are based primarily on discounted cash flow methodologies that utilize unobservable discount rates that can vary significantly based upon the specific terms of each individual arrangement. The determination of estimated fair values of collateral financing arrangements incorporates valuations obtained from the counterparties to the arrangements, as part of the collateral management process.
Other Liabilities
Other liabilities consist primarily of interest and dividends payable, amounts due for securities purchased but not yet settled, funds withheld amounts payable, which are contractually withheld by the Company in accordance with the terms of the reinsurance agreements, and amounts payable under certain assumed reinsurance agreements, which are recorded 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 are not materially different from the carrying values, with the exception of certain deposit type reinsurance payables. For such payables, the estimated fair value is determined as the present value of expected future cash flows, which are discounted using an interest rate determined to reflect the appropriate credit standing of the assuming counterparty.
Separate Account Liabilities
Separate account liabilities represent those balances due to policyholders under contracts that are classified as investment contracts.
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.
Since separate account liabilities are fully funded by cash flows from the separate account assets which are recognized at estimated fair value as described in the section "— Recurring Fair Value Measurements," the value of those assets approximates the estimated fair value of the related separate account liabilities. The valuation techniques and inputs for separate account liabilities are similar to those described for separate account assets.
9. Equity
Stock-Based Compensation Plans
Performance Shares and Performance Units
For outstanding awards granted prior to the January 1, 2013 – December 31, 2015 performance period, vested Performance Shares and Performance Units will be multiplied by a performance factor of 0.0 to 2.0 based on MetLife,

Inc.’s adjusted income, total shareholder return, and performance in change in annual net operating earnings and total shareholder return compared to the performance of its competitors, each measured with respect to the applicable three-year performance period or portions thereof.

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9. Equity (continued)

For outstanding awards granted for the January 1, 2013 – December 31, 2015 and later performance periods, the vested Performance Shares and Performance Units will be multiplied by a performance factor of 0.00 to 1.75. Assuming that MetLife, Inc. has met threshold performance goals related to its adjusted income or total shareholder return, the MetLife, Inc. Compensation Committee will determine the performance factor in its discretion. In doing so, the Compensation Committee may consider MetLife, Inc.'s total shareholder return relative to the performance of its competitors and MetLife, Inc.'s operating return on equity relative to its financial plan. The estimated fair value of Performance Shares and Performance Units will be remeasured each quarter until they become payable.

Payout of 2011 - 2013 Performance Shares

Final Performance Shares are paid in shares of MetLife, Inc. common stock. The performance factor for the January 1, 2011 – December 31, 2013 performance period was 0.80. This factor has been applied to the 1,544,120 Performance Shares associated with that performance period that vested on December 31, 2013 and, as a result, 1,235,296 shares of MetLife, Inc.'s common stock (less withholding for taxes and other items, as applicable) were issued, aside from shares that payees choose to defer, in April 2014.

Payout of 2011 - 2013 Performance Units

Final Performance Units are payable in cash equal to the closing price of MetLife, Inc. common stock on a date following the last day of the three-year performance period. The performance factor for the January 1, 2011 – December 31, 2013 performance period was 0.80. This factor has been applied to the 98,060 Performance Units associated with that performance period that vested on December 31, 2013 and, as a result, the cash value of 78,448 units (less withholding for taxes and other items, as applicable) was paid in April 2014.

Accumulated Other Comprehensive Income (Loss)

Information regarding changes in the balances of each component of AOCI attributable to MetLife, Inc., net of income tax, was as follows:

	Three Months Ended March 31, 2014				
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	$8,183	$231	$(1,659)	$(1,651)	$5,104
OCI before reclassifications	4,852	321	(217)	—	4,956
Income tax expense (benefit)	(1,645)	(113)	33	—	(1,725)
OCI before reclassifications, net of income tax	11,390	439	(1,843)	(1,651)	8,335
Amounts reclassified from AOCI	(173)	(54)	—	45	(182)
Income tax expense (benefit)	59	19	—	(16)	62
Amounts reclassified from AOCI, net of income tax	(114)	(35)	—	29	(120)
Balance, end of period	$11,276	$404	$(1,843)	$(1,622)	$8,215

Three Months Ended March 31, 2013

	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	$13,590	$829	$(533)	$(2,489)	$11,397
OCI before reclassifications	(174)	(62)	(597)	—	(833)
Income tax expense (benefit)	75	22	(75)	—	22
OCI before reclassifications, net of income tax	13,491	789	(1,205)	(2,489)	10,586
Amounts reclassified from AOCI	(280)	181	—	55	(44)
Income tax expense (benefit)	121	(65)	—	(18)	38
Amounts reclassified from AOCI, net of income tax	(159)	116	—	37	(6)
Balance, end of period	$13,332	$905	$(1,205)	$(2,452)	$10,580

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9. Equity (continued)

(1) See Note 6 for information on offsets to investments related to insurance liabilities, DAC and VOBA and the policyholder dividend obligation.

Information regarding amounts reclassified out of each component of AOCI was as follows:

AOCI Components	Amounts Reclassified from AOCI		Statement of Operations and Comprehensive Income (Loss) Location
	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	
	(In millions)		
Net unrealized investment gains (losses):			
Net unrealized investment gains (losses)	$108	$290	Net investment gains (losses)
Net unrealized investment gains (losses)	26	21	Net investment income
Net unrealized investment gains (losses)	35	—	Net derivative gains (losses)
OTTI	4	(31)	Net investment gains (losses)
Net unrealized investment gains (losses), before income tax	173	280	
Income tax (expense) benefit	(59)	(121)	
Net unrealized investment gains (losses), net of income tax	$114	$159	
Unrealized gains (losses) on derivatives - cash flow hedges:			
Interest rate swaps	$15	$4	Net derivative gains (losses)
Interest rate swaps	2	2	Net investment income
Interest rate forwards	—	3	Net derivative gains (losses)
Interest rate forwards	1	1	Net investment income
Interest rate forwards	—	(1)	Other expenses
Foreign currency swaps	36	(189)	Net derivative gains (losses)
Foreign currency swaps	(1)	(1)	Net investment income
Foreign currency swaps	1	—	Other expenses
Gains (losses) on cash flow hedges, before income tax	54	(181)	
Income tax (expense) benefit	(19)	65	
Gains (losses) on cash flow hedges, net of income tax	$35	$(116)	
Defined benefit plans adjustment: (1)			
Amortization of net actuarial gains (losses)	$(44)	$(71)	
Amortization of prior service (costs) credit	(1)	16	
Amortization of defined benefit plan items, before income tax	(45)	(55)	
Income tax (expense) benefit	16	18	
Amortization of defined benefit plan items, net of income tax	$(29)	$(37)	

Total reclassifications, net of income tax	$120	$6

(1) These AOCI components are included in the computation of net periodic benefit costs. See Note 11.

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10. Other Expenses
Information on other expenses was as follows:

	Three Months Ended March 31,	
	2014	2013
	(In millions)	
Compensation	$1,205	$1,291
Pension, postretirement and postemployment benefit costs	120	123
Commissions	1,288	1,388
Volume-related costs	201	183
Capitalization of DAC	(1,046)	(1,256)
Amortization of DAC and VOBA	1,058	824