METLIFE INC
Form 10-Q
November 04, 2010

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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 SEPTEMBER 30, 2010
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	FOR THE TRANSITION PERIOD FROM TO

Commission file number: 001-15787

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

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

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

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

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

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

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

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

At November 1, 2010, 985,254,724 shares of the registrant s common stock, $0.01 par value per share, were outstanding.

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

Note Regarding Forward-Looking Statements

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

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining MetLife s actual future results. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife, Inc. s filings with the U.S. Securities and Exchange Commission (the SEC). These factors include: (1) the imposition of onerous conditions following the acquisition of American Life Insurance Company (ALICO), a subsidiary of ALICO Holdings LLC (ALICO Holdings) and Delaware American Life Insurance Company (DelAm) (collectively, the Acquisition); (2) difficulties in integrating the business acquired in the Acquisition (the Alico Business); (3) uncertainty with respect to the outcome of the closing agreement entered into between ALICO and the United States Internal Revenue Service in connection with the Acquisition; (4) uncertainty with respect to the making of elections under Section 338 of the U.S. Internal Revenue Code of 1986, as amended, and any benefits therefrom; (5) an inability to manage the growth of the Alico Business; (6) a writedown of the goodwill established in connection with the Acquisition; (7) exchange rate fluctuations; (8) an inability to predict the financial impact of the Acquisition on MetLife s business and financial results; (9) events relating to American International Group, Inc. (AIG) that could adversely affect the Alico Business or MetLife; (10) the dilutive impact on MetLife, Inc. s stockholders resulting from the issuance of equity securities to ALICO Holdings in connection with the Acquisition; (11) a decrease in MetLife, Inc. s stock price as a result of ALICO Holdings ability to sell its equity securities; (12) the conditional payment obligation of approximately $300 million to ALICO Holdings if the conversion of the Series B Contingent Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock (Series B Preferred Stock) issued to ALICO Holdings in connection with the Acquisition into MetLife, Inc. s common stock is not approved; (13) change of control provisions in the Alico Business agreements; (14) effects of guarantees within certain of the Alico Business variable life and annuity products; (15) regulatory action in the financial services industry affecting the combined business; (16) financial instability in Europe and possible writedowns of sovereign debt of European nations; (17) difficult conditions in the global capital markets; (18) increased volatility and disruption of the capital and credit markets, which may affect MetLife s ability to seek financing or access its credit facilities; (19) uncertainty about the effectiveness of the U.S. government s programs to stabilize the financial system, the imposition of fees relating thereto, or the promulgation of additional regulations; (20) impact of comprehensive financial services regulation reform on MetLife; (21) exposure to financial and capital market risk; (22) changes in general economic conditions, including the performance of financial markets and interest rates, which may affect MetLife s ability to raise capital, generate fee income and market-related revenue and finance statutory reserve requirements and may require MetLife to pledge collateral or make payments related to declines in value of specified assets; (23) potential liquidity and other risks resulting from MetLife s participation in a securities lending program and other transactions; (24) investment losses and defaults, and changes to investment valuations; (25) impairments of goodwill and realized losses or market value impairments to illiquid assets; (26) defaults on MetLife s mortgage loans; (27) the impairment of other financial institutions; (28) MetLife s ability to address unforeseen liabilities, asset impairments, or rating actions arising from any future acquisitions or dispositions, and to successfully integrate acquired businesses with minimal disruption; (29) economic, political, currency and other risks relating to MetLife s international operations; (30) 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; (31) downgrades in MetLife, Inc. s and its affiliates claims paying ability, financial strength or credit ratings; (32) ineffectiveness of risk management policies and procedures; (33) availability and effectiveness of reinsurance or indemnification arrangements, as well as default or failure of counterparties to perform; (34) discrepancies between actual claims experience and assumptions used in setting prices for MetLife s products and establishing the liabilities for MetLife s obligations for future policy benefits and claims; (35) catastrophe losses; (36) heightened competition, including with respect to pricing, entry of new competitors, consolidation of distributors, the development of new products by new and existing competitors, distribution of amounts available under U.S. government programs, and for personnel; (37) unanticipated changes in industry trends; (38) changes in accounting standards, practices and/or policies; (39) changes in assumptions related to deferred policy acquisition costs (DAC), deferred sales inducements (DSI), value of business acquired (VOBA) or goodwill; (40) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (41) 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; (42) deterioration in the experience of the closed block established in connection with the reorganization of MLIC; (43) adverse results or other consequences from litigation, arbitration or regulatory investigations; (44) discrepancies between actual experience and assumptions used in establishing liabilities related to other contingencies or obligations; (45) regulatory, legislative or tax changes relating to MetLife s insurance, banking, international, or other operations that may affect the cost of, or demand for, MetLife s products or services, impair its ability to attract and retain talented and experienced management and other employees, or increase the cost or administrative burdens of providing benefits to employees; (46) the effects of business disruption or economic contraction due to terrorism, other hostilities, or natural catastrophes; (47) the effectiveness of MetLife s programs and practices in avoiding giving its associates incentives to take excessive risks; (48) other risks and uncertainties described from time to time in MetLife, Inc. s filings with the SEC; and (49) any of the foregoing factors as they relate to the Alico Business and its operations.

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

Note Regarding Reliance on Statements in Our Contracts

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

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

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

may apply standards of materiality in a way that is different from what may be viewed as material to investors; and were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

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

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Part I Financial Information

Item 1. ***Financial Statements***

MetLife, Inc.

Interim Condensed Consolidated Balance Sheets
September 30, 2010 (Unaudited) and December 31, 2009

(In millions, except share and per share data)

	September 30, 2010	December 31, 2009
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $245,659 and $229,709, respectively; includes $3,283 and $3,171, respectively, relating to variable interest entities)	$ 260,564	$ 227,642
Equity securities available-for-sale, at estimated fair value (cost: $2,936 and $3,187, respectively)	2,865	3,084
Trading securities, at estimated fair value (cost: $3,870 and $2,249, respectively; includes $231 and $0, respectively, relating to variable interest entities)	3,987	2,384
Mortgage loans:		
Held-for-investment, principally at amortized cost (net of valuation allowances of $666 and $721, respectively; includes $7,093 and $0, respectively, at estimated fair value, relating to variable interest entities)	57,098	48,181
Held-for-sale, principally at estimated fair value	2,840	2,728
Mortgage loans, net	59,938	50,909
Policy loans	10,230	10,061
Real estate and real estate joint ventures held-for-investment (includes $18 and $18, respectively, relating to variable interest entities)	6,981	6,852
Real estate held-for-sale	9	44
Other limited partnership interests (includes $197 and $236, respectively, relating to variable interest entities)	5,948	5,508
Short-term investments	11,590	8,374
Other invested assets (includes $102 and $137, respectively, relating to variable interest entities)	16,571	12,709
Total investments	378,683	327,567
Cash and cash equivalents (includes $62 and $68, respectively, relating to variable interest entities)	14,557	10,112
Accrued investment income (includes $37 and $0, respectively, relating to variable interest entities)	3,469	3,173
Premiums, reinsurance and other receivables	18,654	16,752
Deferred policy acquisition costs and value of business acquired	17,463	19,256

Current income tax recoverable	178	316
Deferred income tax assets		1,228
Goodwill	4,966	5,047
Other assets (includes $7 and $16, respectively, relating to variable interest entities)	6,913	6,822
Separate account assets	172,372	149,041
Total assets	$ 617,255	$ 539,314
Liabilities and Stockholders Equity		
Liabilities		
Future policy benefits	$ 143,686	$ 135,879
Policyholder account balances	145,360	138,673
Other policyholder funds	8,912	8,446
Policyholder dividends payable	834	761
Policyholder dividend obligation	2,014	
Payables for collateral under securities loaned and other transactions	31,891	24,196
Bank deposits	9,362	10,211
Short-term debt	2,057	912
Long-term debt (includes $7,130 and $64, respectively, at estimated fair value, relating to variable interest entities)	24,512	13,220
Collateral financing arrangements	5,297	5,297
Junior subordinated debt securities	3,191	3,191
Deferred income tax liability	3,543	
Other liabilities (includes $100 and $26, respectively, relating to variable interest entities)	17,455	15,989
Separate account liabilities	172,372	149,041
Total liabilities	570,486	505,816
Contingencies, Commitments and Guarantees (Note 8)		
Stockholders Equity		
MetLife, Inc. s stockholders equity:		
Preferred stock, par value $0.01 per share; 200,000,000 shares authorized; 84,000,000 shares issued and outstanding; $2,100 aggregate liquidation preference	1	1
Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 910,103,484 and 822,359,818 shares issued at September 30, 2010 and December 31, 2009, respectively; 906,909,597 and 818,833,810 shares outstanding at September 30, 2010 and December 31, 2009, respectively	9	8
Additional paid-in capital	20,451	16,859
Retained earnings	22,096	19,501
Treasury stock, at cost; 3,193,887 and 3,526,008 shares at September 30, 2010 and December 31, 2009, respectively	(172)	(190)
Accumulated other comprehensive income (loss)	4,030	(3,058)
Total MetLife, Inc. s stockholders equity	46,415	33,121
Noncontrolling interests	354	377
Total equity	46,769	33,498

Total liabilities and stockholders equity	$	617,255	$	539,314

See accompanying notes to the interim condensed consolidated financial statements.

MetLife, Inc.

Interim Condensed Consolidated Statements of Operations
For the Three Months and Nine Months Ended September 30, 2010 and 2009 (Unaudited)

(In millions, except per share data)

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Revenues				
Premiums	$ 6,562	$ 6,601	$ 20,078	$ 19,299
Universal life and investment-type product policy fees	1,453	1,251	4,345	3,650
Net investment income	4,391	3,923	12,822	10,914
Other revenues	624	602	1,681	1,728
Net investment gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(143)	(650)	(538)	(1,769)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	24	245	181	479
Other net investment gains (losses)	(223)	(327)	33	(1,500)
Total net investment gains (losses)	(342)	(732)	(324)	(2,790)
Net derivatives gains (losses)	(244)	(1,407)	1,278	(4,084)
Total revenues	12,444	10,238	39,880	28,717
Expenses				
Policyholder benefits and claims	7,397	7,173	21,952	20,701
Interest credited to policyholder account balances	1,266	1,258	3,458	3,655
Policyholder dividends	392	439	1,157	1,297
Other expenses	2,996	2,543	9,358	7,576
Total expenses	12,051	11,413	35,925	33,229
Income (loss) from continuing operations before provision for income tax	393	(1,175)	3,955	(4,512)
Provision for income tax expense (benefit)	71	(551)	1,259	(1,884)
Income (loss) from continuing operations, net of income tax	322	(624)	2,696	(2,628)
Income (loss) from discontinued operations, net of income tax	(2)	(1)	5	37
Net income (loss)	320	(625)	2,701	(2,591)
Less: Net income (loss) attributable to noncontrolling interests	4	(5)	(7)	(25)

Net income (loss) attributable to MetLife, Inc.		316		(620)		2,708		(2,566)
Less: Preferred stock dividends		30		30		91		91
Net income (loss) available to MetLife, Inc. s common shareholders	$	286	$	(650)	$	2,617	$	(2,657)
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc. s common shareholders per common share:								
Basic	$	0.33	$	(0.79)	$	3.10	$	(3.30)
Diluted	$	0.32	$	(0.79)	$	3.08	$	(3.30)
Net income (loss) available to MetLife, Inc. s common shareholders per common share:								
Basic	$	0.33	$	(0.79)	$	3.11	$	(3.25)
Diluted	$	0.32	$	(0.79)	$	3.09	$	(3.25)

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statements of Stockholders Equity
For the Nine Months Ended September 30, 2010 (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	Noncontrolli Interests
ecember 31,	$ 1	$ 8	$ 16,859	$ 19,501	$ (190)	$ (817)	$ (513)	$ (183)	$ (1,545)	$ 33,121	$ 377
effect of counting t of income tax				(12)		31	11			30	
anuary 1, 2010	1	8	16,859	19,489	(190)	(786)	(502)	(183)	(1,545)	33,151	377
effect of counting t of income tax				(10)		10					
ck issuance d shares		1	3,528							3,529	
compensation			64		18					82	
n preferred				(91)						(91)	
quity of ng interests											(22)
ive income											
(loss)				2,708						2,708	(7)
ehensive):											
ains (losses) e instruments, e tax						409				409	
nvestment), net of ts and income						6,268	357			6,625	(1)

ency djustments, net x								(92)		(92)	7
efit plans net of income									94	94	
rehensive s)										7,036	6
sive income										9,744	(1)
eptember 30,	$ 1	$ 9	$ 20,451	$ 22,096	$ (172)	$ 5,901	$ (145)	$ (275)	$ (1,451)	$ 46,415	$ 354

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Interim Condensed Consolidated Statements of Stockholders Equity (Continued)
For the Nine Months Ended September 30, 2009 (Unaudited)
(In millions)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss): 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	T Eq
at er 31,	$ 1	$ 8	$ 15,811	$ 22,403	$ (236)	$ (12,564)	$	$ (246)	$ (1,443)	$ 23,734	$ 251	$ 2
tive f change nting e, net of tax				76			(76)					
n stock e newly hares			1,035							1,035		
y stock ions, net			20		42					62		
l of ased sation			(1)							(1)		
ds on d stock				(91)						(91)		
in f rolling s											109	
hensive (loss):				(2,566)						(2,566)	(25)	(
hensive (loss): zed osses) vative												

ents, net ne tax zed ent osses), elated and tax						12,092	(251)			11,841	(10)	1
y on ents, net ne tax benefit								134		134		
ent, net ne tax									120	120		
hensive (loss)										12,095	(10)	1
hensive (loss)										9,529	(35)	
at per 30,	$ 1	$ 8	$ 16,865	$ 19,822	$ (194)	$ (472)	$ (327)	$ (112)	$ (1,323)	$ 34,268	$ 325	$ 3

See accompanying notes to the interim condensed consolidated financial statements.

MetLife, Inc.

Interim Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2010 and 2009 (Unaudited)

(In millions)

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Net cash provided by operating activities	$ 5,193	$ 2,718
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	55,618	48,802
Equity securities	1,002	1,900
Mortgage loans	4,474	5,145
Real estate and real estate joint ventures	135	23
Other limited partnership interests	311	824
Purchases of:		
Fixed maturity securities	(69,997)	(63,363)
Equity securities	(638)	(1,543)
Mortgage loans	(5,888)	(4,204)
Real estate and real estate joint ventures	(474)	(466)
Other limited partnership interests	(745)	(570)
Cash received in connection with freestanding derivatives	1,717	3,062
Cash paid in connection with freestanding derivatives	(1,949)	(4,672)
Sales of businesses, net of cash disposed of $0 and $180, respectively		(50)
Disposal of subsidiary		(19)
Net change in policy loans	(169)	(199)
Net change in short-term investments	(3,152)	7,022
Net change in other invested assets	501	1,080
Other, net	(115)	(129)
Net cash used in investing activities	(19,369)	(7,357)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	53,709	62,229
Withdrawals	(50,126)	(64,382)
Net change in payables for collateral under securities loaned and other transactions	7,695	(6,696)
Net change in bank deposits	(959)	1,368
Net change in short-term debt	1,145	(528)
Long-term debt issued	4,590	2,625
Long-term debt repaid	(689)	(244)

Collateral financing arrangements issued				105
Cash received in connection with collateral financing arrangements				400
Cash paid in connection with collateral financing arrangements				(400)
Junior subordinated debt securities issued				500
Debt issuance costs		(14)		(22)
Common stock issued, net of issuance costs		3,557		
Common stock issued to settle stock forward contracts				1,035
Dividends on preferred stock		(91)		(91)
Other, net		(188)		(25)
Net cash provided by (used in) financing activities		18,629		(4,126)
Effect of change in foreign currency exchange rates on cash balances		(8)		88
Change in cash and cash equivalents		4,445		(8,677)
Cash and cash equivalents, beginning of period		10,112		24,239
Cash and cash equivalents, end of period	$	14,557	$	15,562
Cash and cash equivalents, subsidiaries held-for-sale, beginning of period	$		$	32
Cash and cash equivalents, subsidiaries held-for-sale, end of period	$		$	
Cash and cash equivalents, from continuing operations, beginning of period	$	10,112	$	24,207
Cash and cash equivalents, from continuing operations, end of period	$	14,557	$	15,562
Supplemental disclosures of cash flow information:				
Net cash paid during the period for:				
Interest	$	997	$	611
Income tax	$	109	$	298
Non-cash transactions during the period:				
Remarketing of debt securities:				
Fixed maturity securities redeemed	$		$	32
Long-term debt issued	$		$	1,035
Junior subordinated debt securities redeemed	$		$	1,067
Real estate and real estate joint ventures acquired in satisfaction of debt	$	92	$	211
Purchase money mortgages on sales of real estate joint ventures	$		$	74

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

Business

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

Basis of Presentation

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

On November 1, 2010, the Holding Company acquired all of the issued and outstanding capital stock of American Life Insurance Company (ALICO), and Delaware American Life Insurance Company (DelAm) from ALICO Holdings LLC (ALICO Holdings), a subsidiary of American International Group, Inc., (collectively, the Acquisition) which is more fully described in Note 15. The assets acquired and liabilities assumed, the consideration paid for the acquired business (the Alico Business) and the results of operations of the Alico Business, are not reflected in the accompanying interim condensed consolidated financial statements. However, the Company has issued senior debt and common stock, as well as incurred certain costs through September 30, 2010 associated with the transaction prior to the Acquisition closing date that are reflected in the accompanying interim condensed consolidated financial statements, which are more fully described in Notes 7, 10 and 11.

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

The accompanying interim condensed consolidated financial statements include the accounts of the Holding Company and its subsidiaries, as well as partnerships and joint ventures in which the Company has control, and variable interest entities (VIEs) for which the Company is the primary beneficiary. See Adoption of New Accounting Pronouncements. Closed block assets, liabilities, revenues and expenses are combined on a line-by-line basis with the assets, liabilities, revenues and expenses outside the closed block based on the nature of the particular item. See Note 6. Intercompany accounts and transactions have been eliminated.

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

Certain amounts in the prior year periods interim condensed consolidated financial statements have been reclassified to conform with the 2010 presentation. Such reclassifications include ($1,407) million and ($4,084) million reclassified from other net investment gains (losses), to net derivatives gains (losses) in the interim condensed consolidated statements of operations for the three months and nine months ended

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

September 30, 2009, respectively. In addition, $1,368 million was reclassified from policyholder account balances to net change in bank deposits within cash flows from financing activities and $3,062 million and ($4,672) million were reclassified from net change in other invested assets to cash received in connection with freestanding derivatives and cash paid in connection with freestanding derivatives, respectively, within cash flows from investing activities, all in the interim condensed consolidated statement of cash flows for the nine months ended September 30, 2009. See also Note 14 for reclassifications related to discontinued operations.

The accompanying interim condensed consolidated financial statements reflect all adjustments (including normal recurring adjustments) necessary to present fairly the consolidated financial position of the Company at September 30, 2010, its consolidated results of operations for the three months and nine months ended September 30, 2010 and 2009, its consolidated cash flows for the nine months ended September 30, 2010 and 2009, and its consolidated statements of stockholders equity for the nine months ended September 30, 2010 and 2009, in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2009 consolidated balance sheet data was derived from audited consolidated financial statements included in MetLife s Annual Report on Form 10-K for the year ended December 31, 2009 (the 2009 Annual Report) filed with the U.S. Securities and Exchange Commission (SEC), which includes all disclosures required by GAAP. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company included in the 2009 Annual Report.

Adoption of New Accounting Pronouncements

Financial Instruments

Effective July 1, 2010, the Company adopted new guidance regarding accounting for embedded credit derivatives within structured securities. This guidance clarifies the type of embedded credit derivative that is exempt from embedded derivative bifurcation requirements. Specifically, embedded credit derivatives resulting only from subordination of one financial instrument to another continue to qualify for the scope exception. Embedded credit derivative features other than subordination must be analyzed to determine if they require bifurcation and separate accounting.

As a result of the adoption of this guidance, the Company elected the fair value option for certain structured securities that were previously accounted for as fixed maturity securities. Upon adoption, the Company reclassified $50 million of securities from fixed maturity securities to trading securities. These securities had cumulative unrealized losses of $10 million, net of income tax, which was recognized as a cumulative effect adjustment to decrease retained earnings with a corresponding increase to accumulated other comprehensive income (loss) as of July 1, 2010.

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

As a result of the adoption of this guidance, the Company consolidated certain former QSPEs that were previously accounted for as fixed maturity commercial mortgage-backed securities and equity security collateralized debt obligations. The Company also elected the fair value option for all of the consolidated assets and liabilities of these entities. Upon consolidation, the Company recorded $278 million of securities

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classified as trading securities, $6,769 million of commercial mortgage loans and $6,822 million of long-term debt based on estimated fair values at January 1, 2010 and de-recognized $179 million in fixed maturity securities and less than $1 million in equity securities. The consolidation also resulted in a decrease in retained earnings of $12 million, net of income tax, and an increase in accumulated other comprehensive income (loss) of $42 million, net of income tax, at January 1, 2010. For the three months and nine months ended September 30, 2010, the Company recorded $106 million and $324 million, respectively, of net investment income on the consolidated assets, $103 million and $312 million, respectively, of interest expense in other expenses on the related long-term debt, and $16 million and $24 million, respectively, in net investment gains (losses) to remeasure the assets and liabilities at their estimated fair values at September 30, 2010.

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

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

Fair Value

Effective January 1, 2010, the Company adopted new guidance that requires new disclosures about significant transfers in and/or out of Levels 1 and 2 of the fair value hierarchy and activity in Level 3. In addition, this guidance provides clarification of existing disclosure requirements about level of disaggregation and inputs and valuation techniques. The adoption of this guidance did not have an impact on the Company s consolidated financial statements.

Future Adoption of New Accounting Pronouncements

In October 2010, the Financial Accounting Standards Board (FASB) issued new guidance regarding accounting for deferred acquisition costs (Accounting Standards Update (ASU) 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*) effective for the first quarter of 2012. This guidance clarifies the costs that should be deferred by insurance entities when issuing and renewing insurance contracts. The guidance also specifies that only costs related directly to successful acquisition of new or renewal contracts can be capitalized. All other acquisition-related costs should be expensed as incurred. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In July 2010, the FASB issued new guidance regarding disclosures about the credit quality of financing receivables and the allowance for credit losses (ASU 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses)*. This guidance requires additional disclosures about the credit quality of financing receivables, such as aging information and credit quality indicators. In addition, disclosures must be disaggregated by portfolio segment or class based on how a company develops its allowance for credit losses and how it manages its credit exposure. Most of the requirements are effective for the fourth quarter of 2010 with certain additional disclosures required for the first quarter of 2011. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In April 2010, the FASB issued new guidance regarding accounting for investment funds determined to be VIEs (ASU 2010-15, *How Investments Held through Separate Accounts Affect an Insurer s Consolidation Analysis of Those Investments*). Under this guidance, an insurance entity would not be required to consolidate a voting-interest investment fund when it holds the majority of the voting interests of the fund through its separate accounts.

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

In addition, an insurance entity would not consider the interests held through separate accounts for the benefit of policyholders in the insurer s evaluation of its economics in a VIE, unless the separate account contract holder is a related party. The guidance is effective for the first quarter of 2011. The Company does not expect the adoption of this new guidance to have a material impact on its consolidated financial statements.

2. Pending Disposition

In October 2010, the Company and its joint venture partner, MS&AD Insurance Group Holdings, Inc. (MS&AD) reached an agreement under which the Company intends to sell its 50% interest in Mitsui Sumitomo MetLife Insurance Co., Ltd. (MSI MetLife), a Japan domiciled life insurance company, to MS&AD for approximately $275 million (¥22.5 billion). During the three months ended September 30, 2010, the Company recorded a net investment loss of $141 million, net of income tax, as a result of recording its investment in MSI MetLife at its estimated recoverable amount. It is anticipated that the sale will close on or about April 1, 2011, subject to customary closing conditions, including obtaining required regulatory approvals.

During the second quarter of 2010, the Company entered into a definitive agreement with a third party to sell MetLife Taiwan Insurance Company Limited (MetLife Taiwan). On October 5, 2010, the Taiwan Financial Supervising Commission rejected the third party s application for approval of the sale of MetLife Taiwan to such third party. Following the rejection, the agreement with the third party was terminated. The Company continues to explore strategic options with respect to MetLife Taiwan.

3. Investments

Fixed Maturity and Equity Securities Available-for-Sale

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

	September 30, 2010					
	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Temporary Loss	Gross Unrealized OTTI Loss	Estimated Fair Value	% of Total
	(In millions)					
Fixed Maturity Securities:						
U.S. corporate securities	$ 75,648	$ 6,615	$ 1,243	$	$ 81,020	31.1%
Residential mortgage-backed securities (RMBS)	45,358	1,945	1,193	210	45,900	17.6
Foreign corporate securities (1)	41,614	3,909	554	(1)	44,970	17.2
U.S. Treasury, agency and government guaranteed securities (2)	31,325	3,062	27		34,360	13.2

Commercial mortgage-backed securities (CMBS)	15,082	794	343		15,533	6.0
Foreign government securities	12,632	2,232	20		14,844	5.7
Asset-backed securities (ABS)	14,797	344	801	34	14,306	5.5
State and political subdivision securities	9,186	596	168		9,614	3.7
Other fixed maturity securities	17	1	1		17	
Total fixed maturity securities (3),(4)	$ 245,659	$ 19,498	$ 4,350	$ 243	$ 260,564	100.0%
Equity Securities:						
Common stock	$ 1,508	$ 73	$ 10	$	$ 1,571	54.8%
Non-redeemable preferred stock (3)	1,428	85	219		1,294	45.2
Total equity securities (5)	$ 2,936	$ 158	$ 229	$	$ 2,865	100.0%

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

	December 31, 2009					
	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Temporary Loss	Gross Unrealized OTTI Loss	Estimated Fair Value	% of Total
	(In millions)					
Fixed Maturity Securities:						
U.S. corporate securities	$ 72,075	$ 2,821	$ 2,699	$ 10	$ 72,187	31.7%
RMBS	45,343	1,234	1,957	600	44,020	19.3
Foreign corporate securities	37,254	2,011	1,226	9	38,030	16.7
U.S. Treasury, agency and government guaranteed securities (2)	25,712	745	1,010		25,447	11.2
CMBS	16,555	191	1,106	18	15,622	6.9
Foreign government securities	11,010	1,076	139		11,947	5.2
ABS	14,272	189	1,077	222	13,162	5.8
State and political subdivision securities	7,468	151	411		7,208	3.2
Other fixed maturity securities	20	1	2		19	
Total fixed maturity securities (3),(4)	$ 229,709	$ 8,419	$ 9,627	$ 859	$ 227,642	100.0%
Equity Securities:						
Common stock	$ 1,537	$ 92	$ 8	$	$ 1,621	52.6%
Non-redeemable preferred stock (3)	1,650	80	267		1,463	47.4
Total equity securities (5)	$ 3,187	$ 172	$ 275	$	$ 3,084	100.0%

(1) OTTI loss as presented above, represents the noncredit portion of OTTI loss that is included in accumulated other comprehensive income (loss). OTTI loss includes both the initial recognition of noncredit losses, and the effects of subsequent increases and decreases in estimated fair value for those fixed maturity securities that were previously noncredit loss impaired. The noncredit loss component of OTTI loss for foreign corporate securities was in an unrealized gain position of $1 million at September 30, 2010 due to increases in estimated fair value subsequent to initial recognition of noncredit losses on such securities. See also Net Unrealized Investment Gains (Losses).

(2) The Company has classified within the U.S. Treasury, agency and government guaranteed securities caption certain corporate fixed maturity securities issued by U.S. financial institutions that were guaranteed by the Federal Deposit Insurance Corporation (FDIC) pursuant to the FDIC s Temporary Liquidity Guarantee Program of $357 million and $407 million at estimated fair value with unrealized gains of $5 million and $2 million at September 30, 2010 and December 31, 2009, respectively.

(3)

Upon acquisition, the Company classifies perpetual securities that have attributes of both debt and equity as fixed maturity securities if the security has an interest rate step-up feature which, when combined with other qualitative factors, indicates that the security has more debt-like characteristics. The Company classifies perpetual securities with an interest rate step-up feature which, when combined with other qualitative factors, indicates that the security has more equity-like characteristics, as equity securities within non-redeemable preferred stock. Many of such securities have been issued by non-U.S. financial institutions that are accorded Tier 1 and Upper Tier 2

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

capital treatment by their respective regulatory bodies and are commonly referred to as perpetual hybrid securities. The following table presents the perpetual hybrid securities held by the Company at:

Consolidated Balance Sheets	Classification Sector Table	Primary Issuers	September 30, 2010 Estimated Fair Value	December 31, 2009 Estimated Fair Value
			(In millions)	
Equity securities	Non-redeemable preferred stock	Non-U.S. financial institutions	$ 1,030	$ 988
Equity securities	Non-redeemable preferred stock	U.S. financial institutions	$ 238	$ 349
Fixed maturity securities	Foreign corporate securities	Non-U.S. financial institutions	$ 2,427	$ 2,626
Fixed maturity securities	U.S. corporate securities	U.S. financial institutions	$ 95	$ 91

(4) Redeemable preferred stock with stated maturity dates are included in the U.S. corporate securities sector within fixed maturity securities. These securities, commonly referred to as capital securities, are primarily issued by U.S. financial institutions and have cumulative interest deferral features. The Company held $2.4 billion and $2.5 billion at estimated fair value of such securities at September 30, 2010 and December 31, 2009, respectively.

(5) Equity securities primarily consist of investments in common and preferred stocks, including certain perpetual hybrid securities and mutual fund interests. Privately-held equity securities were $1.2 billion and $1.0 billion at estimated fair value at September 30, 2010 and December 31, 2009, respectively.

The below investment grade and non-income producing amounts presented below are based on rating agency designations and equivalent designations of the National Association of Insurance Commissioners (NAIC), with the exception of non-agency RMBS held by the Company s domestic insurance subsidiaries. Non-agency RMBS, including RMBS backed by sub-prime mortgage loans reported within ABS, held by the Company s domestic insurance subsidiaries are presented based on final ratings from the revised NAIC rating methodology (i.e., NAIC 1 6) which became effective December 31, 2009 (which may not correspond to rating agency designations). All NAIC designation amounts and percentages presented herein are based on the revised NAIC methodology described above. All rating agency designation (i.e., Aaa/AAA) amounts and percentages presented herein are based on rating agency designations without adjustment for the revised NAIC methodology described above. Rating agency designations are based on availability of applicable ratings from rating agencies on the NAIC acceptable rating organization list, including Moody s Investors Service (Moody s), Standard & Poor s Ratings Services (S&P) and Fitch Ratings (Fitch

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

	September 30, 2010	December 31, 2009
	(In millions)	
Below investment grade or non-rated fixed maturity securities:		
Estimated fair value	$ 21,448	$ 20,201
Net unrealized loss	$ 539	$ 2,609
Non-income producing fixed maturity securities:		
Estimated fair value	$ 302	$ 312
Net unrealized loss	$	$ 31
Fixed maturity securities credit enhanced by financial guarantor insurers by sector at estimated fair value:		
State and political subdivision securities	$ 2,284	$ 2,154
U.S. corporate securities	1,901	1,750
ABS	822	803
Other	51	43
Total fixed maturity securities credit enhanced by financial guarantor insurers	$ 5,058	$ 4,750
Ratings of the financial guarantor insurers providing the credit enhancement:		
Portion rated Aa/AA	20%	18%
Portion rated A	2%	2%
Portion rated Baa/BBB	36%	36%

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

The Company was not exposed to any concentrations of credit risk of any single issuer greater than 10% of the Company s stockholders equity, other than the U.S. and Mexican government securities described below. The Company s holdings in U.S. Treasury, agency and government guaranteed fixed maturity securities at estimated fair value were $34.4 billion and $25.4 billion at September 30, 2010 and December 31, 2009, respectively. The Company s holdings in Mexican government and certain Mexican government agency fixed maturity securities at estimated fair value were $4.9 billion and $4.8 billion at September 30, 2010 and December 31, 2009, respectively.

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

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

	September 30, 2010		December 31, 2009	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(In millions)			
Corporate fixed maturity securities by industry type:				
Foreign (1)	$ 44,970	35.7%	$ 38,030	34.5%
Industrial	20,293	16.1	17,246	15.6
Consumer	20,113	16.0	16,924	15.4
Utility	17,044	13.5	14,785	13.4
Finance	13,452	10.7	13,756	12.5
Communications	6,730	5.3	6,580	6.0
Other	3,388	2.7	2,896	2.6
Total	$ 125,990	100.0%	$ 110,217	100.0%

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

	September 30, 2010		December 31, 2009	
	Estimated Fair Value	% of Total Investments	Estimated Fair Value	% of Total Investments
	(In millions)			
Concentrations within corporate fixed maturity securities:				
Largest exposure to a single issuer	$ 937	0.2%	$ 1,038	0.3%
Holdings in ten issuers with the largest exposures	$ 7,269	1.9%	$ 7,506	2.3%

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

	September 30, 2010	December 31, 2009
	Estimated	Estimated

	Fair Value	% of Total	Fair Value	% of Total
	(In millions)			
By security type:				
Collateralized mortgage obligations	$ 23,131	50.4%	$ 24,480	55.6%
Pass-through securities	22,769	49.6	19,540	44.4
Total RMBS	$ 45,900	100.0%	$ 44,020	100.0%
By risk profile:				
Agency	$ 35,139	76.6%	$ 33,334	75.7%
Prime	6,393	13.9	6,775	15.4
Alternative residential mortgage loans	4,368	9.5	3,911	8.9
Total RMBS	$ 45,900	100.0%	$ 44,020	100.0%
Portion rated Aaa/AAA	$ 36,982	80.6%	$ 35,626	80.9%
Portion rated NAIC 1	$ 40,394	88.0%	$ 38,464	87.4%

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Collateralized mortgage obligations are a type of mortgage-backed security structured by dividing the cash flows of mortgages into separate pools or tranches of risk that create multiple classes of bonds with varying maturities and priority of payments. Pass-through mortgage-backed securities are a type of asset-backed security that is secured by a mortgage or collection of mortgages. The monthly mortgage payments from homeowners pass from the originating bank through an intermediary, such as a government agency or investment bank, which collects the payments, and for a fee, remits or passes these payments through to the holders of the pass-through securities.

Prime residential mortgage lending includes the origination of residential mortgage loans to the most creditworthy borrowers with high quality credit profiles. Alternative residential mortgage loans (Alt-A) are a classification of mortgage loans where the risk profile of the borrower falls between prime and sub-prime. Sub-prime mortgage lending is the origination of residential mortgage loans to borrowers with weak credit profiles.

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

	September 30, 2010		December 31, 2009	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(In millions)			
Vintage Year:				
2004 & Prior	$ 100	2.3%	$ 109	2.8%
2005	1,569	35.9	1,395	35.7
2006	1,033	23.6	825	21.1
2007	930	21.3	814	20.8
2008	6	0.1		
2009	697	16.0	768	19.6
2010	33	0.8		
Total	$ 4,368	100.0%	$ 3,911	100.0%

	September 30, 2010		December 31, 2009	
	Amount	% of Total	Amount	% of Total
	(In millions)			
Net unrealized loss	$ 758		$ 1,248	
Rated Aa/AA or better		17.2%		26.3%
Rated NAIC 1		35.3%		31.3%

By collateral type:		
Fixed rate mortgage loans collateral	90.8%	89.3%
Hybrid adjustable rate mortgage loans collateral	9.2	10.7
Total Alt-A RMBS	100.0%	100.0%

Concentrations of Credit Risk (Fixed Maturity Securities) CMBS. The Company s holdings in CMBS were $15.5 billion and $15.6 billion at estimated fair value at September 30, 2010 and December 31, 2009, respectively. The Company had no exposure to CMBS index securities at September 30, 2010 and December 31, 2009. The Company held commercial real estate collateralized debt obligations securities of $123 million and $111 million at estimated fair value at September 30, 2010 and December 31, 2009, respectively.

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

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

	September 30, 2010											
	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	E
	(In millions)											
or	$ 6,989	$ 7,266	$ 241	$ 242	$ 133	$ 130	$ 60	$ 56	$ 28	$ 24	$ 7,451	$
	1,944	2,101	113	109	52	44	79	72	78	56	2,266	
	2,517	2,731	30	25	58	47	58	39			2,663	
	1,508	1,599	20	19	22	22	56	47	89	71	1,695	
	683	586	126	102	62	40	121	93	11	8	1,003	
	2	2									2	
	2	2									2	
	$ 13,645	$ 14,287	$ 530	$ 497	$ 327	$ 283	$ 374	$ 307	$ 206	$ 159	$ 15,082	$
tribution		92.0%		3.2%		1.8%		2.0%		1.0%		

The September 30, 2010 table reflects ratings assigned by nationally recognized rating agencies including Moody s, S&P, Fitch and Realpoint, LLC.

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

	5	5									5	
	$ 13,556	$ 13,354	$ 913	$ 790	$ 1,102	$ 856	$ 645	$ 434	$ 339	$ 188	$ 16,555	
ribution		85.4%		5.1%		5.5%		2.8%		1.2%		

The December 31, 2009 table reflects ratings assigned by nationally recognized rating agencies including Moody s, S&P and Fitch.

Concentrations of Credit Risk (Fixed Maturity Securities) ABS. The Company s holdings in ABS were $14.3 billion and $13.2 billion at estimated fair value at September 30, 2010 and December 31, 2009, respectively. The Company s ABS are diversified both by collateral type and by issuer.

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

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

	September 30, 2010		December 31, 2009	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(In millions)			
By collateral type:				
Credit card loans	$ 6,783	47.4%	$ 7,057	53.6%
Student loans	2,528	17.7	1,855	14.1
RMBS backed by sub-prime mortgage loans	1,082	7.6	1,044	7.9
Automobile loans	721	5.0	963	7.3
Other loans	3,192	22.3	2,243	17.1
Total	$ 14,306	100.0%	$ 13,162	100.0%
Portion rated Aaa/AAA	$ 10,570	73.9%	$ 9,354	71.1%
Portion rated NAIC 1	$ 12,883	90.1%	$ 11,573	87.9%
RMBS backed by sub-prime mortgage loans portion credit enhanced by financial guarantor insurers		39.0%		37.6%
Of the 39.0% and 37.6% credit enhanced, the financial guarantor insurers were rated as follows:				
By financial guarantor insurers rated Aa/AA		24.3%		17.2%
By financial guarantor insurers rated A		8.9%		7.9%

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

September 30, 2010

	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estim Fa Val
	(In millions)											
Prior	$ 44	$ 42	$ 61	$ 52	$ 14	$ 12	$ 6	$ 6	$ 90	$ 56	$ 215	$
	87	71	298	231	29	23	3	2	44	28	461	

	57	46	102	89	23	15	94	87	243	153	519	
			51	31	12	8			106	73	169	
			78	41					29	16	107	
o 2010												
	$ 188	$ 159	$ 590	$ 444	$ 78	$ 58	$ 103	$ 95	$ 512	$ 326	$ 1,471	$ 1,
s Distribution		14.7%		41.0%		5.4%		8.8%		30.1%		1(

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

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

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

	September 30, 2010	December 31, 2009
NAIC 1	73.9%	69.1%
NAIC 2	4.1%	4.2%
NAIC 3	11.6%	12.2%
NAIC 4	6.3%	6.2%
NAIC 5	3.5%	8.3%
NAIC 6	0.6%	%

Concentrations of Credit Risk (Equity Securities). The Company was not exposed to any concentrations of credit risk in its equity securities holdings of any single issuer greater than 10% of the Company s stockholders equity at September 30, 2010 and December 31, 2009.

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

September 30, 2010	December 31, 2009

	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
		(In millions)		
Due in one year or less	$ 8,883	$ 8,989	$ 6,845	$ 6,924
Due after one year through five years	42,267	44,153	38,408	39,399
Due after five years through ten years	46,925	51,756	40,448	41,568
Due after ten years	72,347	79,927	67,838	66,947
Subtotal	170,422	184,825	153,539	154,838
RMBS, CMBS and ABS	75,237	75,739	76,170	72,804
Total fixed maturity securities	$ 245,659	$ 260,564	$ 229,709	$ 227,642

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

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

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

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

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

With respect to equity securities, the Company considers in its OTTI analysis its intent and ability to hold a particular equity security for a period of time sufficient to allow for the recovery of its value to an amount equal to or greater than cost. Decisions to sell equity securities are based on current conditions in relation to the same broad portfolio management considerations in a manner consistent with that described above for fixed maturity securities.

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

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

Net Unrealized Investment Gains (Losses)

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

	September 30, 2010	December 31, 2009
	(In millions)	
Fixed maturity securities	$ 15,148	$ (1,208)
Fixed maturity securities with noncredit OTTI losses in other comprehensive income (loss)	(243)	(859)
Total fixed maturity securities	14,905	(2,067)
Equity securities	(71)	(103)
Derivatives	482	(144)
Other	48	71
Subtotal	15,364	(2,243)
Amounts allocated from:		
Insurance liability loss recognition	(2,910)	(118)
DAC and VOBA related to noncredit OTTI losses recognized in other comprehensive income (loss)	18	71
DAC and VOBA	(1,768)	145
Policyholder dividend obligation	(2,014)	
Subtotal	(6,674)	98
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in other comprehensive income (loss)	80	275
Deferred income tax benefit (expense)	(3,016)	539
Net unrealized investment gains (losses)	5,754	(1,331)
Net unrealized investment gains (losses) attributable to noncontrolling interests	2	1
Net unrealized investment gains (losses) attributable to MetLife, Inc.	$ 5,756	$ (1,330)

Fixed maturity securities with noncredit OTTI losses in accumulated other comprehensive income (loss), as presented above, of ($243) million at September 30, 2010, includes ($859) million recognized prior to January 1, 2010, ($24) million and ($181) million (($18) million and ($180) million, net of DAC) of noncredit losses recognized in the three months and nine months ended September 30, 2010, respectively, $16 million transferred to retained earnings in connection with the adoption of new guidance related to the consolidation of VIEs (see Note 1) for the nine months ended September 30, 2010, $46 million and $100 million related to securities sold during the three months and nine months ended September 30, 2010, respectively, for which a noncredit loss was previously recognized in accumulated other comprehensive income (loss) and $541 million and $681 million of subsequent increases in estimated fair value during the three months and nine months ended September 30, 2010, respectively, on such securities for which a noncredit loss was previously recognized in accumulated other comprehensive income (loss).

Fixed maturity securities with noncredit OTTI losses in accumulated other comprehensive income (loss), as presented above, of ($859) million at December 31, 2009, includes ($126) million related to the transition adjustment recorded in 2009 upon the adoption of new guidance on the recognition and presentation of OTTI, ($939) million (($857) million, net of DAC) of noncredit losses recognized in the year ended December 31, 2009 (as more fully described in Note 1 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report), $20 million related to securities sold during the year ended December 31, 2009 for which a noncredit loss

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MetLife, Inc.

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

was previously recognized in accumulated comprehensive income (loss) and $186 million of subsequent increases in estimated fair value during the year ended December 31, 2009 on such securities for which a noncredit loss was previously recognized in accumulated other comprehensive income (loss).

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

	Nine Months Ended September 30, 2010 (In millions)
Balance, beginning of period	$ (1,330)
Cumulative effect of change in accounting principles, net of income tax	52
Fixed maturity securities on which noncredit OTTI losses have been recognized	600
Unrealized investment gains (losses) during the period	16,927
Unrealized investment gains (losses) relating to:	
Insurance liability gain (loss) recognition	(2,792)
DAC and VOBA related to noncredit OTTI losses recognized in other comprehensive income (loss)	(53)
DAC and VOBA	(1,913)
Policyholder dividend obligation	(2,014)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in other comprehensive income (loss)	(190)
Deferred income tax benefit (expense)	(3,532)
Net unrealized investment gains (losses)	5,755
Net unrealized investment gains (losses) attributable to noncontrolling interests	1
Balance, end of period	$ 5,756
Change in net unrealized investment gains (losses)	$ 7,085
Change in net unrealized investment gains (losses) attributable to noncontrolling interests	1
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	$ 7,086

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

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

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MetLife, Inc.

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

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

	September 30, 2010					
	Less than 12 Months		Equal to or Greater than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
	(In millions, except number of securities)					
Fixed Maturity Securities:						
U.S. corporate securities	$ 2,718	$ 120	$ 9,855	$ 1,123	$ 12,573	$ 1,243
RMBS	1,939	54	7,440	1,349	9,379	1,403
Foreign corporate securities	1,611	73	4,483	480	6,094	553
U.S. Treasury, agency and government guaranteed securities	2,035	10	150	17	2,185	27
CMBS	399	5	1,497	338	1,896	343
Foreign government securities	181	3	220	17	401	20
ABS	1,851	44	3,365	791	5,216	835
State and political subdivision securities	288	5	1,083	163	1,371	168
Other fixed maturity securities			5	1	5	1
Total fixed maturity securities	$ 11,022	$ 314	$ 28,098	$ 4,279	$ 39,120	$ 4,593
Equity Securities:						
Common stock	46	9	8	1	54	10
Non-redeemable preferred stock	27	9	877	210	904	219
Total equity securities	$ 73	$ 18	$ 885	$ 211	$ 958	$ 229
Total number of securities in an unrealized loss position	2,101		1,937			

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

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

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

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

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

	September 30, 2010					
	Cost or Amortized Cost		Gross Unrealized Loss		Number of Securities	
	Less than 20%	20% or more	Less than 20%	20% or more	Less than 20%	20% or more
	(In millions, except number of securities)					
Fixed Maturity Securities:						
Less than six months	$ 9,447	$ 1,137	$ 134	$ 285	1,431	159
Six months or greater but less than nine months	767	145	39	43	91	18
Nine months or greater but less than twelve months	796	228	47	77	101	20
Twelve months or greater	24,627	6,566	1,817	2,151	1,448	383
Total	$ 35,637	$ 8,076	$ 2,037	$ 2,556		
Percentage of amortized cost			6%	32%		
Equity Securities:						
Less than six months	$ 56	$ 84	$ 7	$ 25	330	90
Six months or greater but less than nine months	8	47	1	17	61	3
Nine months or greater but less than twelve months	11	1	2		20	
Twelve months or greater	629	351	57	120	42	19
Total	$ 704	$ 483	$ 67	$ 162		
Percentage of cost			10%	34%		

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

Equity securities with a gross unrealized loss of 20% or more for twelve months or greater decreased from $138 million at December 31, 2009 to $120 million at September 30, 2010. As shown in the section Evaluating Temporarily Impaired Available-for-Sale Securities below, the $120 million of equity securities with a gross unrealized loss of 20% or more for twelve months or greater at September 30, 2010 were investment grade non-redeemable preferred stock, of which $116 million were financial services industry investment grade non-redeemable preferred stock, of which 78% were rated A or better.

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

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

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

$4.8 billion and $10.8 billion at September 30, 2010 and December 31, 2009, respectively, were concentrated, calculated as a percentage of gross unrealized loss and OTTI loss, by sector and industry as follows:

	September 30, 2010	December 31, 2009
Sector:		
RMBS	29%	24%
U.S. corporate securities	26	25
ABS	17	12
Foreign corporate securities	11	11
CMBS	7	10
State and political subdivision securities	4	4
U.S. Treasury, agency and government guaranteed securities	1	9
Other	5	5
Total	100%	100%
Industry:		
Mortgage-backed	36%	34%
Finance	24	22
Asset-backed	17	12
Consumer	5	4
State and political subdivision securities	4	4
Utility	3	4
Communications	2	2
Industrial	2	1
U.S. Treasury, agency and government guaranteed securities	1	9
Other	6	8
Total	100%	100%

Evaluating Temporarily Impaired Available-for-Sale Securities

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

	September 30, 2010		December 31, 2009	
	Fixed Maturity	Equity	Fixed Maturity	Equity

	Securities	Securities	Securities	Securities
	(In millions, except number of securities)			
Number of securities	97	7	223	9
Total gross unrealized loss	$ 1,715	$ 112	$ 4,465	$ 132
Percentage of total gross unrealized loss	37%	49%	43%	48%

Fixed maturity and equity securities, each with a gross unrealized loss greater than $10 million, decreased $2.8 billion during the nine months ended September 30, 2010. The cause of the decline in, or improvement in, gross unrealized losses for the nine months ended September 30, 2010, was primarily attributable to a decrease in interest rates. These securities were included in the Company s OTTI review process. Based upon the Company s current evaluation of these securities and other available-for-sale securities in an unrealized loss position in accordance with its impairment policy, and the Company s current intentions and assessments (as applicable to the

MetLife, Inc.

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

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

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

The following table presents certain information about the Company s equity securities available-for-sale with a gross unrealized loss of 20% or more at September 30, 2010:

	All Equity Securities	Non-Redeemable Preferred Stock: All Types of Non-Redeemable Preferred Stock		Non-Redeemable Preferred Stock: Investment Grade: All Industries		Non-Redeemable Preferred Stock: Investment Grade: Financial Services Industry		
	Gross Unrealized Loss	Gross Unrealized Loss	% of All Equity Securities	Gross Unrealized Loss	% of All Non-Redeemable Preferred Stock	Gross Unrealized Loss	% of All Industries	% A Rated or Better
	(In millions)							
Less than six months	$ 25	$ 20	80%	$ 20	100%	$ 20	100%	10%
Six months or greater but less than twelve months	17	17	100%	17	100%	17	100%	94%
Twelve months or greater	120	120	100%	120	100%	116	97%	78%
All equity securities with a gross unrealized loss of 20% or more	$ 162	$ 157	97%	$ 157	100%	$ 153	97%	71%

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

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

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

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

Net Investment Gains (Losses)

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In millions)			
Total losses on fixed maturity securities:				
Total OTTI losses recognized	$ (143)	$ (650)	$ (538)	$ (1,769)
Less: Noncredit portion of OTTI losses transferred to and recognized in other comprehensive income (loss)	24	245	181	479
Net OTTI losses on fixed maturity securities recognized in earnings	(119)	(405)	(357)	(1,290)
Fixed maturity securities net gains (losses) on sales and disposals	54	(50)	99	(152)
Total losses on fixed maturity securities	(65)	(455)	(258)	(1,442)
Other net investment gains (losses):				
Equity securities	(1)	(53)	100	(430)
Mortgage loans	37	(129)	20	(400)
Real estate and real estate joint ventures	(1)	(70)	(50)	(163)
Other limited partnership interests	(4)	(12)	(15)	(356)
Other investment portfolio gains (losses)	(67)	(26)	9	(36)
Subtotal investment portfolio gains (losses)	(101)	(745)	(194)	(2,827)
Consolidated securitization entities:				
Trading securities fair value option	(26)		(47)	
Commercial mortgage loans fair value option	114		767	
Long-term debt related to trading securities fair value option	37		48	
Long-term debt related to commercial mortgage loans fair value option	(109)		(744)	
Other gains (losses) (1)	(257)	13	(154)	37

Subtotal consolidated securitization entities and other gains (losses)	(241)	13	(130)	37
Total net investment gains (losses)	$ (342)	$ (732)	$ (324)	$ (2,790)

(1) Other gains (losses) for the three months and nine months ended September 30, 2010 includes a loss of $217 million related to recording the Company s investment in MSI MetLife at its estimated recoverable amount (see Note 2).

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

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

	Three Months Ended September 30,					
	2010	2009	2010	2009	2010	2009
	Fixed Maturity Securities		Equity Securities		Total	
	(In millions)					
Proceeds	$ 10,747	$ 11,041	$ 102	$ 334	$ 10,849	$ 11,375
Gross investment gains	190	228	7	41	197	269
Gross investment losses	(136)	(278)	(7)	(58)	(143)	(336)
Total OTTI losses recognized in earnings:						
Credit-related	(107)	(223)			(107)	(223)
Other (1)	(12)	(182)	(1)	(36)	(13)	(218)
Total OTTI losses recognized in earnings	(119)	(405)	(1)	(36)	(120)	(441)
Net investment gains (losses)	$ (65)	$ (455)	$ (1)	$ (53)	$ (66)	$ (508)

	Nine Months Ended September 30,					
	2010	2009	2010	2009	2010	2009
	Fixed Maturity Securities		Equity Securities		Total	
	(In millions)					
Proceeds	$ 32,625	$ 30,392	$ 547	$ 587	$ 33,172	$ 30,979
Gross investment gains	569	773	114	61	683	834
Gross investment losses	(470)	(925)	(11)	(125)	(481)	(1,050)
Total OTTI losses recognized in earnings:						
Credit-related	(339)	(966)			(339)	(966)

Other (1)		(18)		(324)		(3)		(366)		(21)		(690)
Total OTTI losses recognized in earnings		(357)		(1,290)		(3)		(366)		(360)		(1,656)
Net investment gains (losses)	$	(258)	$	(1,442)	$	100	$	(430)	$	(158)	$	(1,872)

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

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

Fixed maturity security OTTI losses recognized in earnings related to the following sectors and industries within the U.S. and foreign corporate securities sector:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In millions)			
Sector:				
U.S. and foreign corporate securities by industry:				
Finance	$ 54	$ 241	$ 82	$ 429
Consumer	8	42	31	206
Communications	9	29	12	232
Utility		8	3	84
Industrial		7		27
Other industries				26
Total U.S. and foreign corporate securities	71	327	128	1,004
ABS	26	17	89	111
RMBS	19	40	76	118
CMBS	3	20	64	56
Foreign government securities		1		1
Total	$ 119	$ 405	$ 357	$ 1,290

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In millions)			
Sector:				
Common stock	$ 1	$ 2	$ 3	$ 52
Non-redeemable preferred stock		34		314
Total	$ 1	$ 36	$ 3	$ 366

Industry:				
Financial services industry:				
Perpetual hybrid securities	$	$ 34	$	$ 294
Common and remaining non-redeemable preferred stock				30
Total financial services industry		34		324
Other industries	1	2	3	42
Total	$ 1	$ 36	$ 3	$ 366

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MetLife, Inc.

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

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

The table below presents a rollforward of the cumulative credit loss component of OTTI loss recognized in earnings on fixed maturity securities still held by the Company at September 30, 2010 for which a portion of the OTTI loss was recognized in other comprehensive income (loss):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In millions)			
Balance, beginning of period	$ 491	$ 380	$ 581	$
Credit loss component of OTTI loss not reclassified to other comprehensive income (loss) in the cumulative effect transition adjustment				230
Additions:				
Initial impairments credit loss OTTI recognized on securities not previously impaired	13	53	94	205
Additional impairments credit loss OTTI recognized on securities previously impaired	34	50	104	55
Reductions:				
Due to sales (maturities, pay downs or prepayments) during the period of securities previously credit loss OTTI impaired	(97)	(15)	(231)	(22)
Due to securities de-recognized in connection with the adoption of new guidance related to the consolidation of VIEs			(100)	
Due to increases in cash flows accretion of previous credit loss OTTI	(2)		(9)	
Balance, end of period	$ 439	$ 468	$ 439	$ 468

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

Net Investment Income

The components of net investment income were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In millions)			
Fixed maturity securities	$ 3,081	$ 2,955	$ 9,187	$ 8,709
Equity securities	19	37	83	130
Trading securities	194	163	217	310
Trading securities held by consolidated securitization entities	4		12	
Mortgage loans	713	677	2,082	2,055
Commercial mortgage loans held by consolidated securitization entities	102		312	
Policy loans	157	163	494	481
Real estate and real estate joint ventures	141	(25)	330	(184)
Other limited partnership interests	170	128	596	(53)
Cash, cash equivalents and short-term investments	26	27	64	109
International joint ventures (1)	19	(16)	(61)	(86)
Other	(7)	37	181	156
Total investment income	4,619	4,146	13,497	11,627
Less: Investment expenses	228	223	675	713
Net investment income	$ 4,391	$ 3,923	$ 12,822	$ 10,914

(1) Amounts are presented net of changes in estimated fair value of derivatives related to economic hedges of the Company s investment in these equity method international joint venture investments that do not qualify for hedge accounting of ($12) million and $65 million for the three months and nine months ended September 30, 2010, respectively, and $1 million and ($115) million for the three months and nine months ended September 30, 2009, respectively.

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

Securities Lending

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

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MetLife, Inc.

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

Elements of the securities lending programs are presented below at:

	September 30, 2010	December 31, 2009
	(In millions)	
Securities on loan:		
Cost or amortized cost	$ 23,155	$ 21,012
Estimated fair value	$ 25,069	$ 20,949
Aging of cash collateral liability:		
Open (1)	$ 3,118	$ 3,290
Less than thirty days	13,704	13,605
Thirty days or greater but less than sixty days	4,476	3,534
Sixty days or greater but less than ninety days	1,337	92
Ninety days or greater	2,634	995
Total cash collateral liability	$ 25,269	$ 21,516
Security collateral on deposit from counterparties	$ 373	$ 6
Reinvestment portfolio estimated fair value	$ 24,738	$ 20,339

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

The estimated fair value of the securities on loan related to the cash collateral on open at September 30, 2010 was $3,039 million, of which $2,497 million were U.S. Treasury, agency and government guaranteed securities which, if put to the Company, can be immediately sold to satisfy the cash requirements. The remainder of the securities on loan was primarily U.S. Treasury, agency and government guaranteed securities, and very liquid RMBS. The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities (including RMBS, U.S. corporate, U.S. Treasury, agency and government guaranteed, ABS, foreign corporate and CMBS securities).

Security collateral on deposit from counterparties in connection with the securities lending transactions may not be sold or repledged, unless the counterparty is in default, and is not reflected in the consolidated financial statements. Separately, the Company had $51 million and $46 million, at estimated fair value, of cash and security collateral on deposit from a counterparty to secure its interest in a pooled investment that is held by a third party trustee, as custodian, at September 30, 2010 and December 31, 2009, respectively. This pooled investment is included within fixed maturity securities and had an estimated fair value of $60 million and $51 million at September 30, 2010 and December 31, 2009, respectively.

MetLife, Inc.

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

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

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

	September 30, 2010	December 31, 2009
	(In millions)	
Invested assets on deposit:		
Regulatory agencies (1)	$ 1,334	$ 1,383
Invested assets held in trust:		
Collateral financing arrangements (2)	5,288	5,653
Reinsurance arrangements (3)	3,360	2,719
Invested assets pledged as collateral:		
Funding agreements and advances FHLB of NY (4)	22,402	20,612
Funding agreements FHLB of Boston (4)	415	419
Funding agreements Farmer Mac (5)	3,160	2,871
Federal Reserve Bank of New York (6)	2,019	1,537
Collateral financing arrangements (7)	130	80
Derivative transactions (8)	1,266	1,671
Short sale agreements (9)	572	496
Total invested assets on deposit, held in trust and pledged as collateral	$ 39,946	$ 37,441

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

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

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

(4) The Company has pledged fixed maturity securities and mortgage loans in support of its funding agreements with, and advances from, the Federal Home Loan Bank of New York (FHLB of NY) and has pledged fixed maturity securities in support of its funding agreements with the Federal Home Loan Bank of Boston (FHLB of Boston). The nature of these Federal Home Loan Bank arrangements is described in Note 7 herein and Note 8 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report.

(5) The Company has pledged certain agricultural real estate mortgage loans in connection with funding agreements issued to certain special purpose entities that have issued securities guaranteed by the Federal Agricultural Mortgage Corporation (Farmer Mac). The nature of these Farmer Mac arrangements is described in Note 8 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report.

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

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

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

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

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

See also Securities Lending for the amount of the Company s cash received from and due back to counterparties pursuant to the securities lending program. See Variable Interest Entities for assets of certain consolidated securitization entities that can only be used to settle liabilities of such entities.

Trading Securities

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

The tables below present certain information about the Company s trading securities portfolios:

	September 30, 2010	December 31, 2009
	(In millions)	
Trading securities at estimated fair value	$ 3,756	$ 2,384
Securities held by consolidated securitization entities at estimated fair value	231	
Total trading securities at estimated fair value	$ 3,987	$ 2,384
Short sale agreement liabilities at estimated fair value (included in other liabilities)	$ 38	$ 106
Investments pledged to secure short sale agreement liabilities	$ 572	$ 496

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In millions)			
Trading securities:				
Net investment income (1)	$ 194	$ 163	$ 217	$ 310

Changes in estimated fair value included in net investment income	$ 153	$ 101	$ 127	$ 242
Securities held by consolidated securitization entities:				
Net investment income (2)	$ 4	$	$ 12	$
Changes in estimated fair value included in net investment gains (losses) (3)	$ (26)	$	$ (47)	$

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

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

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

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

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

Mortgage Loans

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

	September 30, 2010 Carrying Value	September 30, 2010 % of Total	December 31, 2009 Carrying Value	December 31, 2009 % of Total
	(In millions)			
Mortgage loans held-for-investment, net:				
Commercial mortgage loans	$ 35,517	59.3%	$ 34,587	67.9%
Agricultural mortgage loans	12,522	20.9	12,140	23.8
Residential and consumer loans	1,966	3.3	1,454	2.9
Subtotal mortgage loans held-for-investment, net	50,005	83.5%	48,181	94.6%
Commercial mortgage loans held by consolidated securitization entities fair value option	7,093	11.8		
Total mortgage loans held-for-investment, net	57,098	95.3%	48,181	94.6%
Mortgage loans held-for-sale:				
Residential fair value option	2,141	3.5	2,470	4.9
Agricultural and residential lower of amortized cost or estimated fair value	699	1.2	258	0.5
Total mortgage loans held-for-sale	2,840	4.7	2,728	5.4
Total mortgage loans, net	$ 59,938	100.0%	$ 50,909	100.0%

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

The (provision) release for credit losses on mortgage loans (charged) credited to net investment gains (losses) was $23 million and ($11) million for the three months and nine months ended September 30, 2010, respectively, and ($141) million and ($416) million for the three months and nine months ended September 30, 2009, respectively.

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MetLife, Inc.

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

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

	September 30, 2010		December 31, 2009	
	Carrying Value	% of Total	Carrying Value	% of Total
	(In millions)			
Region:				
Pacific	$ 8,520	24.0%	$ 8,684	25.1%
South Atlantic	7,637	21.5	7,342	21.2
Middle Atlantic	6,302	17.7	5,948	17.2
International	3,546	10.0	3,564	10.3
East North Central	2,966	8.4	2,487	7.2
West South Central	2,925	8.2	2,870	8.3
New England	1,400	3.9	1,414	4.1
Mountain	892	2.5	944	2.7
West North Central	627	1.8	641	1.9
East South Central	452	1.3	443	1.3
Other	250	0.7	250	0.7
Total	$ 35,517	100.0%	$ 34,587	100.0%
Property Type:				
Office	$ 15,728	44.2%	$ 14,986	43.3%
Retail	8,154	23.0	7,870	22.8
Apartments	3,695	10.4	3,696	10.7
Hotel	3,006	8.5	2,947	8.5
Industrial	2,862	8.1	2,759	8.0
Other	2,072	5.8	2,329	6.7
Total	$ 35,517	100.0%	$ 34,587	100.0%

MetLife, Inc.

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

Mortgage Servicing Rights

The following table presents the carrying value and changes in capitalized mortgage servicing rights (MSRs), which are included in other invested assets:

	At or For the Three Months Ended September 30, 2010	At or For the Three Months Ended September 30, 2009	At or For the Nine Months Ended September 30, 2010	At or For the Nine Months Ended September 30, 2009
	(In millions)			
Estimated fair value, beginning of period	$ 660	$ 670	$ 878	$ 191
Acquisition of MSRs	124		124	117
Origination of MSRs	45	138	151	427
Reductions due to loan payments	(31)	(24)	(74)	(85)
Reductions due to loan sales			(43)	
Changes in estimated fair value due to:				
Changes in valuation model inputs or assumptions	(91)	(64)	(329)	70
Other changes in estimated fair value				
Estimated fair value, end of period	$ 707	$ 720	$ 707	$ 720

The Company recognizes the rights to service residential mortgage loans as MSRs. MSRs are either acquired or are generated from the sale of originated residential mortgage loans where the servicing rights are retained by the Company. MSRs are carried at estimated fair value and changes in estimated fair value, primarily due to changes in valuation inputs and assumptions and to the collection of expected cash flows, are reported in other revenues in the period in which the change occurs. Valuation inputs and assumptions include generally observable inputs such as type and age of loan, loan interest rates, current market interest rates and certain unobservable inputs, including assumptions regarding estimates of discount rates, loan prepayments and servicing costs, all of which are sensitive to changing market conditions. See Note 5 for further information about how the estimated fair value of MSRs is determined and other related information.

Short-term Investments

The carrying value of short-term investments, which includes investments with remaining maturities of one year or less, but greater than three months, at the time of acquisition was $11.6 billion and $8.4 billion at September 30, 2010 and December 31, 2009, respectively. The Company is exposed to concentrations of credit risk related to securities of the U.S. government and certain U.S. government agencies included within short-term investments, which were $10.6 billion and $7.5 billion at September 30, 2010 and December 31, 2009, respectively.

Cash Equivalents

The carrying value of cash equivalents, which includes investments with an original or remaining maturity of three months or less, at the time of acquisition was $12.2 billion and $8.4 billion at September 30, 2010 and December 31, 2009, respectively. The Company is exposed to concentrations of credit risk related to securities of the U.S. government and certain U.S. government agencies included within cash equivalents, which were $8.5 billion and $6.0 billion at September 30, 2010 and December 31, 2009, respectively.

Variable Interest Entities

The Company holds investments in certain entities that are VIEs. In certain instances, the Company holds both the power to direct the most significant activities of the entity, as well as an economic interest in the entity and, as such, consistent with the new guidance described in Note 1, is deemed to be the primary beneficiary or consolidator of the entity. The following table presents the total assets and total liabilities relating to VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated in the Company s financial statements at September 30, 2010 and December 31, 2009. Creditors or beneficial interest holders of VIEs where

MetLife, Inc.

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

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.

	September 30, 2010 Total Assets	September 30, 2010 Total Liabilities	December 31, 2009 Total Assets	December 31, 2009 Total Liabilities
	(In millions)			
Consolidated securitization entities (1)	$ 7,408	$ 7,157	$	$
MRSC collateral financing arrangement (2)	3,291		3,230	
Other limited partnership interests	203	56	367	72
Other invested assets	108	1	27	1
Real estate joint ventures	20	16	22	17
Total	$ 11,030	$ 7,230	$ 3,646	$ 90

(1) As discussed in Note 1, upon the adoption of new guidance effective January 1, 2010, the Company consolidated former QSPEs that are structured as CMBS and former QSPEs that are structured as collateralized debt obligations. At September 30, 2010, these entities held total assets of $7,408 million consisting of $231 million of securities classified by the Company as trading securities, $7,093 million of commercial mortgage loans, $37 million of accrued investment income and $47 million of cash. These entities had total liabilities of $7,157 million, consisting of $7,075 million of long-term debt and $82 million of other liabilities. The assets of these entities can only be used to settle their respective liabilities, and under no circumstances is the Company or any of its subsidiaries or affiliates liable for any principal or interest shortfalls should any arise. The Company s exposure is limited to that of its remaining investment in the former QSPEs of $202 million at estimated fair value at September 30, 2010. The long-term debt referred to above bears interest at primarily fixed rates ranging from 2.25% to 5.57%, payable primarily on a monthly basis and is expected to be repaid over the next 7 years. Interest expense related to these obligations, included in other expenses, was $103 million and $312 million for the three months and nine months ended September 30, 2010, respectively.

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

	September 30, 2010	December 31, 2009
	(In millions)	
Fixed maturity securities available-for-sale:		
ABS	$ 1,228	$ 963

U.S. corporate securities		937		1,049
RMBS		576		672
CMBS		378		348
Foreign corporate securities		129		80
U.S. Treasury, agency and government guaranteed securities				33
State and political subdivision securities		30		21
Foreign government securities		5		5
Cash and cash equivalents (including cash held in trust of $0 and less than $1 million, respectively)		8		59
Total	$	3,291	$	3,230

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

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

	September 30, 2010		December 31, 2009	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
	(In millions)			
Fixed maturity securities available-for-sale:				
RMBS (2)	$ 45,900	$ 45,900	$	$
CMBS (2)	15,533	15,533		
ABS (2)	14,306	14,306		
U.S. corporate securities	2,487	2,487	1,216	1,216
Foreign corporate securities	2,250	2,250	1,254	1,254
Other limited partnership interests	3,947	5,859	2,543	2,887
Other invested assets	498	576	416	409
Real estate joint ventures	16	62	30	30
Equity securities available-for-sale:				
Non-redeemable preferred stock			31	31
Total	$ 84,937	$ 86,973	$ 5,490	$ 5,827

(1) The maximum exposure to loss relating to the fixed maturity and equity securities available-for-sale is equal to the carrying amounts or carrying amounts of retained interests. The maximum exposure to loss relating to the other limited partnership interests and real estate joint ventures is equal to the carrying amounts plus any unfunded commitments. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or investee. For certain of its investments in other invested assets, the Company s return is in the form of tax credits which are guaranteed by a creditworthy third party. For such investments, the maximum exposure to loss is equal to the carrying amounts plus any unfunded commitments, reduced by amounts guaranteed by third parties of $239 million and $232 million at September 30, 2010 and December 31, 2009, respectively.

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

As described in Note 8, the Company makes commitments to fund partnership investments in the normal course of business. Excluding these commitments, the Company did not provide financial or other support to investees designated as VIEs during the nine months ended September 30, 2010.

4. Derivative Financial Instruments

Accounting for Derivative Financial Instruments

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

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

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

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

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

To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge as either (i) a hedge of the estimated fair value of a recognized asset or liability (fair value hedge); (ii) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge); or (iii) a hedge of a net investment in a foreign operation. In this documentation, the Company sets forth how the hedging instrument is expected to hedge the designated risks related to the hedged item and sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument s effectiveness and the method which will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and periodically throughout the life of the designated hedging relationship. Assessments of hedge effectiveness and measurements of ineffectiveness are also subject to interpretation and estimation and different interpretations or estimates may have a material effect on the amount reported in net income.

The accounting for derivatives is complex and interpretations of the primary accounting guidance continue to evolve in practice. Judgment is applied in determining the availability and application of hedge accounting designations and the appropriate accounting treatment under such accounting guidance. If it was determined that hedge accounting designations were not appropriately applied, reported net income could be materially affected. Differences in judgment as to the availability and application of hedge accounting designations and the appropriate accounting treatment may result in a differing impact in the consolidated financial statements of the Company from that previously reported.

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

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

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

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

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

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

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

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

The Company is also a party to financial instruments that contain terms which are deemed to be embedded derivatives. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated. If the instrument would not be accounted for in its entirety at estimated fair value and it is determined that the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract, and that a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative. Such embedded derivatives are carried in the consolidated balance sheets at estimated fair value with the host contract and changes in their estimated fair value are generally reported in net derivatives gains (losses) except for those in policyholder benefits and claims related to ceded reinsurance of guaranteed minimum income benefits (GMIBs). If the Company is unable to properly identify and measure an embedded derivative for separation from its host

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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. There is a risk that embedded derivatives requiring bifurcation may not be identified and reported at estimated fair value in the consolidated financial statements and that their related changes in estimated fair value could materially affect reported net income.

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

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

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

		September 30, 2010			December 31, 2009		
			Estimated Fair Value (1)			Estimated Fair Value (1)	
Primary Underlying Risk Exposure	**Instrument Type**	**Notional Amount**	**Assets**	**Liabilities**	**Notional Amount**	**Assets**	**Liabilities**
				(In millions)			
Interest rate	Interest rate swaps	$ 46,625	$ 4,487	$ 1,234	$ 38,152	$ 1,570	$ 1,255
	Interest rate floors	23,941	1,036	116	23,691	461	37
	Interest rate caps	34,112	95	1	28,409	283	
	Interest rate futures	8,026	22	2	7,563	8	10
	Interest rate options	2,342	100	26	4,050	117	57
	Interest rate forwards	12,666	92	37	9,921	66	27
	Synthetic GICs	4,367			4,352		
Foreign currency	Foreign currency swaps	17,834	1,673	1,228	16,879	1,514	1,392
	Foreign currency forwards	7,320	81	155	6,485	83	57
	Currency options	364	29	2	822	18	
	Non-derivative hedging instruments (2)	169		180			
Credit		10,254	148	108	6,723	74	130

	Credit default swaps						
	Credit forwards	155	15		220	2	6
Equity market	Equity futures	7,830	37	13	7,405	44	21
	Equity options	32,575	2,375	654	27,175	1,712	1,018
	Variance swaps	17,496	365	61	13,654	181	58
	Total rate of return swaps	1,349		40	376		47
	Total	$ 227,425	$ 10,555	$ 3,857	$ 195,877	$ 6,133	$ 4,115

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

(2) The estimated fair value of non-derivative hedging instruments represents the amortized cost of the instruments, as adjusted for foreign currency transaction gains or losses. Non-derivative hedging instruments are reported within policyholder account balances in the consolidated balance sheets.

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

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

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

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

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

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

Swaptions are used by the Company to hedge interest rate risk associated with the Company s long-term liabilities 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. Swaptions are included in interest rate options in the preceding table. The Company utilizes swaptions in non-qualifying hedging relationships.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Hedging

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

	September 30, 2010			December 31, 2009		
		Estimated Fair Value			Estimated Fair Value	
Derivatives Designated as Hedging Instruments	**Notional Amount**	**Assets**	**Liabilities**	**Notional Amount**	**Assets**	**Liabilities**
	(In millions)					
Fair Value Hedges:						
Foreign currency swaps	$ 4,602	$ 920	$ 126	$ 4,807	$ 854	$ 132
Interest rate swaps	5,107	1,274	120	4,824	500	75
Subtotal	9,709	2,194	246	9,631	1,354	207
Cash Flow Hedges:						
Foreign currency swaps	5,511	237	310	4,108	127	347
Interest rate swaps	4,155	451	39	1,740		48
Interest rate forwards	1,065	21	8			
Credit forwards	155	15		220	2	6
Subtotal	10,886	724	357	6,068	129	401
Foreign Operations Hedges:						
Foreign currency forwards	2,266	1	69	1,880	27	13
Non-derivative hedging instruments	169		180			
Subtotal	2,435	1	249	1,880	27	13
Total Qualifying Hedges	$ 23,030	$ 2,919	$ 852	$ 17,579	$ 1,510	$ 621

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

	September 30, 2010			December 31, 2009		
		Estimated Fair Value			Estimated Fair Value	
Derivatives Not Designated or Not Qualifying as Hedging Instruments	**Notional Amount**	**Assets**	**Liabilities**	**Notional Amount**	**Assets**	**Liabilities**
	(In millions)					

Interest rate swaps	$ 37,363	$ 2,762	$ 1,075	$ 31,588	$ 1,070	$ 1,132
Interest rate floors	23,941	1,036	116	23,691	461	37
Interest rate caps	34,112	95	1	28,409	283	
Interest rate futures	8,026	22	2	7,563	8	10
Interest rate options	2,342	100	26	4,050	117	57
Interest rate forwards	11,601	71	29	9,921	66	27
Synthetic GICs	4,367			4,352		
Foreign currency swaps	7,721	516	792	7,964	533	913
Foreign currency forwards	5,054	80	86	4,605	56	44
Currency options	364	29	2	822	18	
Credit default swaps	10,254	148	108	6,723	74	130
Equity futures	7,830	37	13	7,405	44	21
Equity options	32,575	2,375	654	27,175	1,712	1,018
Variance swaps	17,496	365	61	13,654	181	58
Total rate of return swaps	1,349		40	376		47
Total non-designated or non-qualifying derivatives	$ 204,395	$ 7,636	$ 3,005	$ 178,298	$ 4,623	$ 3,494

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Net Derivatives Gains (Losses)

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

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
	(In millions)			
Derivatives and hedging gains (losses) (1)	$ (327)	$ (821)	$ 2,872	$ (5,508)
Embedded derivatives	83	(586)	(1,594)	1,424
Total net derivatives gains (losses)	$ (244)	$ (1,407)	$ 1,278	$ (4,084)

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

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

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
	(In millions)			
Qualifying hedges:				
Net investment income	$ 17	$ 11	$ 58	$ 38
Interest credited to policyholder account balances	64	58	177	155
Other expenses	(1)	(1)	(5)	(2)
Non-qualifying hedges:				
Net investment income	(1)	(1)	(3)	(2)
Net derivatives gains (losses)	(30)	(1)	143	62
Other revenues	25	25	81	47
Total	$ 74	$ 91	$ 451	$ 298

Fair Value Hedges

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

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The Company recognizes gains and losses on derivatives and the related hedged items in fair value hedges within net derivatives gains (losses). The following table represents the amount of such net derivatives gains (losses) recognized for the three months and nine months ended September 30, 2010 and 2009:

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Net Derivatives Gains (Losses) Recognized for Derivatives	Net Derivatives Gains (Losses) Recognized for Hedged Items	Ineffectiveness Recognized in Net Derivatives Gains (Losses)
			(In millions)	
For the Three Months Ended September 30, 2010:				
Interest rate swaps:	Fixed maturity securities	$ (13)	$ 13	$
	Policyholder account balances (1)	212	(221)	(9)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(5)	5	
	Foreign-denominated policyholder account balances (2)	415	(395)	20
Total		$ 609	$ (598)	$ 11
For the Three Months Ended September 30, 2009:				
Interest rate swaps:	Fixed maturity securities	$ (13)	$ 12	$ (1)
	Policyholder account balances (1)	144	(142)	2
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(3)	2	(1)
	Foreign-denominated policyholder account balances (2)	190	(181)	9
Total		$ 318	$ (309)	$ 9
For the Nine Months Ended September 30, 2010:				
Interest rate swaps:	Fixed maturity securities	$ (38)	$ 38	$
	Policyholder account balances (1)	678	(675)	3
Foreign currency swaps:	Foreign-denominated fixed maturity securities	11	(12)	(1)
		47	(51)	(4)

	Foreign-denominated policyholder account balances (2)						
Total		$	698	$	(700)	$	(2)
For the Nine Months Ended September 30, 2009:							
Interest rate swaps:	Fixed maturity securities	$	34	$	(29)	$	5
	Policyholder account balances (1)		(668)		659		(9)
Foreign currency swaps:	Foreign-denominated fixed maturity securities		(16)		13		(3)
	Foreign-denominated policyholder account balances (2)		510		(489)		21
Total		$	(140)	$	154	$	14

(1) Fixed rate liabilities

(2) Fixed rate or floating rate liabilities

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

Cash Flow Hedges

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

For the three months and nine months ended September 30, 2010, the Company recognized ($2) million and $3 million, respectively, of net derivatives gains (losses) which represented the ineffective portion of all cash flow hedges. For the three months and nine months ended September 30, 2009, the Company recognized insignificant net derivatives losses which represented the ineffective portion of all cash flow hedges. All components of each

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derivative s gain or loss were included in the assessment of hedge effectiveness. In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions did not occur on the anticipated date or within two months of that date. The net amounts reclassified into net derivatives gains (losses) for the three months and nine months ended September 30, 2010 related to such discontinued cash flow hedges were insignificant. The net amounts reclassified into net derivatives gains (losses) for the three months and nine months ended September 30, 2009 related to such discontinued cash flow hedges were gains (losses) of ($8) million and ($7) million, respectively. At September 30, 2010 and December 31, 2009, 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 eight years and five years, respectively.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In millions)			
Other comprehensive income (loss), balance at beginning of period	$ 593	$ 13	$ (76)	$ 82
Gains (losses) deferred in other comprehensive income (loss) on the effective portion of cash flow hedges	(40)	12	577	(93)
Amounts reclassified to net derivatives gains (losses)	(1)	70	50	103
Amounts reclassified to net investment income	1	4	3	10
Amounts reclassified to other expenses			(1)	(1)
Amortization of transition adjustment				(2)
Other comprehensive income (loss), balance at end of period	$ 553	$ 99	$ 553	$ 99

At September 30, 2010, $3 million of deferred net losses on derivatives in accumulated other comprehensive income (loss) was expected to be reclassified to earnings within the next 12 months.

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The following tables present the effects of derivatives in cash flow hedging relationships on the interim condensed consolidated statements of operations and the interim condensed consolidated statements of stockholders equity for the three months and nine months ended September 30, 2010 and 2009:

Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Income (Loss) on Derivatives (Effective Portion)	Amount and Location of Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss) (Effective Portion)			Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
		Net Derivatives Gains (Losses)	Net Investment Income	Other Expenses	Net Derivatives Gains (Losses)	Net Investment Income
	(In millions)					
For the Three Months Ended September 30, 2010:						
Interest rate swaps	$ 181	$	$	$	$ 1	$
Foreign currency swaps	(247)	1	(2)		(3)	
Interest rate forwards	15		1			
Credit forwards	11					
Total	$ (40)	$ 1	$ (1)	$	$ (2)	$
For the Three Months Ended September 30, 2009:						
Interest rate swaps	$ 1	$	$ (2)	$	$	$
Foreign currency swaps	(121)	(107)	(2)			
Interest rate forwards	128	37				
Credit forwards	4					

Total	$ 12	$ (70)	$ (4)	$	$	$
For the Nine Months Ended September 30, 2010:						
Interest rate swaps	$ 457	$	$	$	$ 3	$
Foreign currency swaps	92	(61)	(5)	1		
Interest rate forwards		11	2			
Credit forwards	28					
Total	$ 577	$ (50)	$ (3)	$ 1	$ 3	$
For the Nine Months Ended September 30, 2009:						
Interest rate swaps	$ 2	$	$ (4)	$	$	$
Foreign currency swaps	(300)	(140)	(4)	1		
Interest rate forwards	201	37				
Credit forwards	4					
Total	$ (93)	$ (103)	$ (8)	$ 1	$	$

Hedges of Net Investments in Foreign Operations

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

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Company may also use non-derivative financial instruments to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. The Company measures ineffectiveness on non-derivative financial instruments based upon the change in spot rates.

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

The following table presents the effects of derivatives and non-derivative financial instruments in net investment hedging relationships in the interim condensed consolidated statements of operations and the interim condensed consolidated statements of stockholders equity for the three months and nine months ended September 30, 2010 and 2009:

Derivatives and Non-Derivative Hedging Instruments in Net Investment Hedging Relationships (1),(2)	Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Income (Loss) (Effective Portion)	Amount and Location of Gains (Losses) Reclassified From Accumulated Other Comprehensive Income (Loss) into Income (Loss) (Effective Portion) Net Investment Gains (Losses)
	(In millions)	
For the Three Months Ended September 30, 2010:		
Foreign currency forwards	$ (162)	$
Foreign currency swaps		
Non-derivative hedging instruments	(10)	
Total	$ (172)	$
For the Three Months Ended September 30, 2009:		
Foreign currency forwards	$ (43)	$
Foreign currency swaps	(9)	
Non-derivative hedging instruments	(17)	
Total	$ (69)	$
For the Nine Months Ended September 30, 2010:		

Foreign currency forwards	$	(135)	$
Foreign currency swaps			
Non-derivative hedging instruments		(10)	
Total	$	(145)	$
For the Nine Months Ended September 30, 2009:			
Foreign currency forwards	$	(192)	$
Foreign currency swaps		(19)	
Non-derivative hedging instruments		(37)	
Total	$	(248)	$

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

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

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At September 30, 2010 and December 31, 2009, the cumulative foreign currency translation gain (loss) recorded in accumulated other comprehensive income (loss) related to hedges of net investments in foreign operations was ($185) million and ($40) million, respectively.

Non-Qualifying Derivatives and Derivatives for Purposes Other Than Hedging

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

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

	Net Derivatives Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2) (In millions)	Other Revenues (3)	Other Expenses (4)
For the Three Months Ended September 30, 2010:					
Interest rate swaps	$ 518	$ 2	$	$ 138	$
Interest rate floors	227				
Interest rate caps	(50)				
Interest rate futures	74	(2)		(1)	
Equity futures	23	(15)	(195)		
Foreign currency swaps	(272)				
Foreign currency forwards	(56)	2			
Currency options	(12)				
Equity options	(553)	(23)			
Interest rate options	9			(3)	
Interest rate forwards	1			(8)	
Variance swaps	(166)	(3)			
Credit default swaps	10	(2)			
Total rate of return swaps	29				
Total	$ (218)	$ (41)	$ (195)	$ 126	$
For the Three Months Ended September 30, 2009:					
Interest rate swaps	$ 250	$ (1)	$	$ 88	$
Interest rate floors	87				
Interest rate caps	(73)				
Interest rate futures	108	(2)			
Equity futures	(284)	(20)	(194)		
Foreign currency swaps	(237)				
Foreign currency forwards	16	18			
Currency options					
Equity options	(605)	7			
Interest rate options				(1)	
Interest rate forwards	12			(35)	
Variance swaps	(46)	(1)			
Swap spreadlocks					

Credit default swaps		(100)		(3)					
Total rate of return swaps		41							
Total	$	(831)	$	(2)	$	(194)	$	52	$

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	Net Derivatives Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2) (In millions)	Other Revenues (3)	Other Expenses (4)
For the Nine Months Ended September 30, 2010:					
Interest rate swaps	$ 1,561	$ 5	$ 39	$ 394	$
Interest rate floors	501				
Interest rate caps	(261)				
Interest rate futures	141	(8)		(4)	
Equity futures	(146)	(5)	(124)		
Foreign currency swaps	74				
Foreign currency forwards	269	40			
Currency options	5	(1)			(4)
Equity options	431	14			
Interest rate options	59			(4)	
Interest rate forwards	9			(94)	
Variance swaps	164	5			
Credit default swaps	25	1			
Total rate of return swaps	10				
Total	$ 2,842	$ 51	$ (85)	$ 292	$ (4)
For the Nine Months Ended September 30, 2009:					
Interest rate swaps	$ (1,222)	$ (4)	$	$ (58)	$
Interest rate floors	(766)				
Interest rate caps					
Interest rate futures	(376)	(2)			
Equity futures	(633)	(31)	(291)		
Foreign currency swaps	(399)				
Foreign currency forwards	(68)	(13)			
Currency options	(32)				
Equity options	(1,337)	(55)			
Interest rate options	(353)			1	
Interest rate forwards	6			7	
Variance swaps	(175)	(10)			
Swap spreadlocks	(38)				
Credit default swaps	(219)	(10)			
Total rate of return swaps	49				

Total	$	(5,563)	$	(125)	$	(291)	$	(50)	$

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

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

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

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

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

Credit Derivatives

In connection with synthetically created investment transactions and credit default swaps held in relation to the trading portfolio, the Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included within the non-qualifying derivatives and derivatives for purposes other than hedging table. If a credit event occurs, as defined by the contract, generally the contract will require the Company to pay the counterparty the specified swap notional amount in exchange for the delivery of par quantities of the referenced credit obligation. The Company s maximum amount at risk, assuming the value of all referenced credit obligations is zero, was $4,789 million and $3,101 million at September 30, 2010 and December 31, 2009, respectively. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current fair value of the credit default swaps. At September 30, 2010 and December 31, 2009, the Company would have received $32 million and $53 million, respectively, to terminate all of these contracts.

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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 September 30, 2010 and December 31, 2009:

Rating Agency Designation of Referenced Credit Obligations (1)	September 30, 2010 Estimated Fair Value of Credit Default Swaps	September 30, 2010 Maximum Amount of Future Payments under Credit Default Swaps (2)	September 30, 2010 Weighted Average Years to Maturity (3)	December 31, 2009 Estimated Fair Value of Credit Default Swaps	December 31, 2009 Maximum Amount of Future Payments under Credit Default Swaps (2)	December 31, 2009 Weighted Average Years to Maturity (3)
	(In millions)					
Aaa/Aa/A						
Single name credit default swaps (corporate)	$ 4	$ 445	4.0	$ 5	$ 175	4.3
Credit default swaps referencing indices	33	2,728	4.0	46	2,676	3.4
Subtotal	37	3,173	4.0	51	2,851	3.5
Baa						
Single name credit default swaps (corporate)	(2)	650	4.6	2	195	4.8
Credit default swaps referencing indices	(3)	911	5.3		10	5.0
Subtotal	(5)	1,561	5.0	2	205	4.8
Ba						
Single name credit default swaps (corporate)		25	4.5		25	5.0
Credit default swaps referencing indices						
Subtotal		25	4.5		25	5.0
B						
Single name credit default swaps (corporate)						
Credit default swaps referencing indices		30	4.8		20	5.0
Subtotal		30	4.8		20	5.0
Total	$ 32	$ 4,789	4.3	$ 53	$ 3,101	3.6

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

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

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

The Company has also entered into credit default swaps to purchase credit protection on certain of the referenced credit obligations in the table above. As a result, the maximum amounts of potential future recoveries available to offset the $4,789 million and $3,101 million from the table above were $60 million and $31 million at September 30, 2010 and December 31, 2009, respectively.

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Credit Risk on Freestanding Derivatives

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

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

The Company enters into various collateral arrangements, which require both the pledging and accepting of collateral in connection with its derivative instruments. At September 30, 2010 and December 31, 2009, the Company was obligated to return cash collateral under its control of $6,622 million and $2,680 million, respectively. This unrestricted cash collateral is included in cash and cash equivalents or in short-term investments and the obligation to return it is included in payables for collateral under securities loaned and other transactions in the consolidated balance sheets. At September 30, 2010 and December 31, 2009, the Company had also accepted collateral consisting of various securities with a fair market value of $462 million and $221 million, respectively, which were held in separate custodial accounts. The Company is permitted by contract to sell or repledge this collateral, but at September 30, 2010, none of the collateral had been sold or repledged.

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

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

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termination of the derivative position at the reporting date. Derivatives that are not subject to collateral agreements are not included in the scope of this table.

	Estimated Fair Value (1) of Derivatives in Net Liability Position	Estimated Fair Value of Collateral Provided Fixed Maturity Securities (2)	Fair Value of Incremental Collateral Provided Upon: One Notch Downgrade in the Company s Credit Rating	Fair Value of Incremental Collateral Provided Upon: Downgrade in the Company s Credit Rating to a Level that Triggers Full Overnight Collateralization or Termination of the Derivative Position
	(In millions)			
At September 30, 2010:				
Derivatives subject to credit-contingent provisions	$ 751	$ 608	$ 82	$ 182
Derivatives not subject to credit-contingent provisions	40	35		
Total	$ 791	$ 643	$ 82	$ 182
At December 31, 2009:				
Derivatives subject to credit-contingent provisions	$ 1,163	$ 1,017	$ 90	$ 218
Derivatives not subject to credit-contingent provisions	48	42		
Total	$ 1,211	$ 1,059	$ 90	$ 218

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

(2) Included in fixed maturity securities in the consolidated balance sheets. The counterparties are permitted by contract to sell or repledge this collateral. At both September 30, 2010 and December 31, 2009, the Company did not provide any cash collateral.

Without considering the effect of netting agreements, the estimated fair value of the Company s over-the-counter derivatives with credit-contingent provisions that were in a gross liability position at September 30, 2010 was $1,414 million. At September 30, 2010, the Company provided securities collateral of $608 million in connection with these derivatives. In the unlikely event that both: (i) the Company s credit rating was downgraded to a level that triggers full overnight collateralization or termination of all derivative positions; and (ii) the Company s netting agreements were deemed to be legally unenforceable, then the additional collateral that the Company would be required to provide to its counterparties in connection with its derivatives in a gross liability position at September 30, 2010 would be $806 million. This amount does not consider gross derivative assets of $663 million for which the Company has the contractual right of offset.

The Company also has exchange-traded futures, which require the pledging of collateral. At September 30, 2010 and December 31, 2009, the Company pledged securities collateral for exchange-traded futures of $40 million and $50 million, respectively, which is included in fixed maturity securities. The counterparties are permitted by contract to sell or repledge this collateral. At September 30, 2010 and December 31, 2009, the Company provided cash collateral for exchange-traded futures of $583 million and $562 million, respectively, which is included in premiums, reinsurance and other receivables.

Embedded Derivatives

The Company has certain embedded derivatives that are required to be separated from their host contracts and accounted for as derivatives. These host contracts principally include: variable annuities with guaranteed minimum

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benefits, including guaranteed minimum withdrawal benefits (GMWBs), guaranteed minimum accumulation benefits (GMABs) and certain GMIBs; ceded reinsurance contracts of guaranteed minimum benefits related to GMABs and certain GMIBs; and funding agreements with equity or bond indexed crediting rates.

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

	September 30, 2010	December 31, 2009
	(In millions)	
Net embedded derivatives within asset host contracts:		
Ceded guaranteed minimum benefits	$ 125	$ 76
Options embedded in debt or equity securities	(42)	(37)
Net embedded derivatives within asset host contracts	$ 83	$ 39
Net embedded derivatives within liability host contracts:		
Direct guaranteed minimum benefits	$ 3,397	$ 1,500
Other	54	5
Net embedded derivatives within liability host contracts	$ 3,451	$ 1,505

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In millions)			
Net derivatives gains (losses) (1)	$ 83	$ (586)	$ (1,594)	$ 1,424
Policyholder benefits and claims	$	$ (7)	$ 46	$ (75)

(1) The valuation of guaranteed minimum benefits includes an adjustment for nonperformance risk. Included in net derivatives gains (losses), in connection with this adjustment, were gains (losses) of ($291) million and $399 million for the three months and nine months ended September 30, 2010, respectively, and gains (losses) of ($895) million and ($1,605) million for the three months and nine months ended September 30, 2009, respectively. Net derivatives gains (losses) for the nine months ended September 30, 2010 included a loss of $955 million relating to a refinement for estimating nonperformance risk in fair value measurements implemented at June 30, 2010. See Note 5.

5. Fair Value

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

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Assets and Liabilities Measured at Fair Value

Recurring Fair Value Measurements

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

	September 30, 2010 Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate securities	$	$ 74,165	$ 6,855	$ 81,020
RMBS		43,606	2,294	45,900
Foreign corporate securities		40,143	4,827	44,970
U.S. Treasury, agency and government guaranteed securities	17,207	17,094	59	34,360
CMBS		15,252	281	15,533
Foreign government securities	278	14,252	314	14,844
ABS		10,652	3,654	14,306
State and political subdivision securities		9,562	52	9,614
Other fixed maturity securities		12	5	17
Total fixed maturity securities	17,485	224,738	18,341	260,564
Equity securities:				
Common stock	321	1,080	170	1,571
Non-redeemable preferred stock		385	909	1,294
Total equity securities	321	1,465	1,079	2,865

Trading securities:				
Trading securities	3,005	658	93	3,756
Trading securities held by consolidated securitization entities		231		231
Total trading securities	3,005	889	93	3,987
Short-term investments (1)	4,601	6,469	210	11,280
Mortgage loans:				
Mortgage loans held by consolidated securitization entities		7,093		7,093
Mortgage loans held-for-sale (2)		2,114	27	2,141
Total mortgage loans		9,207	27	9,234
MSRs (3)			707	707
Derivative assets: (4)				
Interest rate contracts	25	5,691	116	5,832
Foreign currency contracts		1,722	61	1,783
Credit contracts		109	54	163
Equity market contracts	37	2,204	536	2,777
Total derivative assets	62	9,726	767	10,555
Net embedded derivatives within asset host contracts (5)			125	125
Separate account assets (6)	24,927	145,697	1,748	172,372
Total assets	$ 50,401	$ 398,191	$ 23,097	$ 471,689
Liabilities				
Derivative liabilities: (4)				
Interest rate contracts	$ 30	$ 1,375	$ 11	$ 1,416
Foreign currency contracts		1,384	1	1,385
Credit contracts		100	8	108
Equity market contracts	13	693	62	768
Total derivative liabilities	43	3,552	82	3,677
Net embedded derivatives within liability host contracts (5)		(8)	3,459	3,451
Long-term debt of consolidated securitization entities		6,891	184	7,075
Trading liabilities (7)	16	20	2	38
Total liabilities	$ 59	$ 10,455	$ 3,727	$ 14,241

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

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

Net embedded derivatives within asset host contracts (5)								
Separate account assets (6)		17,601		129,545		1,895		149,041
Total assets	$	36,987	$	341,054	$	21,840	$	399,881
Liabilities								
Derivative liabilities (4)	$	51	$	3,990	$	74	$	4,115
Net embedded derivatives within liability host contracts (5)				(26)		1,531		1,505
Trading liabilities (7)		106						106
Total liabilities	$	157	$	3,964	$	1,605	$	5,726

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

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

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

(3) MSRs are presented within other invested assets in the consolidated balance sheets.

(4) Derivative assets are presented within other invested assets in the consolidated balance sheets and derivative liabilities are presented within other liabilities in the consolidated balance sheets. The amounts are presented gross in the tables above to reflect the presentation in the consolidated balance sheets, but are presented net for purposes of the rollforward in the Fair Value Measurements Using Significant Unobservable Inputs (Level 3) tables which follow. At September 30, 2010 and December 31, 2009, certain non-derivative hedging instruments of $180 million and $0, respectively, which are carried at amortized cost, are included with the liabilities total in Note 4 but excluded from derivative liabilities in the tables above as they are not derivative instruments.

(5) Net embedded derivatives within asset host contracts are presented within premiums, reinsurance and other receivables in the consolidated balance sheets. Net embedded derivatives within liability host contracts are presented primarily within policyholder account balances in the consolidated balance sheets. At September 30, 2010, fixed maturity securities and equity securities also included embedded derivatives of ($53) million and $11 million, respectively. At December 31, 2009, fixed maturity securities and equity securities included embedded derivatives of $0 and ($37) million, respectively.

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

(7) Trading liabilities are presented within other liabilities in the consolidated balance sheets.

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

Fixed maturity securities, Equity securities and Trading securities

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

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

The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or can be derived principally

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from or corroborated by observable market data. Such observable inputs include benchmarking prices for similar assets in active markets, quoted prices in markets that are not active and observable yields and spreads in the market.

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

The estimated fair value of trading securities held by consolidated securitization entities is determined on a basis consistent with the methodologies described herein for fixed maturity securities, equity securities and trading securities. As discussed in Note 1, the Company adopted new guidance effective January 1, 2010 and consolidated certain securitization entities that hold securities which have been classified by the Company as trading securities.

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

Short-term investments

Short-term investments that meet the definition of a security are recognized at estimated fair value in the consolidated balance sheets in the same manner described above for similar instruments that are classified within fixed maturity securities.

Mortgage loans

Mortgage loans presented in the tables above consist of commercial mortgage loans held by consolidated securitization entities and residential mortgage loans held-for-sale for which the Company has elected the fair value option and which are carried at estimated fair value. As discussed in Note 1, the Company adopted new guidance effective January 1, 2010 and consolidated certain securitization entities that hold commercial mortgage loans. See Valuation Techniques and Inputs by Level Within the Three-Level Fair Value Hierarchy by Major Classes of Assets and Liabilities below for a discussion of the methods and assumptions used to estimate the fair value of these financial instruments.

MSRs

Although MSRs are not financial instruments, the Company has included them in the preceding table as a result of its election to carry MSRs at estimated fair value. See Valuation Techniques and Inputs by Level Within the Three-Level Fair Value Hierarchy by Major Classes of Assets and Liabilities below for a discussion of the methods and assumptions used to estimate the fair value of these financial instruments.

Derivatives

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

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

The credit risk of both the counterparty and the Company are considered in determining the estimated fair value for all over-the-counter derivatives, and any potential credit adjustment is based on the net exposure by counterparty after taking into account the effects of netting agreements and collateral arrangements. The Company values its derivative positions using the standard swap curve which includes a spread to the risk free rate. This credit spread is appropriate for those parties that execute trades at pricing levels consistent with the standard swap curve. As the Company and its significant derivative counterparties consistently execute trades at such pricing levels, additional credit risk adjustments are not currently required in the valuation process. The Company s ability to consistently execute at such pricing levels is in part due to the netting agreements and collateral arrangements that are in place with all of its significant derivative counterparties. The evaluation of the requirement to make additional credit risk adjustments is performed by the Company each reporting period.

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

Embedded derivatives within asset and liability host contracts

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

The Company issues certain variable annuity products with guaranteed minimum benefit guarantees. GMWBs, GMABs and certain GMIBs are embedded derivatives, which are measured at estimated fair value separately from the host variable annuity contract, with changes in estimated fair value reported in net derivatives gains (losses). These embedded derivatives are classified within policyholder account balances in the consolidated balance sheets.

The fair value of these guarantees is estimated using the present value of future benefits minus the present value of future fees using actuarial and capital market assumptions related to the projected cash flows over the expected lives of the contracts. A risk neutral valuation methodology is used under which the cash flows from the guarantees are projected under multiple capital market scenarios using observable risk free rates, currency exchange rates and observable and estimated implied volatilities.

The valuation of these guarantee liabilities includes adjustments for nonperformance risk and for a risk margin related to non-capital market inputs. Both of these adjustments are captured as components of the spread which, when combined with the risk free rate, is used to discount the cash flows of the liability for purposes of determining its fair value.

The nonperformance adjustment is determined by taking into consideration publicly available information relating to spreads in the secondary market for the Holding Company s debt, including related credit default swaps.

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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 the Holding Company.

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 GMIB and GMAB described above. These reinsurance contracts contain embedded derivatives which are included in premiums, reinsurance and other receivables in the consolidated balance sheets with changes in estimated fair value reported in net derivatives 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.

As part of its regular review of critical accounting estimates, the Company periodically assesses inputs for estimating nonperformance risk (commonly referred to as own credit) in fair value measurements. During the second quarter of 2010, the Company completed a study that aggregated and evaluated data, including historical recovery rates of insurance companies as well as policyholder behavior observed over the past two years as the recent financial crisis evolved. As a result, at the end of the second quarter of 2010, the Company refined the way in which its insurance subsidiaries incorporate expected recovery rates into the nonperformance risk adjustment for purposes of estimating the fair value of investment-type contracts and embedded derivatives within insurance contracts. The Company recognized a loss of $577 million, net of DAC and income tax, relating to implementing the refinement at June 30, 2010. The refinement reduced basic and diluted net income available to MetLife, Inc. s common shareholders per common share by $0.69 and $0.68, respectively, for the nine months ended September 30, 2010.

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 described above in Fixed maturity securities, Equity securities and Trading securities and Short-term investments. The estimated fair value of these embedded derivatives is included, along with their funds withheld hosts, in other liabilities in the consolidated balance sheets with changes in estimated fair value recorded in net derivatives gains (losses). Changes in the credit spreads on the underlying assets, interest rates and market volatility may result in significant fluctuations in the estimated fair value of these embedded derivatives that could materially affect net income.

The estimated fair value of the embedded equity and bond indexed derivatives contained in certain funding agreements is determined using market standard swap valuation models and observable market inputs, including an adjustment for nonperformance risk. The estimated fair value of these embedded derivatives are included, along with their funding agreements host, within policyholder account balances with changes in estimated fair value recorded in net derivatives 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.

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

Separate account assets

Separate account assets are carried at estimated fair value and reported as a summarized total on the consolidated balance sheets. The estimated fair value of separate account assets are based on the estimated fair value of the underlying assets owned by the separate account. Assets within the Company s separate accounts include: mutual funds, fixed maturity securities, equity securities, mortgage loans, derivatives, hedge funds, other limited partnership interests, short-term investments and cash and cash equivalents. See Valuation Techniques and Inputs by Level Within the Three-Level Fair Value Hierarchy by Major Classes of Assets and Liabilities below for a discussion of the methods and assumptions used to estimate the fair value of these financial instruments.

Long-term debt obligations of consolidated securitization entities

The Company has elected the fair value option for the long-term debt of consolidated securitization entities, which are carried at estimated fair value. See Valuation Techniques and Inputs by Level Within the Three-Level Fair Value Hierarchy by Major Classes of Assets and Liabilities below for a discussion of the methods and assumptions used to estimate the fair value of these financial instruments.

Trading liabilities

Trading liabilities are recorded at estimated fair value with subsequent changes in estimated fair value recognized in net investment income. The estimated fair value of trading liabilities is determined on a basis consistent with the methodologies described in Fixed maturity securities, equity securities and trading securities.

Valuation Techniques and Inputs by Level Within the Three-Level Fair Value Hierarchy by Major Classes of Assets and Liabilities

A description of the significant valuation techniques and inputs to the determination of estimated fair value for the more significant asset and liability classes measured at fair value on a recurring basis is as follows:

The Company determines the estimated fair value of its investments using primarily the market approach and the income approach. The use of quoted prices for identical assets and matrix pricing or other similar techniques are examples of market approaches, while the use of discounted cash flow methodologies is an example of the income approach. The Company attempts to maximize the use of observable inputs and minimize the use of unobservable inputs in selecting whether the market or income approach is used.

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

Level 1 Measurements:

Fixed maturity securities, equity securities, trading securities and short-term investments

These securities are comprised of U.S. Treasury, agency and government guaranteed fixed maturity securities, foreign government securities, exchange traded U.S. and international common stock, certain securities classified as trading securities and short-term money market securities, including U.S. Treasury bills. Valuation of these securities is based on unadjusted quoted prices in active markets that are readily and regularly available.

MetLife, Inc.

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

Derivative assets and derivative liabilities

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

Separate account assets

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

Level 2 Measurements:

Fixed maturity securities, equity securities, trading securities and short-term investments

This level includes fixed maturity securities and equity securities priced principally by independent pricing services using observable inputs. Trading securities and short-term investments within this level are of a similar nature and class to the Level 2 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 are principally valued using the market and income approaches. Valuation is based primarily on quoted prices in markets that are not active, or using matrix pricing or other similar techniques that use standard market observable inputs such as a benchmark yields, spreads off benchmark yields, new issuances, issuer rating, duration, and trades of identical or comparable securities. Investment grade privately placed securities are valued using a discounted cash flow methodologies using standard market observable inputs, and inputs derived from, or corroborated by, market observable data including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues that incorporate the credit quality and industry sector of the issuer.

Structured securities comprised of RMBS, CMBS and ABS. These securities are principally valued using the market approach. Valuation is based primarily on matrix pricing or other similar techniques using standard market inputs including spreads for actively traded securities, spreads off benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, rating, weighted average coupon, weighted average maturity, average delinquency rates, geographic region, debt-service coverage ratios and issuance-specific information including, 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.

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

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

Common and non-redeemable preferred stock. These securities are principally valued using the market approach where market quotes are available but are not considered actively traded. Valuation is based principally on observable inputs including quoted prices in markets that are not considered active.

MetLife, Inc.

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

Mortgage loans of consolidated securitization entities

These commercial mortgage loans are principally valued using the market approach. The principal market for these commercial loan portfolios is the securitization market. The Company uses the quoted securitization market price of the obligations of the consolidated securitization entities to determine the estimated fair value of these commercial loan portfolios. These market prices are determined principally by independent pricing services using observable inputs.

Mortgage loans held-for-sale

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

Derivative assets and derivative liabilities

This level includes all types of derivative instruments utilized by the Company with the exception of exchange-traded futures and interest rate forwards to sell certain to be announced securities included within Level 1 and those derivative instruments with unobservable inputs as described in Level 3. These derivatives are principally valued using an income approach.

Interest rate derivatives.

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

Option based Valuations are based on option pricing models, which utilize significant inputs that may include the swap yield curve, LIBOR basis curves, and interest rate volatility.

Foreign currency derivatives.

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

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

Credit derivatives.

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 derivatives.

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.

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

Embedded derivatives contained in certain funding agreements

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

Separate account assets

These assets are comprised of investments that are similar in nature to the fixed maturity securities, equity securities, short-term investments and derivatives referred to above. Also included are certain mutual funds and hedge funds without readily determinable fair values given prices are not published publicly. Valuation of the mutual funds and hedge funds is based upon quoted prices or reported net asset value (NAV) provided by the fund managers.

Long-term debt obligations of consolidated securitization entities

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

Level 3 Measurements:

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

Fixed maturity securities, equity securities, trading securities and short-term investments

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

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

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

classified in Level 2, and certain of these securities are valued based on independent non-binding broker quotations.

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

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

Mortgage loans

Mortgage loans include residential mortgage loans held-for-sale for which pricing for similar loans or securities backed by similar loans is not observable and the estimated fair value is determined using unobservable independent broker quotations or valuation models.

MSRs

MSRs, which are valued using an income approach, are carried at estimated fair value and have multiple significant unobservable inputs including assumptions regarding estimates of discount rates, loan prepayments and servicing costs. Sales of MSRs tend to occur in private transactions where the precise terms and conditions of the sales are typically not readily available and observable market valuations are limited. As such, the Company relies primarily on a discounted cash flow model to estimate the fair value of the MSRs. The model requires inputs such as type of loan (fixed vs. variable and agency vs. other), age of loan, loan interest rates and current market interest rates that are generally observable. The model also requires the use of unobservable inputs including assumptions regarding estimates of discount rates, loan prepayments and servicing costs.

Derivative assets and derivative liabilities

These derivatives are principally valued using an 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 derivatives.

Non-option based Significant unobservable inputs may include pull through rates on interest rate lock commitments and the extrapolation beyond observable limits of the swap yield curve and LIBOR basis curves.

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

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Foreign currency derivatives.

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

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

Credit derivatives.

Non-option based Significant unobservable inputs may include credit correlation, 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 derivatives.

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

Option based Significant unobservable inputs may include the extrapolation beyond observable limits of dividend yield curves and equity volatility. Certain of these derivatives are valued based on independent non-binding broker quotations.

Guaranteed minimum benefit guarantees

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

Reinsurance ceded on certain guaranteed minimum benefit guarantees

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

Embedded derivatives within funds withheld related to certain ceded reinsurance

These derivatives are principally valued using an income approach. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve and the fair value of assets within the reference portfolio. These embedded derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data.

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

Significant unobservable inputs generally include: the fair value of certain assets within the reference portfolio which are not observable in the market and cannot be derived principally from, or corroborated by, observable market data.

Separate account assets

These assets are comprised of investments that are similar in nature to the fixed maturity securities, equity securities and derivatives referred to above. Separate account assets within this level also include mortgage loans and other limited partnership interests. The estimated fair value of mortgage loans is determined by discounting expected future cash flows, using current interest rates for similar loans with similar credit risk. Other limited partnership interests are valued giving consideration to the value of the underlying holdings of the partnerships and by applying a premium or discount, if appropriate, for factors such as liquidity, bid/ask spreads, the performance record of the fund manager or other relevant variables which may impact the exit value of the particular partnership interest.

Long-term debt obligations of consolidated securitization entities

The estimated fair value of the long-term debt obligations of the Company s consolidated securitization entities are priced principally through independent broker quotations or market standard valuation methodologies using inputs that are not market observable or cannot be derived from or corroborated by observable market data.

Transfers between Levels 1 and 2:

During the three months and nine months ended September 30, 2010, transfers between Levels 1 and 2 were not significant.

Transfers into or out of Level 3:

Overall, transfers into and/or out of Level 3 are attributable to a change in the observability of inputs. Assets and liabilities are transferred into Level 3 when a significant input cannot be corroborated with market observable data. This occurs when market activity decreases significantly and underlying inputs cannot be observed, current prices are not available, and/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 and/or out of any level are assumed to occur at the beginning of the period. Significant transfers into and/or out of Level 3 assets and liabilities for the three months and nine months ended September 30, 2010 are summarized below.

During the three months and nine months ended September 30, 2010, fixed maturity securities transfers into Level 3 of $367 million and $1,475 million, respectively, and separate account assets transfers into Level 3 of $9 million and $31 million, respectively, resulted primarily from current market conditions characterized by a lack of trading activity, decreased liquidity and credit ratings downgrades (e.g., from investment grade to below investment grade). These current market conditions have resulted in decreased transparency of valuations and an increased use of broker quotations and unobservable inputs to determine estimated fair value principally for certain RMBS and private placements included in U.S. and foreign corporate securities.

During the three months and nine months ended September 30, 2010, fixed maturity securities transfers out of Level 3 of $1,240 million and $1,413 million, respectively, and separate account assets transfers out of Level 3 of $75 million and $224 million, respectively, resulted primarily from increased transparency of both new issuances that subsequent to issuance and establishment of trading activity, became priced by pricing services and existing issuances that, over time, the Company was able to corroborate pricing received from independent pricing services with observable inputs or increases in market activity and upgraded credit ratings primarily for certain U.S. and foreign corporate securities, ABS and RMBS.

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A rollforward of all assets and liabilities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs for the three months ended September 30, 2010 and 2009 is as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
		Total Realized/Unrealized Gains (Losses) included in:					
	Balance, Beginning of Period	Earnings (1), (2)	Other Comprehensive Income (Loss)	Purchases, Sales, Issuances and Settlements (3)	Transfer Into Level 3 (4)	Transfer Out of Level 3 (4)	Balance, End of Period
	(In millions)						
For the Three Months Ended September 30, 2010:							
Assets:							
Fixed maturity securities:							
U.S. corporate securities	$ 7,173	$ (14)	$ 196	$ 67	$ 119	$ (686)	$ 6,855
RMBS	1,852	(11)	68	379	161	(155)	2,294
Foreign corporate securities	4,600	(18)	302	131	52	(240)	4,827
U.S. Treasury, agency and government guaranteed securities	37		1		21		59
CMBS	270	(1)	13	(7)	9	(3)	281
Foreign government securities	280	3	25	6			314
ABS	3,498	(9)	105	156	5	(101)	3,654
State and political subdivision securities	101		(3)	9		(55)	52
Other fixed maturity securities	5						5
Total fixed maturity securities	$ 17,816	$ (50)	$ 707	$ 741	$ 367	$ (1,240)	$ 18,341
Equity securities:							
Common stock	$ 161	$ (1)	$ 14	$ (6)	$ 2	$	$ 170
Non-redeemable preferred stock	845	1	56	7			909

Total equity securities	$ 1,006	$	$ 70	$ 1	$ 2	$	$ 1,079
Trading securities	$ 36	$ 9	$	$ 13	$ 35	$	$ 93
Short-term investments	$ 52	$ 2	$	$ 156	$	$	$ 210
Mortgage loans held-for-sale	$ 26	$ (1)	$	$	$ 4	$ (2)	$ 27
MSRs (5), (6)	$ 660	$ (91)	$	$ 138	$	$	$ 707
Net derivatives: (7)							
Interest rate contracts	$ 61	$ 16	$ 16	$ 12	$	$	$ 105
Foreign currency contracts	28	45		(5)		(8)	60
Credit contracts	31	12	10	(7)			46
Equity market contracts	633	(171)	4	8			474
Total net derivatives	$ 753	$ (98)	$ 30	$ 8	$	$ (8)	$ 685
Separate account assets (8)	$ 1,693	$ 59	$	$ 62	$ 9	$ (75)	$ 1,748

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Balance, Beginning of Period	Total Realized/Unrealized (Gains) Losses included in: Earnings (1), (2)	Other Comprehensive Income (Loss)	Purchases, Sales, Issuances and Settlements (3)	Transfer Into Level 3 (4)	Transfer Out of Level 3 (4)	Balance, End of Period
				(In millions)			
For the Three Months Ended September 30, 2010:							
Liabilities:							
Net embedded derivatives (9)	$ 3,296	$ (134)	$ 98	$ 74	$	$	$ 3,334
Long-term debt of consolidated securitization entities (10)	$ 221	$ (37)	$	$	$	$	$ 184
Trading liabilities	$	$	$	$ 2	$	$	$ 2

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
		Total Realized/Unrealized Gains (Losses) included in:				
	Balance, Beginning of Period	Earnings (1), (2)	Other Comprehensive Income (Loss)	Purchases, Sales, Issuances and Settlements (3)	Transfer In and/or Out of Level 3 (4)	Balance, End of Period
	(In millions)					
For the Three Months Ended September 30, 2009:						
Assets:						
Fixed maturity securities:						
U.S. corporate securities	$ 6,663	$ (21)	$ 400	$ (113)	$ 1	$ 6,930
RMBS	1,494	(14)	59	782	(111)	2,210
Foreign corporate securities	4,729	(114)	766	(10)	(15)	5,356
U.S. Treasury, agency and government guaranteed securities	37		1			38
CMBS	251	(31)	29	(1)	59	307
Foreign government securities	346	2	45	27	120	540
ABS	2,160	(14)	352	(29)	(7)	2,462
State and political subdivision securities	104		5	29	14	152
Other fixed maturity securities	8		(1)			7
Total fixed maturity securities	$ 15,792	$ (192)	$ 1,656	$ 685	$ 61	$ 18,002
Equity securities:						
Common stock	$ 118	$ (1)	$ (1)	$ 6	$	$ 122
Non-redeemable preferred stock	1,067	(70)	267	(85)		1,179
Total equity securities	$ 1,185	$ (71)	$ 266	$ (79)	$	$ 1,301
Trading securities	$ 72	$ 7	$	$ (20)	$	$ 59
Short-term investments	$ 5	$ (1)	$	$ 25	$	$ 29
Mortgage loans held-for-sale	$ 136	$ (1)	$	$	$ (115)	$ 20
MSRs (5), (6)	$ 670	$ (64)	$	$ 114	$	$ 720

Net derivatives (7)	$ 1,766	$ (539)	$ 51	$ 121	$ (9)	$ 1,390
Separate account assets (8)	$ 1,554	$ 58	$	$ 231	$ 78	$ 1,921

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
		Total Realized/Unrealized (Gains) Losses included in:				
	Balance, Beginning of Period	Earnings (1), (2)	Other Comprehensive Income (Loss)	Purchases, Sales, Issuances and Settlements (3)	Transfer In and/or Out of Level 3 (4)	Balance, End of Period
	(In millions)					
For the Three Months Ended September 30, 2009:						
Liabilities:						
Net embedded derivatives (9)	$ 1,108	$ 550	$ 60	$ 41	$	$ 1,759
Trading liabilities	$ 59	$	$	$ (45)	$	$ 14

MetLife, Inc.

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

A rollforward of all assets and liabilities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs for the nine months ended September 30, 2010 and 2009 is as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
		Total Realized/Unrealized Gains (Losses) included in:					
	Balance, Beginning of Period	Earnings (1), (2)	Other Comprehensive Income (Loss)	Purchases, Sales, Issuances and Settlements (3)	Transfer Into Level 3 (4)	Transfer Out of Level 3 (4)	Balance, End of Period
	(In millions)						
For the Nine Months Ended September 30, 2010:							
Assets:							
Fixed maturity securities:							
U.S. corporate securities	$ 6,694	$ 6	$ 461	$ (648)	$ 616	$ (274)	$ 6,855
RMBS	1,840	15	121	195	253	(130)	2,294
Foreign corporate securities	5,292	(32)	375	(620)	363	(551)	4,827
U.S. Treasury, agency and government guaranteed securities	37		3	(3)	22		59
CMBS	139	(2)	72	(24)	128	(32)	281
Foreign government securities	401	(3)	53	19		(156)	314
ABS	2,712	(40)	302	827	93	(240)	3,654
State and political subdivision securities	69		4	9		(30)	52
Other fixed maturity securities	6		1	(2)			5
Total fixed maturity securities	$ 17,190	$ (56)	$ 1,392	$ (247)	$ 1,475	$ (1,413)	$ 18,341
Equity securities:							
Common stock	$ 136	$ 1	$ 4	$ 35	$ 2	$ (8)	$ 170
Non-redeemable preferred stock	1,104	48	24	(259)		(8)	909

Total equity securities	$	1,240	$	49	$	28	$	(224)	$	2	$	(16)	$	1,079
Trading securities	$	83	$	3	$		$	(12)	$	37	$	(18)	$	93
Short-term investments	$	23	$	2	$		$	185	$		$		$	210
Mortgage loans held-for-sale	$	25	$	(1)	$		$		$	10	$	(7)	$	27
MSRs (5), (6)	$	878	$	(329)	$		$	158	$		$		$	707
Net derivatives: (7)														
Interest rate contracts	$	7	$	97	$	13	$	(12)	$		$		$	105
Foreign currency contracts		108		28				(54)				(22)		60
Credit contracts		42		(10)		27		(13)						46
Equity market contracts		199		249		9		17						474
Total net derivatives	$	356	$	364	$	49	$	(62)	$		$	(22)	$	685
Separate account assets (8)	$	1,895	$	94	$		$	(48)	$	31	$	(224)	$	1,748

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)													
			Total Realized/Unrealized (Gains) Losses included in:											
	Balance, Beginning of Period		Earnings (1), (2)		Other Comprehensive Income (Loss)		Purchases, Sales, Issuances and Settlements (3)		Transfer Into Level 3 (4)		Transfer Out of Level 3 (4)		Balance, End of Period	
	(In millions)													
For the Nine Months Ended September 30, 2010:														
Liabilities:														
Net embedded derivatives (9)	$	1,455	$	1,496	$	163	$	220	$		$		$	3,334
Long-term debt of consolidated securitization entities (10)	$		$	(48)	$		$	232	$		$		$	184
Trading liabilities	$		$		$		$	2	$		$		$	2

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MetLife, Inc.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
		Total Realized/Unrealized Gains (Losses) included in:		Purchases,		
	Balance, Beginning of Period	Earnings (1), (2)	Other Comprehensive Income (Loss)	Sales, Issuances and Settlements (3)	Transfer In and/or Out of Level 3 (4)	Balance, End of Period
	(In millions)					
For the Nine Months Ended September 30, 2009:						
Assets:						
Fixed maturity securities:						
U.S. corporate securities	$ 7,498	$ (465)	$ 710	$ (563)	$ (250)	$ 6,930
RMBS	595	9	71	1,576	(41)	2,210
Foreign corporate securities	5,944	(303)	1,475	(312)	(1,448)	5,356
U.S. Treasury, agency and government guaranteed securities	88			(29)	(21)	38
CMBS	260	(36)	49	(16)	50	307
Foreign government securities	408	(45)	68	6	103	540
ABS	2,452	(50)	268	(257)	49	2,462
State and political subdivision securities	123		10	42	(23)	152
Other fixed maturity securities	40	1		(34)		7
Total fixed maturity securities	$ 17,408	$ (889)	$ 2,651	$ 413	$ (1,581)	$ 18,002
Equity securities:						
Common stock	$ 105	$ (1)	$ 5	$ 13	$	$ 122
Non-redeemable preferred stock	1,274	(328)	400	(167)		1,179
Total equity securities	$ 1,379	$ (329)	$ 405	$ (154)	$	$ 1,301
Trading securities	$ 175	$ 14	$	$ (130)	$	$ 59
Short-term investments	$ 100	$ (3)	$	$ (63)	$ (5)	$ 29
Mortgage loans held-for-sale	$ 177	$ (3)	$	$ 1	$ (155)	$ 20
MSRs (5), (6)	$ 191	$ 70	$	$ 459	$	$ 720

Net derivatives (7)	$ 2,547	$ (1,498)	$ (12)	$ 341	$ 12	$ 1,390
Separate account assets (8)	$ 1,758	$ (212)	$	$ 286	$ 89	$ 1,921

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
		Total Realized/Unrealized (Gains) Losses included in:				
	Balance, Beginning of Period	Earnings (1), (2)	Other Comprehensive Income (Loss)	Purchases, Sales, Issuances and Settlements (3)	Transfer In and/or Out of Level 3 (4)	Balance, End of Period
	(In millions)					
For the Nine Months Ended September 30, 2009:						
Liabilities:						
Net embedded derivatives (9)	$ 2,929	$ (1,294)	$ 35	$ 89	$	$ 1,759
Trading liabilities	$	$	$	$ 14	$	$ 14

(1) Amortization of premium/discount is included within net investment income which is reported within the earnings caption of total gains (losses). Impairments charged to earnings on securities and certain mortgage loans are included within net investment gains (losses) which are reported within the earnings caption of total gains (losses); while changes in estimated fair value of certain mortgage loans and MSRs are recorded in other

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MetLife, Inc.

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

revenues. Lapses associated with embedded derivatives are included with the earnings caption of total gains (losses).

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

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

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

(5) The additions and reductions (due to loan payments and sales) affecting MSRs were $169 million and ($31) million, respectively, for the three months ended September 30, 2010 and $275 million and ($117) million, respectively, for the nine months ended September 30, 2010. The additions and reductions (due to loan payments) affecting MSRs were $138 million and ($24) million, respectively, for the three months ended September 30, 2009 and $544 million and ($85) million, respectively, for the nine months ended September 30, 2009.

(6) The changes in estimated fair value due to changes in valuation model inputs or assumptions, and other changes in estimated fair value affecting MSRs were ($91) million and $0, respectively, for the three months ended September 30, 2010, and ($329) million and $0, respectively, for the nine months ended September 30, 2010. The changes in estimated fair value due to changes in valuation model inputs or assumptions, and other changes in estimated fair value affecting MSRs were ($64) million and $0, respectively, for the three months ended September 30, 2009, and $70 million and $0, respectively, for the nine months ended September 30, 2009.

(7) Freestanding 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 whose liability is reflected within separate account liabilities.

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

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

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MetLife, Inc.

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

The tables below summarize both realized and unrealized gains and losses for the three months ended September 30, 2010 and 2009 due to changes in estimated fair value recorded in earnings for Level 3 assets and liabilities:

	Total Gains and Losses Classification of Realized/Unrealized Gains (Losses) included in Earnings						
	Net Investment Income	Net Investment Gains (Losses)	Net Derivatives Gains (Losses)	Other Revenues	Policyholder Benefits and Claims	Other Expenses	Total
	(In millions)						
For the Three Months Ended September 30, 2010:							
Assets:							
Fixed maturity securities:							
U.S. corporate securities	$ 6	$ (20)	$	$	$	$	$ (14)
RMBS	(5)	(6)					(11)
Foreign corporate securities	7	(25)					(18)
U.S. Treasury, agency and government guaranteed securities							
CMBS	1	(2)					(1)
Foreign government securities	2	1					3
ABS	8	(17)					(9)
State and political subdivision securities							
Other fixed maturity securities							
Total fixed maturity securities	$ 19	$ (69)	$	$	$	$	$ (50)
Equity securities:							
Common stock	$	$ (1)	$	$	$	$	$ (1)
Non-redeemable preferred stock		1					1
Total equity securities	$	$	$	$	$	$	$
Trading securities	$ 9	$	$	$	$	$	$ 9
Short-term investments	$ 2	$	$	$	$	$	$ 2
Mortgage loans held-for-sale	$	$	$	$ (1)	$	$	$ (1)
MSRs	$	$	$	$ (91)	$	$	$ (91)

Net derivatives:							
Interest rate contracts	$	$	$ 2	$ 14	$	$	$ 16
Foreign currency contracts			46			(1)	45
Credit contracts			12				12
Equity market contracts	(2)		(169)				(171)
Total net derivatives	$ (2)	$	$ (109)	$ 14	$	$ (1)	$ (98)
Liabilities:							
Net embedded derivatives	$	$	$ 134	$	$	$	$ 134
Long-term debt of consolidated securitization entities	$	$ 37	$	$	$	$	$ 37

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MetLife, Inc.

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

	Total Gains and Losses Classification of Realized/Unrealized Gains (Losses) included in Earnings						
	Net Investment Income	Net Investment Gains (Losses)	Net Derivatives Gains (Losses)	Other Revenues	Policyholder Benefits and Claims	Other Expenses	Total
	(In millions)						
For the Three Months Ended September 30, 2009:							
Assets:							
Fixed maturity securities:							
U.S. corporate securities	$ 3	$ (24)	$	$	$	$	$ (21)
RMBS	12	(26)					(14)
Foreign corporate securities	(1)	(113)					(114)
U.S. Treasury, agency and government guaranteed securities							
CMBS		(31)					(31)
Foreign government securities	3	(1)					2
ABS	1	(15)					(14)
State and political subdivision securities							
Other fixed maturity securities							
Total fixed maturity securities	$ 18	$ (210)	$	$	$	$	$ (192)
Equity securities:							
Common stock	$	$ (1)	$	$	$	$	$ (1)
Non-redeemable preferred stock	(2)	(68)					(70)
Total equity securities	$ (2)	$ (69)	$	$	$	$	$ (71)
Trading securities	$ 7	$	$	$	$	$	$ 7
Short-term investments	$	$ (1)	$	$	$	$	$ (1)
Mortgage loans held-for-sale	$	$	$	$ (1)	$	$	$ (1)
MSRs	$	$	$	$ (64)	$	$	$ (64)
Net derivatives	$ 4	$	$ (576)	$ 33	$	$	$ (539)
Liabilities:							
Net embedded derivatives	$	$	$ (543)	$	$ (7)	$	$ (550)

MetLife, Inc.

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

The tables below summarize both realized and unrealized gains and losses for the nine months ended September 30, 2010 and 2009 due to changes in estimated fair value recorded in earnings for Level 3 assets and liabilities:

	Total Gains and Losses Classification of Realized/Unrealized Gains (Losses) included in Earnings						
	Net Investment Income	Net Investment Gains (Losses)	Net Derivatives Gains (Losses)	Other Revenues	Policyholder Benefits and Claims	Other Expenses	Total
				(In millions)			
For the Nine Months Ended September 30, 2010:							
Assets:							
Fixed maturity securities:							
U.S. corporate securities	$ 21	$ (15)	$	$	$	$	$ 6
RMBS	21	(6)					15
Foreign corporate securities	10	(42)					(32)
U.S. Treasury, agency and government guaranteed securities							
CMBS	1	(3)					(2)
Foreign government securities	2	(5)					(3)
ABS	27	(67)					(40)
State and political subdivision securities							
Other fixed maturity securities							
Total fixed maturity securities	$ 82	$ (138)	$	$	$	$	$ (56)
Equity securities:							
Common stock	$	$ 1	$	$	$	$	$ 1
Non-redeemable preferred stock		48					48
Total equity securities	$	$ 49	$	$	$	$	$ 49
Trading securities	$ 3	$	$	$	$	$	$ 3
Short-term investments	$ 2	$	$	$	$	$	$ 2
Mortgage loans held-for-sale	$	$	$	$ (1)	$	$	$ (1)
MSRs	$	$	$	$ (329)	$	$	$ (329)
Net derivatives:							

Interest rate contracts	$	$	$ 36	$ 61	$	$	$ 97
Foreign currency contracts			32			(4)	28
Credit contracts			(10)				(10)
Equity market contracts	6		243				249
Total net derivatives	$ 6	$	$ 301	$ 61	$	$ (4)	$ 364
Liabilities:							
Net embedded derivatives	$	$	$ (1,542)	$	$ 46	$	$ (1,496)
Long-term debt of consolidated securitization entities	$	$ 48	$	$	$	$	$ 48

MetLife, Inc.

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

	Total Gains and Losses Classification of Realized/Unrealized Gains (Losses) included in Earnings						
	Net Investment Income	Net Investment Gains (Losses)	Net Derivatives Gains (Losses)	Other Revenues	Policyholder Benefits and Claims	Other Expenses	Total
	(In millions)						
For the Nine Months Ended September 30, 2009:							
Assets:							
Fixed maturity securities:							
U.S. corporate securities	$ 11	$ (476)	$	$	$	$	$ (465)
RMBS	14	(5)					9
Foreign corporate securities	(4)	(299)					(303)
U.S. Treasury, agency and government guaranteed securities							
CMBS	1	(37)					(36)
Foreign government securities	8	(53)					(45)
ABS	2	(52)					(50)
State and political subdivision securities							
Other fixed maturity securities	1						1
Total fixed maturity securities	$ 33	$ (922)	$	$	$	$	$ (889)
Equity securities:							
Common stock	$	$ (1)	$	$	$	$	$ (1)
Non-redeemable preferred stock	(2)	(326)					(328)
Total equity securities	$ (2)	$ (327)	$	$	$	$	$ (329)
Trading securities	$ 14	$	$	$	$	$	$ 14
Short-term investments	$	$ (3)	$	$	$	$	$ (3)
Mortgage loans held-for-sale	$	$	$	$ (3)	$	$	$ (3)
MSRs	$	$	$	$ 70	$	$	$ 70
Net derivatives	$ (66)	$	$ (1,444)	$ 12	$	$	$ (1,498)
Liabilities:							
Net embedded derivatives	$	$	$ 1,369	$	$ (75)	$	$ 1,294

MetLife, Inc.

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

The tables below summarize the portion of unrealized gains and losses, due to changes in estimated fair value, recorded in earnings for the three months ended September 30, 2010 and 2009 for Level 3 assets and liabilities that were still held at September 30, 2010 and 2009, respectively.

	Changes in Unrealized Gains (Losses) Relating to Assets and Liabilities Held at September 30, 2010						
	Net Investment Income	Net Investment Gains (Losses)	Net Derivatives Gains (Losses)	Other Revenues	Policyholder Benefits and Claims	Other Expenses	Total
	(In millions)						
For the Three Months Ended September 30, 2010:							
Assets:							
Fixed maturity securities:							
U.S. corporate securities	$ 4	$ (30)	$	$	$	$	$ (26)
RMBS	(5)						(5)
Foreign corporate securities	5	(29)					(24)
U.S. Treasury, agency and government guaranteed securities							
CMBS	1	(3)					(2)
Foreign government securities	2						2
ABS	8	(9)					(1)
State and political subdivision securities							
Other fixed maturity securities							
Total fixed maturity securities	$ 15	$ (71)	$	$	$	$	$ (56)
Equity securities:							
Common stock	$	$ (1)	$	$	$	$	$ (1)
Non-redeemable preferred stock							
Total equity securities	$	$ (1)	$	$	$	$	$ (1)
Trading securities	$ 9	$	$	$	$	$	$ 9
Short-term investments	$ 2	$	$	$	$	$	$ 2
Mortgage loans held-for-sale	$	$	$	$ (1)	$	$	$ (1)
MSRs	$	$	$	$ (74)	$	$	$ (74)
Net derivatives:							
Interest rate contracts	$	$	$ 1	$ 63	$	$	$ 64
Foreign currency contracts			37				37

Credit contracts			12				12
Equity market contracts	(2)		(169)				(171)
Total net derivatives	$ (2)	$	$ (119)	$ 63	$	$	$ (58)
Liabilities:							
Net embedded derivatives	$	$	$ 126	$	$	$	$ 126
Long-term debt of consolidated securitization entities	$	$ 37	$	$	$	$	$ 37

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MetLife, Inc.

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

	Changes in Unrealized Gains (Losses) Relating to Assets and Liabilities Held at September 30, 2009						
	Net Investment Income	Net Investment Gains (Losses)	Net Derivatives Gains (Losses)	Other Revenues	Policyholder Benefits and Claims	Other Expenses	Total
				(In millions)			
For the Three Months Ended September 30, 2009:							
Assets:							
Fixed maturity securities:							
U.S. corporate securities	$ 5	$ (13)	$	$	$	$	$ (8)
RMBS	12						12
Foreign corporate securities	(1)	(45)					(46)
U.S. Treasury, agency and government guaranteed securities							
CMBS		(31)					(31)
Foreign government securities	3						3
ABS	1	(6)					(5)
State and political subdivision securities							
Other fixed maturity securities							
Total fixed maturity securities	$ 20	$ (95)	$	$	$	$	$ (75)
Equity securities:							
Common stock	$	$	$	$	$	$	$
Non-redeemable preferred stock	(2)	(27)					(29)
Total equity securities	$ (2)	$ (27)	$	$	$	$	$ (29)
Trading securities	$ 6	$	$	$	$	$	$ 6
Short-term investments	$	$	$	$	$	$	$
Mortgage loans held-for-sale	$	$	$	$ (1)	$	$	$ (1)
MSRs	$	$	$	$ (10)	$	$	$ (10)
Net derivatives	$ 4	$	$ (574)	$ 49	$	$	$ (521)
Liabilities:							
Net embedded derivatives	$	$	$ (545)	$	$ (7)	$	$ (552)

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MetLife, Inc.

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

The tables below summarize the portion of unrealized gains and losses, due to changes in estimated fair value, recorded in earnings for the nine months ended September 30, 2010 and 2009 for Level 3 assets and liabilities that were still held at September 30, 2010 and 2009, respectively.

	Changes in Unrealized Gains (Losses) Relating to Assets and Liabilities Held at September 30, 2010						
	Net Investment Income	Net Investment Gains (Losses)	Net Derivatives Gains (Losses)	Other Revenues	Policyholder Benefits and Claims	Other Expenses	Total
	(In millions)						
For the Nine Months Ended September 30, 2010:							
Assets:							
Fixed maturity securities:							
U.S. corporate securities	$ 11	$ (44)	$	$	$	$	$ (33)
RMBS	21						21
Foreign corporate securities	9	(45)					(36)
U.S. Treasury, agency and government guaranteed securities							
CMBS	1	(3)					(2)
Foreign government securities	6						6
ABS	26	(54)					(28)
State and political subdivision securities							
Other fixed maturity securities							
Total fixed maturity securities	$ 74	$ (146)	$	$	$	$	$ (72)
Equity securities:							
Common stock	$	$ (2)	$	$	$	$	$ (2)
Non-redeemable preferred stock							
Total equity securities	$	$ (2)	$	$	$	$	$ (2)
Trading securities	$ 3	$	$	$	$	$	$ 3
Short-term investments	$ 2	$	$	$	$	$	$ 2
Mortgage loans held-for-sale	$	$	$	$ (1)	$	$	$ (1)
MSRs	$	$	$	$ (294)	$	$	$ (294)

Net derivatives:							
Interest rate contracts	$	$	$ 36	$ 66	$	$	$ 102
Foreign currency contracts			31				31
Credit contracts			(9)				(9)
Equity market contracts	5		250				255
Total net derivatives	$ 5	$	$ 308	$ 66	$	$	$ 379
Liabilities:							
Net embedded derivatives	$	$	$ (1,556)	$	$ 46	$	$ (1,510)
Long-term debt of consolidated securitization entities	$	$ 48	$	$	$	$	$ 48

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

	Changes in Unrealized Gains (Losses) Relating to Assets and Liabilities Held at September 30, 2009						
	Net Investment Income	Net Investment Gains (Losses)	Net Derivatives Gains (Losses)	Other Revenues	Policyholder Benefits and Claims	Other Expenses	Total
				(In millions)			
For the Nine Months Ended September 30, 2009:							
Assets:							
Fixed maturity securities:							
U.S. corporate securities	$ 13	$ (457)	$	$	$	$	$ (444)
RMBS	14	1					15
Foreign corporate securities	(4)	(246)					(250)
U.S. Treasury, agency and government guaranteed securities							
CMBS	1	(51)					(50)
Foreign government securities	8						8
ABS	2	(103)					(101)
State and political subdivision securities							
Other fixed maturity securities	1						1
Total fixed maturity securities	$ 35	$ (856)	$	$	$	$	$ (821)
Equity securities:							
Common stock	$	$ (1)	$	$	$	$	$ (1)
Non-redeemable preferred stock	(2)	(172)					(174)
Total equity securities	$ (2)	$ (173)	$	$	$	$	$ (175)
Trading securities	$ 16	$	$	$	$	$	$ 16
Short-term investments	$	$	$	$	$	$	$
Mortgage loans held-for-sale	$	$	$	$ (3)	$	$	$ (3)
MSRs	$	$	$	$ 50	$	$	$ 50
Net derivatives	$ (66)	$	$ (1,405)	$ 49	$	$	$ (1,422)
Liabilities:							
Net embedded derivatives	$	$	$ 1,354	$	$ (75)	$	$ 1,279

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MetLife, Inc.

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

Fair Value Option Mortgage Loans Held-For-Sale

The following table presents residential mortgage loans held-for-sale carried under the fair value option at:

	September 30, 2010	December 31, 2009
	(In millions)	
Unpaid principal balance	$ 2,051	$ 2,418
Excess of estimated fair value over unpaid principal balance	90	52
Carrying value at estimated fair value	$ 2,141	$ 2,470
Loans in non-accrual status	$ 2	$ 4
Loans more than 90 days past due	$ 3	$ 2
Loans in non-accrual status or more than 90 days past due, or both difference between aggregate estimated fair value and unpaid principal balance	$ (1)	$ (2)

Residential mortgage loans held-for-sale accounted for under the fair value option are initially measured at estimated fair value. Interest income on residential mortgage loans held-for-sale is recorded based on the stated rate of the loan and is recorded in net investment income. Gains and losses from initial measurement, subsequent changes in estimated fair value and gains or losses on sales are recognized in other revenues. Such changes in estimated fair value for these loans were due to the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In millions)			
Instrument-specific credit risk based on changes in credit spreads for non-agency loans and adjustments in individual loan quality	$ (1)	$ (1)	$ (1)	$ (2)
Other changes in estimated fair value	139	149	400	457
Total gains (losses) recognized in other revenues	$ 138	$ 148	$ 399	$ 455

Fair Value Option Consolidated Securitization Entities

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

	September 30, 2010 (In millions)
Unpaid principal balance	$ 6,881
Excess of estimated fair value over unpaid principal balance	212
Carrying value at estimated fair value	$ 7,093

MetLife, Inc.

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

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

	September 30, 2010 (In millions)
Contractual principal balance	$ 6,852
Excess of estimated fair value over contractual principal balance	223
Carrying value at estimated fair value	$ 7,075

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

Non-Recurring Fair Value Measurements

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

	Three Months Ended September 30,					
	2010			2009		
	Carrying Value Prior to Measurement	Estimated Fair Value After Measurement	Net Investment Gains (Losses)	Carrying Value Prior to Measurement	Estimated Fair Value After Measurement	Net Investment Gains (Losses)
	(In millions)					
Mortgage loans: (1)						
Held-for-investment	$ 93	$ 93	$	$ 88	$ 63	$ (25)
Held-for-sale	27	28	1	35	33	(2)
Mortgage loans, net	$ 120	$ 121	$ 1	$ 123	$ 96	$ (27)
Other limited partnership interests (2)	$ 3	$ 1	$ (2)	$ 49	$ 36	$ (13)
Real estate joint ventures (3)	$	$	$	$ 49	$ 27	$ (22)

	Nine Months Ended September 30,					
	2010			2009		
	Carrying Value Prior to Measurement	Estimated Fair Value After Measurement	Net Investment Gains (Losses)	Carrying Value Prior to Measurement	Estimated Fair Value After Measurement	Net Investment Gains (Losses)
	(In millions)					
Mortgage loans: (1)						
Held-for-investment	$ 90	$ 93	$ 3	$ 176	$ 123	$ (53)
Held-for-sale	28	28		41	38	(3)
Mortgage loans, net	$ 118	$ 121	$ 3	$ 217	$ 161	$ (56)
Other limited partnership interests (2)	$ 28	$ 18	$ (10)	$ 881	$ 527	$ (354)
Real estate joint ventures (3)	$ 33	$ 8	$ (25)	$ 186	$ 96	$ (90)

MetLife, Inc.

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

(1) *Mortgage loans* The impaired mortgage loans presented above were written down to their estimated fair values at the date the impairments were recognized and are reported as losses above. Subsequent improvements in estimated fair value on previously impaired loans recorded through a reduction in the previously established valuation allowance are reported as gains above. Estimated fair values for impaired mortgage loans are based on observable market prices or, if the loans are in foreclosure or are otherwise determined to be collateral dependent, on the estimated fair value of the underlying collateral, or the present value of the expected future cash flows. Impairments to estimated fair value and decreases in previous impairments from subsequent improvements in estimated fair value represent non-recurring fair value measurements that have been categorized as Level 3 due to the lack of price transparency inherent in the limited markets for such mortgage loans.

(2) *Other limited partnership interests* The impaired investments presented above were accounted for using the cost basis. Impairments on these cost basis investments were recognized at estimated fair value determined from information provided in the financial statements of the underlying entities in the period in which the impairment was incurred. These impairments to estimated fair value represent non-recurring fair value measurements that have been classified as Level 3 due to the limited activity and price transparency inherent in the market for such investments. This category includes several private equity and debt funds that typically invest primarily in a diversified pool of investments across certain investment strategies including domestic and international leveraged buyout funds; power, energy, timber and infrastructure development funds; venture capital funds; below investment grade debt and mezzanine debt funds. The estimated fair values of these investments have been determined using the NAV of the Company s ownership interest in the partners capital. Distributions from these investments will be generated from investment gains, from operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next 2 to 10 years. Unfunded commitments for these investments were $25 million at September 30, 2010.

(3) *Real estate joint ventures* The impaired investments presented above were accounted for using the cost basis. Impairments on these cost basis investments were recognized at estimated fair value determined from information provided in the financial statements of the underlying entities in the period in which the impairment was incurred. These impairments to estimated fair value represent non-recurring fair value measurements that have been classified as Level 3 due to the limited activity and price transparency inherent in the market for such investments. This category includes several real estate funds that typically invest primarily in commercial real estate. The estimated fair values of these investments have been determined using the NAV of the Company s ownership interest in the partners capital. Distributions from these investments will be generated from investment gains, from operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next 2 to 10 years. Unfunded commitments for these investments were $7 million at September 30, 2010.

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MetLife, Inc.

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

Fair Value of Financial Instruments

Amounts related to the Company s financial instruments that were not measured at fair value on a recurring basis, were as follows:

September 30, 2010	Notional Amount	Carrying Value (In millions)	Estimated Fair Value
Assets			
Mortgage loans: (1)			
Held-for-investment		$ 50,005	$ 51,331
Held-for-sale		699	699
Mortgage loans, net		$ 50,704	$ 52,030
Policy loans		$ 10,230	$ 12,173
Real estate joint ventures (2)		$ 110	$ 132
Other limited partnership interests (2)		$ 1,575	$ 1,754
Short-term investments (3)		$ 310	$ 310
Other invested assets (2)		$ 912	$ 912
Cash and cash equivalents		$ 14,557	$ 14,557
Accrued investment income		$ 3,469	$ 3,469
Premiums, reinsurance and other receivables (2)		$ 3,272	$ 3,744
Other assets (2)		$ 425	$ 394
Liabilities			
Policyholder account balances (2)		$ 100,287	$ 106,415
Payables for collateral under securities loaned and other transactions		$ 31,891	$ 31,891
Bank deposits		$ 9,362	$ 9,415
Short-term debt		$ 2,057	$ 2,057
Long-term debt (2)		$ 17,404	$ 19,037
Collateral financing arrangements		$ 5,297	$ 2,484
Junior subordinated debt securities		$ 3,191	$ 3,415
Other liabilities (2)		$ 3,829	$ 3,829
Separate account liabilities (2)		$ 40,538	$ 40,538
Commitments (4)			
Mortgage loan commitments	$ 3,225	$	$ (2)
Commitments to fund bank credit facilities, bridge loans and private corporate bond investments	$ 2,053	$	$ 73

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MetLife, Inc.

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

December 31, 2009	Notional Amount	Carrying Value (In millions)	Estimated Fair Value
Assets			
Mortgage loans: (1)			
Held-for-investment		$ 48,181	$ 46,315
Held-for-sale		258	258
Mortgage loans, net		$ 48,439	$ 46,573
Policy loans		$ 10,061	$ 11,294
Real estate joint ventures (2)		$ 115	$ 127
Other limited partnership interests (2)		$ 1,571	$ 1,581
Short-term investments (3)		$ 201	$ 201
Other invested assets (2)		$ 1,241	$ 1,284
Cash and cash equivalents		$ 10,112	$ 10,112
Accrued investment income		$ 3,173	$ 3,173
Premiums, reinsurance and other receivables (2)		$ 3,375	$ 3,532
Other assets (2)		$ 425	$ 440
Liabilities			
Policyholder account balances (2)		$ 97,131	$ 96,735
Payables for collateral under securities loaned and other transactions		$ 24,196	$ 24,196
Bank deposits		$ 10,211	$ 10,300
Short-term debt		$ 912	$ 912
Long-term debt (2)		$ 13,185	$ 13,831
Collateral financing arrangements		$ 5,297	$ 2,877
Junior subordinated debt securities		$ 3,191	$ 3,167
Other liabilities (2)		$ 1,788	$ 1,788
Separate account liabilities (2)		$ 32,171	$ 32,171
Commitments (4)			
Mortgage loan commitments	$ 2,220	$	$ (48)
Commitments to fund bank credit facilities, bridge loans and private corporate bond investments	$ 1,261	$	$ (52)

(1) Mortgage loans held-for-investment as presented in the tables above differ from the amount presented in the consolidated balance sheets because these tables do not include commercial mortgage loans held by consolidated securitization entities. Mortgage loans held-for-sale as presented in the tables above differ from the amount presented in the consolidated balance sheets because these tables do not include residential mortgage loans held-for-sale accounted for under the fair value option.

(2)

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

(3) Short-term investments as presented in the tables above differ from the amounts presented in the consolidated balance sheets because these tables do not include short-term investments that meet the definition of a security, which are measured at estimated fair value on a recurring basis.

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

MetLife, Inc.

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

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

The assets and liabilities measured at estimated fair value on a recurring basis include: fixed maturity securities, equity securities, trading securities, trading securities held by consolidated securitization entities, mortgage loans held by consolidated securitization entities, mortgage loans held-for-sale accounted for under the fair value option, MSRs, derivative assets and liabilities, net embedded derivatives within asset and liability host contracts, separate account assets, long-term debt of consolidated securitization entities and trading liabilities. These assets and liabilities are described in the section Recurring Fair Value Measurements and, therefore, are excluded from the tables above. The estimated fair value for these financial instruments approximates carrying value.

Mortgage loans

These mortgage loans are principally comprised of commercial and agricultural mortgage loans, which are originated for investment purposes and are primarily carried at amortized cost. Residential mortgage and consumer loans are generally purchased from third parties for investment purposes and are principally carried at amortized cost, while those originated for sale and not carried under the fair value option are carried at the lower of cost or estimated fair value. The estimated fair values of these mortgage loans are determined as follows:

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

Mortgage loans held-for-sale. Certain mortgage loans previously classified as held-for-investment have been designated as held-for-sale. For these mortgage loans, estimated fair value is determined using independent broker quotations or, when the mortgage loan is in foreclosure or otherwise determined to be collateral dependent, the fair value of the underlying collateral is estimated using internal models. For residential mortgage loans originated for sale, the estimated fair value is determined principally from observable market pricing or from internal models.

Policy loans

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

Real estate joint ventures and other limited partnership interests

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

MetLife, Inc.

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

The estimated fair values for other limited partnership interests and real estate joint ventures accounted for under the cost method are generally based on the Company s share of the 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.

Short-term investments

Certain short-term investments do not qualify as securities and are recognized at amortized cost in the consolidated balance sheets. For these instruments, the Company believes that there is minimal risk of material changes in interest rates or credit of the issuer such that estimated fair value approximates carrying value. In light of recent market conditions, short-term investments have been monitored to ensure there is sufficient demand and maintenance of issuer credit quality and the Company has determined additional adjustment is not required.

Other invested assets

Other invested assets within the preceding tables are principally comprised of an investment in a funding agreement, funds withheld and various interest-bearing assets held in foreign subsidiaries.

The estimated fair value of the investment in funding agreements is estimated by discounting the expected future cash flows using current market rates and the credit risk of the note issuer. For funds withheld and the various interest-bearing assets held in foreign subsidiaries, the Company evaluates the specific facts and circumstances of each instrument to determine the appropriate estimated fair values. These estimated fair values were not materially different from the recognized carrying values.

Cash and cash equivalents

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

Accrued investment income

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

Premiums, reinsurance and other receivables

Premiums, reinsurance and other receivables in the preceding tables are principally comprised of certain amounts recoverable under reinsurance contracts, amounts on deposit with financial institutions to facilitate daily settlements related to certain derivative positions and amounts receivable for securities sold but not yet settled.

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

MetLife, Inc.

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

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

Other assets

Other assets in the preceding tables is a receivable for cash paid to an unaffiliated financial institution under the MetLife Reinsurance Company of Charleston (MRC) collateral financing arrangement as described in Note 12 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report. With the exception of the receivable for cash paid to the unaffiliated financial institution, other assets are not considered financial instruments subject to disclosure. Accordingly, the amount presented in the preceding table represents the receivable for the cash paid to the unaffiliated financial institution under the MRC collateral financing arrangement for which the estimated fair value was determined by discounting the expected future cash flows using a discount rate that reflects the credit rating of the unaffiliated financial institution.

Policyholder account balances

Policyholder account balances in the tables above include investment contracts. Embedded derivatives on investment contracts and certain variable annuity guarantees accounted for as embedded derivatives are included in this caption in the consolidated financial statements but excluded from this caption in the tables above as they are separately presented in the previous section labeled Recurring Fair Value Measurements. The remaining difference between the amounts reflected as policyholder account balances in the preceding table and those recognized in the consolidated balance sheets represents those amounts due under contracts that satisfy the definition of insurance contracts and are not considered financial instruments.

The investment contracts primarily include certain funding agreements, fixed deferred annuities, modified guaranteed annuities, fixed term payout annuities and total control accounts. The fair values for these investment contracts are estimated by discounting best estimate future cash flows using current market risk-free interest rates and adding a spread to reflect the nonperformance risk in the liability.

Payables for collateral under securities loaned and other transactions

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

Bank deposits

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

Short-term and long-term debt, collateral financing arrangements and junior subordinated debt securities

The estimated fair value for short-term debt approximates carrying value due to the short-term nature of these obligations. The estimated fair values of long-term debt, collateral financing arrangements and junior subordinated debt securities are generally determined by discounting expected future cash flows using market rates currently

MetLife, Inc.

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

available for debt with similar remaining maturities and reflecting the credit risk of the Company including inputs, when available, from actively traded debt of the Company or other companies with similar types of borrowing arrangements. Risk-adjusted discount rates applied to the expected future cash flows can vary significantly based upon the specific terms of each individual arrangement, including, but not limited to: subordinated rights; contractual interest rates in relation to current market rates; the structuring of the arrangement; and the nature and observability of the applicable valuation inputs. Use of different risk-adjusted discount rates could result in different estimated fair values.

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

Other liabilities

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

Separate account liabilities

Separate account liabilities included in the preceding tables represent those balances due to policyholders under contracts that are classified as investment contracts. The remaining amounts presented in the consolidated balance sheets represent those contracts classified as insurance contracts, which do not satisfy the definition of financial instruments.

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

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

Mortgage loan commitments and commitments to fund bank credit facilities, bridge loans and private corporate bond investments

The estimated fair values for mortgage loan commitments that will be held for investment and commitments to fund bank credit facilities, bridge loans and private corporate bonds that will be held for investment reflected in the above tables represent the difference between the discounted expected future cash flows using interest rates that incorporate current credit risk for similar instruments on the reporting date and the principal amounts of the commitments.

6. Closed Block

On April 7, 2000 (the Demutualization Date), MLIC converted from a mutual life insurance company to a stock life insurance company and became a wholly-owned subsidiary of MetLife, Inc. The conversion was pursuant

MetLife, Inc.

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

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. The policyholder dividend obligation increased to $2,014 million at September 30, 2010, from zero at December 31, 2009, as a result of recent unrealized gains in the closed block. 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.

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

	September 30, 2010	December 31, 2009
	(In millions)	
Closed Block Liabilities		
Future policy benefits	$ 43,409	$ 43,576
Other policyholder funds	305	307
Policyholder dividends payable	699	615
Policyholder dividend obligation	2,014	
Other liabilities	651	576
Total closed block liabilities	47,078	45,074
Assets Designated to the Closed Block		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $27,318 and $27,129, respectively)	30,217	27,375
Equity securities available-for-sale, at estimated fair value (cost: $110 and $204, respectively)	107	218
Mortgage loans	6,064	6,200
Policy loans	4,609	4,538
Real estate and real estate joint ventures held-for-investment	331	321
Short-term investments		1
Other invested assets	588	463
Total investments	41,916	39,116
Cash and cash equivalents	207	241
Accrued investment income	538	489
Premiums, reinsurance and other receivables	75	78

Current income tax recoverable		100		112
Deferred income tax assets		307		612
Total assets designated to the closed block		43,143		40,648
Excess of closed block liabilities over assets designated to the closed block		3,935		4,426
Amounts included in accumulated other comprehensive income (loss):				
Unrealized investment gains (losses), net of income tax of $1,015 and $89, respectively		1,884		166
Unrealized gains (losses) on derivative instruments, net of income tax of $5 and ($3), respectively		9		(5)
Allocated to policyholder dividend obligation, net of income tax of ($705) and $0, respectively		(1,309)		
Total amounts included in accumulated other comprehensive income (loss)		584		161
Maximum future earnings to be recognized from closed block assets and liabilities	$	4,519	$	4,587

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MetLife, Inc.

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

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

	Nine Months Ended September 30, 2010	Year Ended December 31, 2009
	(In millions)	
Balance, beginning of period	$	$
Change in unrealized investment and derivative gains (losses)	2,014	
Balance, end of period	$ 2,014	$

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In millions)			
Revenues				
Premiums	$ 593	$ 649	$ 1,776	$ 1,953
Net investment income	571	547	1,714	1,633
Net investment gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(5)	(12)	(23)	(69)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)		6		14
Other net investment gains (losses)	3	105	42	298
Total net investment gains (losses)	(2)	99	19	243
Net derivatives gains (losses)	(36)	(47)	(22)	(132)
Total revenues	1,126	1,248	3,487	3,697
Expenses				
Policyholder benefits and claims	758	800	2,262	2,412
Policyholder dividends	329	375	974	1,114
Other expenses	50	50	151	154
Total expenses	1,137	1,225	3,387	3,680

Revenues, net of expenses before provision for income tax expense (benefit)		(11)		23		100		17
Provision for income tax expense (benefit)		(5)		6		32		3
Revenues, net of expenses and provision for income tax expense (benefit)	$	(6)	$	17	$	68	$	14

MetLife, Inc.

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

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

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
	(In millions)			
Balance, end of period	$ 4,519	$ 4,504	$ 4,519	$ 4,504
Balance, beginning of period	4,513	4,521	4,587	4,518
Change during period	$ 6	$ (17)	$ (68)	$ (14)

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

7. Long-term and Short-term Debt

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

Senior Notes

On August 6, 2010, in anticipation of the Acquisition (see Note 1), MetLife, Inc. issued senior notes as follows:

$1,000 million senior notes due February 6, 2014, which bear interest at a fixed rate of 2.375%, payable semiannually;

$1,000 million senior notes due February 8, 2021, which bear interest at a fixed rate of 4.75%, payable semiannually;

$750 million senior notes due February 6, 2041, which bear interest at a fixed rate of 5.875%, payable semiannually; and

$250 million floating rate senior notes due August 6, 2013, which bear interest at a rate equal to three-month LIBOR, reset quarterly, plus 1.25%, payable quarterly.

In connection with these offerings, MetLife, Inc. incurred $15 million of issuance costs which have been capitalized and included in other assets. These costs are being amortized over the terms of the senior notes.

Advances from the Federal Home Loan Bank of New York

MetLife Bank, National Association (MetLife Bank) is a member of the FHLB of NY and held $240 million and $124 million of common stock of the FHLB of NY at September 30, 2010 and December 31, 2009, respectively, which is included in equity securities. MetLife Bank has also entered into an advances agreement with the FHLB of NY whereby MetLife Bank has received cash advances and under which the FHLB of NY has been granted a blanket lien on certain of MetLife Bank s residential mortgages, mortgage loans held-for-sale, commercial mortgages and mortgage-backed securities to collateralize MetLife Bank s repayment obligations. Upon any event of default by MetLife Bank, the FHLB of NY s recovery is limited to the amount of MetLife Bank s liability under the advances agreement. The amount of MetLife Bank s liability for advances from the FHLB of NY was $5.0 billion and $2.4 billion at September 30, 2010 and December 31, 2009, respectively, which is included in long-term debt and short-term debt depending upon the original tenor of the advance. During the nine months ended September 30, 2010 and 2009, MetLife Bank received advances related to long-term borrowings totaling $1.6 billion and $950 million, respectively, from the FHLB of NY. MetLife Bank made repayments to the

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FHLB of NY of $219 million and $220 million related to long-term borrowings for the nine months ended September 30, 2010 and 2009, respectively. The advances related to both long-term and short-term debt were collateralized by residential mortgages, mortgage loans held-for-sale, commercial mortgages and mortgage-backed securities with estimated fair values of $7.7 billion and $5.5 billion at September 30, 2010 and December 31, 2009, respectively.

Credit and Committed Facilities

As a result of the offerings of senior notes (see Senior Notes) and common stock (see Note 10), the commitment letter for a $5.0 billion senior credit facility, which the Company signed on March 16, 2010 to partially finance the Acquisition, was terminated. During March 2010, the Company paid $28 million in fees related to this senior credit facility, all of which were expensed during the nine months ended September 30, 2010. See Note 11.

See Note 15 for discussion of the senior unsecured credit facilities entered into in October 2010.

8. Contingencies, Commitments and Guarantees

Contingencies

Litigation

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

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

On a quarterly and annual basis, the Company reviews relevant information with respect to litigation and contingencies to be reflected in the Company s consolidated financial statements. The review includes senior legal and financial personnel. Unless stated below, estimates of possible losses or ranges of loss for particular matters cannot in the ordinary course be made with a reasonable degree of certainty. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Liabilities have been established for a number of the matters noted below. It is possible that some of the matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be estimated at September 30, 2010.

Asbestos-Related Claims

MLIC is and has been a defendant in a large number of asbestos-related suits filed primarily in state courts. These suits principally allege that the plaintiff or plaintiffs suffered personal injury resulting from exposure to

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

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

As reported in the 2009 Annual Report, MLIC received approximately 3,910 asbestos-related claims in 2009. During the nine months ended September 30, 2010 and 2009, MLIC received approximately 4,800 and 2,800 new asbestos-related claims, respectively. See Note 16 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report for historical information concerning asbestos claims and MLIC s increase in its recorded liability at December 31, 2002. The number of asbestos cases that may be brought, the aggregate amount of any liability that MLIC may incur, and the total amount paid in settlements in any given year are uncertain and may vary significantly from year to year.

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

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

The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for asbestos-related claims. MLIC s recorded asbestos liability is based

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

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

MLIC reevaluates on a quarterly and annual basis its exposure from asbestos litigation, including studying its claims experience, reviewing external literature regarding asbestos claims experience in the United States, assessing relevant trends impacting asbestos liability and considering numerous variables that can affect its asbestos liability exposure on an overall or per claim basis. These variables include bankruptcies of other companies involved in asbestos litigation, legislative and judicial developments, the number of pending claims involving serious disease, the number of new claims filed against it and other defendants and the jurisdictions in which claims are pending. Based upon its regular reevaluation of its exposure from asbestos litigation, MLIC has updated its liability analysis for asbestos-related claims through September 30, 2010.

Regulatory Matters

The Company receives and responds to subpoenas or other inquiries from state regulators, including state insurance commissioners; state attorneys general or other state governmental authorities; federal regulators, including the SEC; federal governmental authorities, including congressional committees; and the Financial Industry Regulatory Authority (FINRA) seeking a broad range of information. The issues involved in information requests and regulatory matters vary widely. The Company cooperates in these inquiries.

Certain regulators have requested information and documents regarding contingent commission payments to brokers, the Company s awareness of any sham bids for business, bids and quotes that the Company submitted to potential customers, incentive agreements entered into with brokers, or compensation paid to intermediaries. On April 15, 2010, the Company and the Office of the U.S. Attorney for the Southern District of California signed an agreement that resolved the U.S. Attorney s investigation concerning payments that the Company had made to the insurance broker Universal Life Resources prior to 2005. Among other things, the agreement required the Company to make a $13.5 million payment, which it made in April 2010. The Florida insurance regulator has initiated discussions with the Company regarding its investigation of contingent payments made to brokers. Attorneys general from 50 states and several state banking and mortgage regulators announced a multistate joint investigation of mortgage servicers to determine whether inaccurate affidavits or other documents were submitted in support of foreclosure proceedings. MetLife Bank, and specifically its mortgage servicing department within MetLife Home Loans, received requests for information from some of these state attorneys general and other regulators. Also, the Office of the Comptroller of the Currency and other federal banking regulators are conducting examinations of foreclosure practices at major financial institutions that service residential mortgage loans, including MetLife Bank. It is possible that additional state or federal regulators or legislative bodies may pursue similar investigations or make related inquiries.

The Environmental Protection Agency (EPA) issued Notices of Violation in June 2008 and May 2010 (the NOVs) to EME Homer City Generation LLC (EME Homer City), Homer City OL6 LLC, and other respondents regarding the operations of the Homer City Generating Station, an electrical generation facility. Homer City OL6 LLC, an entity owned by MLIC, is a passive investor with a noncontrolling interest in the electrical generation facility, which is solely operated by the lessee, EME Homer City. The NOVs allege, among other things, that the electrical generation facility is being operated in violation of certain federal and state Clean Air Act requirements. The NOVs identify the injunctive, monetary and criminal penalties that a court may impose if the EPA prosecutes actions for the specified violations. On July 20, 2010, the State of New York and the Pennsylvania Department of Environmental Protection notified Homer City OL6 and other parties that they intend

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to bring an action against the owners of the Homer City Generating Station and other parties for alleged violations of the Clean Air Act. The violations described in the July 20 notice are similar to the violations that the NOVs describe. EME Homer City has acknowledged its obligation to indemnify Homer City OL6 LLC for any claims relating to the NOVs.

Regulatory authorities in a small number of states and FINRA, and occasionally the SEC, have had investigations or inquiries relating to sales of individual life insurance policies or annuities or other products by MLIC, MetLife Insurance Company of Connecticut, New England Life Insurance Company and General American Life Insurance Company, and the four Company broker-dealers, which are MetLife Securities, Inc. (MSI), New England Securities Corporation, Walnut Street Securities, Inc. and Tower Square Securities, Inc. These investigations often focus on the conduct of particular financial services representatives and the sale of unregistered or unsuitable products or the misuse of client assets. Over the past several years, these and a number of investigations by other regulatory authorities were resolved for monetary payments and certain other relief, including restitution payments. The Company may continue to resolve investigations in a similar manner.

In July 2010, MSI resolved two regulatory matters that had been brought by the Illinois Department of Securities. MSI signed a stipulation as to the first matter and a settlement agreement as to the second matter with the Illinois Department of Securities. In January 2008, MSI had received notice of the commencement of an administrative action by the Illinois Department of Securities asserting possible violations of the Illinois Securities Act. In December 2008, MSI had received a Notice of Hearing from the Illinois Department of Securities also asserting possible violations of the Illinois Securities Act.

Retained Asset Account Matters

MetLife offers as a settlement option under its individual and group life insurance policies a retained asset account for death benefit payments called a Total Control Account (TCA). When a TCA is established for a beneficiary, the Company retains the death benefit proceeds in the general account and pays interest on those proceeds at a rate set by reference to objective indices. Additionally, the accounts enjoy a guaranteed minimum interest rate. Beneficiaries can withdraw all of the funds or a portion of the funds held in the account at any time.

The New York Attorney General announced on July 29, 2010 that his office had launched a major fraud investigation into the life insurance industry for practices related to the use of retained asset accounts and that subpoenas requesting comprehensive data related to retained asset accounts had been served on MetLife and other insurance carriers. The Company received the subpoena on July 30, 2010. The Company also has received requests for documents and information from U.S. congressional committees and members as well as various state regulatory bodies, including the New York Insurance Department. It is possible that other state and federal regulators or legislative bodies may pursue similar investigations or make related inquiries. We cannot predict what effect any such investigations might have on our earnings or the availability of the TCA, but we believe that our financial statements taken as a whole would not be materially affected. We believe that any allegations that information about the TCA is not adequately disclosed or that the accounts are fraudulent or otherwise violate state or federal laws are without merit.

MLIC is a defendant in lawsuits related to the TCA. The lawsuits include claims of breach of contract, breach of a common law fiduciary duty or a quasi-fiduciary duty such as a confidential or special relationship, or breach of a fiduciary duty under ERISA.

Clark, et al. v. Metropolitan Life Insurance Company (D. Nev., filed March 28, 2008). This putative class action lawsuit alleges breach of contract and breach of a common law fiduciary and/or quasi-fiduciary duty arising from use of the TCA to pay life insurance policy death benefits. As damages, plaintiffs seek disgorgement of the difference between the interest paid to the account holders and the investment earnings on the assets backing the accounts. In March 2009, the court granted in part and denied in part MLIC s motion to dismiss, dismissing the fiduciary duty and unjust enrichment claims but allowing a breach of contract claim and a special or confidential

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relationship claim to go forward. On September 9, 2010, the court granted MLIC s motion for summary judgment. On September 20, 2010, plaintiff filed a Notice of Appeal to the United States Court of Appeals for the Ninth Circuit.

Faber, et al. v. Metropolitan Life Insurance Company (S.D.N.Y., filed December 4, 2008). This putative class action lawsuit alleges that MLIC s use of the TCA as the settlement option under group life insurance policies violates MLIC s fiduciary duties under ERISA. As damages, plaintiffs seek disgorgement of the difference between the interest paid to the account holders and the investment earnings on the assets backing the accounts. On October 23, 2009, the court granted MLIC s motion to dismiss with prejudice. On November 24, 2009, plaintiffs filed a Notice of Appeal to the United States Court of Appeals for the Second Circuit.

Keife, et al. v. Metropolitan Life Insurance Company (D. Nev., filed in state court on July 30, 2010 and removed to federal court on September 7, 2010). This putative class action lawsuit alleges breach of contract, breach of a common law fiduciary duty, breach of duties arising from a special or confidential relationship, and breach of the covenant of good faith and fair dealing arising from MLIC s use of the TCA to pay life insurance benefits under the FEGLI program. As damages, plaintiffs seek disgorgement of the difference between the interest paid to the account holders and the investment earnings on the assets backing the accounts. In September 2010, plaintiffs filed a motion for class certification of the breach of contract claim, which the court has stayed. MLIC has not yet filed a response to the complaint.

Demutualization Actions

The Company was a defendant in two lawsuits challenging the fairness of the Plan and the adequacy and accuracy of MLIC s disclosure to policyholders regarding the Plan. The plaintiffs in the consolidated state court class action, *Fiala, et al. v. Metropolitan Life Ins. Co., et al. (Sup. Ct., N.Y. County, filed March 17, 2000),* sought compensatory relief and punitive damages against MLIC, the Holding Company, and individual directors. The court certified a litigation class of present and former policyholders on plaintiffs claim that defendants violated section 7312 of the New York Insurance Law. The plaintiffs in the consolidated federal court class action, *In re MetLife Demutualization Litig. (E.D.N.Y., filed April 18, 2000),* sought rescission and compensatory damages against MLIC and the Holding Company. Plaintiffs asserted violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 in connection with the Plan, claiming that the Policyholder Information Booklets failed to disclose certain material facts and contained certain material misstatements. The court certified a litigation class of present and former policyholders. The parties to these two lawsuits entered into a settlement agreement in November 2009. On March 2, 2010 and March 23, 2010, the federal and state courts respectively entered final judgments confirming their approval of the settlement and dismissing the actions. On March 15, 2010, an objector filed a notice of appeal of the federal court s order approving the settlement. On June 28, 2010, the United States Court of Appeals for the Second Circuit dismissed the only notice of appeal filed with respect to the settlement. In August 2010, MetLife made all payments required under the settlement.

Other Litigation

Travelers Ins. Co., et al. v. Banc of America Securities LLC (S.D.N.Y., filed December 13, 2001). On January 6, 2009, after a jury trial, the district court entered a judgment in favor of The Travelers Insurance Company, now known as MetLife Insurance Company of Connecticut (MICC), in the amount of approximately $42 million in connection with securities and common law claims against the defendant. On May 14, 2009, the district court issued an opinion and order denying the defendant s post judgment motion seeking a judgment in its favor or, in the alternative, a new trial. On July 20, 2010, the United States Court of Appeals for the Second Circuit issued an order affirming the district court s judgment in favor of MICC and the district court s order denying defendant s post-trial motions. On October 14, 2010, the Second Circuit issued an order denying defendant s petition for rehearing of its appeal. On October 20, 2010, the defendant paid MICC approximately $42 million, which represents the judgment amount due to MICC. This lawsuit is now fully resolved.

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

The American Dental Association, et al. v. MetLife Inc., et al. (S.D. Fla., filed May 19, 2003). The American Dental Association and three individual providers had sued the Holding Company, MLIC and other non-affiliated insurance companies in a putative class action lawsuit. The plaintiffs purported to represent a nationwide class of in-network providers who alleged that their claims were being wrongfully reduced by downcoding, bundling, and the improper use and programming of software. The complaint alleged federal racketeering and various state law theories of liability. All of plaintiffs claims except for breach of contract claims were dismissed with prejudice on March 2, 2009. By order dated March 20, 2009, the district court declined to retain jurisdiction over the remaining breach of contract claims and dismissed the lawsuit. On May 14, 2010, the United States Court of Appeals for the Eleventh Circuit issued a decision affirming the district court s dismissal of the lawsuit. Since the plaintiffs have not sought Supreme Court review of the Eleventh Circuit s decision within the required time period, the dismissal is final.

In Re Ins. Brokerage Antitrust Litig. (D. N.J., filed February 24, 2005). In this multi-district class action proceeding, plaintiffs complaint alleged that the Holding Company, MLIC, several non-affiliated insurance companies and several insurance brokers violated the Racketeer Influenced and Corrupt Organizations Act (RICO), the Employee Retirement Income Security Act of 1974 (ERISA), and antitrust laws and committed other misconduct in the context of providing insurance to employee benefit plans and to persons who participate in such employee benefit plans. In August and September 2007 and January 2008, the court issued orders granting defendants motions to dismiss with prejudice the federal antitrust, the RICO, and the ERISA claims. In February 2008, the court dismissed the remaining state law claims on jurisdictional grounds. On August 16, 2010, the United States Court of Appeals for the Third Circuit affirmed the district court s orders dismissing the RICO and federal antitrust claims against the Holding Company, MLIC and other employee benefit insurers. A putative class action alleging that the Holding Company and other non-affiliated defendants violated state laws was transferred to the District of New Jersey but was not consolidated with other related actions. Plaintiffs motion to remand this action to state court in Florida is pending.

Roberts, et al. v. Tishman Speyer Properties, et al. (Sup. Ct., N.Y. County, filed January 22, 2007). This lawsuit was filed by a putative class of market rate tenants at Stuyvesant Town and Peter Cooper Village against parties including Metropolitan Tower Life Insurance Company and Metropolitan Insurance and Annuity Company. These tenants claim that the Company, as former owner, and the current owner improperly deregulated apartments while receiving J-51 tax abatements. The lawsuit seeks declaratory relief and damages for rent overcharges. In August 2007, the trial court granted the Company s motion to dismiss. In March 2009, New York s intermediate appellate court reversed the trial court s decision and reinstated the lawsuit. The defendants appealed this ruling to the New York State Court of Appeals, which in October 2009 issued an opinion affirming the ruling of the intermediate appellate court. The lawsuit has returned to the trial court where, following the court s denial of the Company s motion to dismiss on August 5, 2010, the Company continues to vigorously defend against the claims.

Sun Life Assurance Company of Canada v. Metropolitan Life Ins. Co. (Super. Ct., Ontario, October 2006). In 2006, Sun Life Assurance Company of Canada (Sun Life), as successor to the purchaser of MLIC s Canadian operations, filed this lawsuit in Toronto, seeking a declaration that MLIC remains liable for market conduct

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claims related to certain individual life insurance policies sold by MLIC and that have been transferred to Sun Life. Sun Life asks that the court require MLIC to indemnify Sun Life for these claims pursuant to indemnity provisions in the sale agreement for the sale of MLIC s Canadian operations entered into in June of 1998. In January 2010, the court found that Sun Life had given timely notice of its claim for indemnification but, because it found that Sun Life had not yet incurred an indemnifiable loss, granted MLIC s motion for summary judgment. Sun Life s appeal from the order dismissing its claim is pending. In September 2010, Sun Life notified MLIC that a purported class action lawsuit was filed against Sun Life in Toronto, *Kang v. Sun Life Assurance Co. (Super. Ct., Ontario, September 2010)*, alleging sales practices claims regarding the same individual policies sold by MLIC and transferred to Sun Life. Sun Life contends that MLIC is obligated to indemnify Sun Life for some or all of the claims in this lawsuit.

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

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

Summary

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

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

Commitments

Commitments to Fund Partnership Investments

The Company makes commitments to fund partnership investments in the normal course of business. The amounts of these unfunded commitments were $3.7 billion and $4.1 billion at September 30, 2010 and

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December 31, 2009, respectively. The Company anticipates that these amounts will be invested in partnerships over the next five years.

Mortgage Loan Commitments

The Company has issued interest rate lock commitments on certain residential mortgage loan applications totaling $5.0 billion and $2.7 billion at September 30, 2010 and December 31, 2009, respectively. The Company intends to sell the majority of these originated residential mortgage loans. Interest rate lock commitments to fund mortgage loans that will be held-for-sale are considered derivatives and their estimated fair value and notional amounts are included within interest rate forwards in Note 4.

The Company also commits to lend funds under certain other mortgage loan commitments that will be held-for-investment. The amounts of these mortgage loan commitments were $3.2 billion and $2.2 billion at September 30, 2010 and December 31, 2009, respectively.

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

The Company commits to lend funds under bank credit facilities, bridge loans and private corporate bond investments. The amounts of these unfunded commitments were $2.1 billion and $1.3 billion at September 30, 2010 and December 31, 2009, respectively.

Guarantees

During the nine months ended September 30, 2010, the Company did not record any additional liabilities for indemnities, guarantees and commitments. The Company s recorded liabilities were $5 million at both September 30, 2010 and December 31, 2009 for indemnities, guarantees and commitments.

9. Employee Benefit Plans

Pension and Other Postretirement Benefit Plans

Certain subsidiaries of the Holding Company (the Subsidiaries) sponsor and/or administer various qualified and non-qualified defined benefit pension plans and other postretirement employee benefit plans covering employees and sales representatives who meet specified eligibility requirements. The Subsidiaries also provide certain postemployment benefits and certain postretirement medical and life insurance benefits for retired employees. The Subsidiaries have issued group annuity and life insurance contracts supporting approximately 99% of all pension and other postretirement benefit plan assets, which are invested primarily in separate accounts sponsored by the Subsidiaries. A December 31 measurement date is used for all of the Subsidiaries defined benefit pension and other postretirement benefit plans.

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The components of net periodic benefit cost were as follows:

	Pension Benefits				Other Postretirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009	2010	2009	2010	2009
	(In millions)							
Service cost	$ 45	$ 44	$ 133	$ 130	$ 4	$ 6	$ 13	$ 17
Interest cost	99	98	298	296	28	31	84	94
Settlement and curtailment cost	1		8					
Expected return on plan assets	(113)	(111)	(337)	(331)	(19)	(18)	(59)	(55)
Amortization of net actuarial (gains) losses	49	57	147	170	9	10	28	31
Amortization of prior service cost (credit)	2	3	5	7	(21)	(9)	(62)	(27)
Net periodic benefit cost	$ 83	$ 91	$ 254	$ 272	$ 1	$ 20	$ 4	$ 60

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

	Pension Benefits				Other Postretirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009	2010	2009	2010	2009
	(In millions)							
Amortization of net actuarial (gains) losses	$ 49	$ 57	$ 147	$ 170	$ 9	$ 10	$ 28	$ 31
Amortization of prior service cost (credit)	2	3	5	7	(21)	(9)	(62)	(27)
Subtotal	51	60	152	177	(12)	1	(34)	4
Deferred income tax expense (benefit)	(17)	(20)	(53)	(60)	3		29	(1)
	$ 34	$ 40	$ 99	$ 117	$ (9)	$ 1	$ (5)	$ 3

Components of net periodic benefit cost amortized from accumulated other comprehensive income (loss), net of income tax

As disclosed in Note 17 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report, no contributions are required to be made to the Subsidiaries qualified pension plans during 2010; however, the Subsidiaries made discretionary contributions of $255 million to the Subsidiaries qualified pension plans as of September 30, 2010. The Subsidiaries do not expect to make any further discretionary contributions during 2010. The Subsidiaries fund benefit payments for their non-qualified pension and other postretirement plans as due through their general assets.

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10. Equity

Common Stock

In anticipation of the Acquisition (see Note 1), on August 6, 2010, MetLife, Inc. issued 86,250,000 new shares of its common stock at a price of $42.00 per share for gross proceeds of $3,623 million. In connection with the offering of common stock, MetLife, Inc. incurred $94 million of issuance costs which have been recorded as a reduction of additional paid-in-capital.

See Note 15 for a discussion of additional common stock issued in November 2010 in connection with the Acquisition.

Stock-Based Compensation Plans

Payout of 2007-2009 Performance Shares

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

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

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

11. Other Expenses

Information on other expenses was as follows:

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
	(In millions)			
Compensation	$ 920	$ 942	$ 2,812	$ 2,872
Commissions	878	815	2,538	2,538
Interest and debt issue costs	397	284	1,155	799
Interest credited to bank deposits	33	37	108	120
Capitalization of DAC	(778)	(722)	(2,289)	(2,265)
Amortization of DAC and VOBA	579	202	2,201	838
Rent, net of sublease income	96	112	291	328
Insurance tax	138	144	394	412
Other	733	729	2,148	1,934
Total other expenses	$ 2,996	$ 2,543	$ 9,358	$ 7,576

Interest and Debt Issue Costs

Includes interest expense related to consolidated securitization entities of $103 million and $312 million, for the three months and nine months ended September 30, 2010, respectively, and $0 for both the three months and nine months ended September 30, 2009 (see Note 3), and interest expense on tax audits of $0 and $19 million, for the three months and nine months ended September 30, 2010, respectively, and $10 million and $24 million, for the three months and nine months ended September 30, 2009, respectively.

Costs Related to Acquisition

Related to the Acquisition (see Note 1), the Company incurred $21 million and $63 million of transaction costs, which primarily consisted of investment banking and legal fees, for the three months and nine months ended September 30, 2010, respectively. Such costs were included in other expenses.

Integration-related expenses incurred for the three months and nine months ended September 30, 2010 and included in other expenses were $54 million and $96 million, respectively. As the integration of the Alico Business is an enterprise-wide initiative, the expenses were incurred within Banking, Corporate & Other.

Restructuring Charges

In September 2008, the Company began an enterprise-wide cost reduction and revenue enhancement initiative which is expected to be fully implemented by December 31, 2010. This initiative is focused on reducing complexity, leveraging scale, increasing productivity and improving the effectiveness of the Company s operations, as well as providing a foundation for future growth. These restructuring costs were included in other expenses. As the expenses relate to an enterprise-wide initiative, they were incurred within Banking,

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Corporate & Other. Estimated restructuring costs may change as management continues to execute its restructuring plans. Restructuring charges associated with this enterprise-wide initiative were as follows:

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
	(In millions)			
Balance, beginning of period	$ 20	$ 36	$ 36	$ 86
Severance charges	2	34	15	72
Change in severance charge estimates	(3)		(1)	(1)
Cash payments	(12)	(22)	(43)	(109)
Balance, end of period	$ 7	$ 48	$ 7	$ 48
Restructuring charges incurred in current period	$ (1)	$ 34	$ 14	$ 71
Total restructuring charges incurred since inception of program	$ 191	$ 172	$ 191	$ 172

For the three months and nine months ended September 30, 2010, the change in severance charge estimates of ($3) million and ($1) million, respectively, and for the three months and nine months ended September 30, 2009, of $0 and ($1) million, respectively, was due to changes in estimates for variable incentive compensation, COBRA benefits, employee outplacement services and for employees whose severance status changed.

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

Management anticipates further restructuring charges including severance, lease and asset impairments will be incurred during the fourth quarter of 2010. However, such restructuring plans were not sufficiently developed to enable the Company to make an estimate of such restructuring charges at September 30, 2010.

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12. Earnings Per Common Share

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

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
	(In millions, except share and per common share data)			
Weighted Average Shares:				
Weighted average common stock outstanding for basic earnings per common share	875,782,191	821,764,490	840,375,518	817,302,327
Incremental common shares from assumed:				
Exercise or issuance of stock-based awards (1)	7,317,973		6,950,540	
Weighted average common stock outstanding for diluted earnings per common share	883,100,164	821,764,490	847,326,058	817,302,327
Income (Loss) from Continuing Operations:				
Income (loss) from continuing operations, net of income tax	$ 322	$ (624)	$ 2,696	$ (2,628)
Less: Income (loss) from continuing operations, net of income tax, attributable to noncontrolling interests	4	(5)	(7)	(25)
Less: Preferred stock dividends	30	30	91	91
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc. s common shareholders	$ 288	$ (649)	$ 2,612	$ (2,694)
Basic	$ 0.33	$ (0.79)	$ 3.10	$ (3.30)
Diluted	$ 0.32	$ (0.79)	$ 3.08	$ (3.30)
Income (Loss) from Discontinued Operations:				
	$ (2)	$ (1)	$ 5	$ 37

Income (loss) from discontinued operations, net of income tax								
Less: Income (loss) from discontinued operations, net of income tax, attributable to noncontrolling interests								
Income (loss) from discontinued operations, net of income tax, available to MetLife, Inc. s common shareholders	$	(2)	$	(1)	$	5	$	37
Basic	$		$		$	0.01	$	0.05
Diluted	$		$		$	0.01	$	0.05
Net Income (Loss):								
Net income (loss)	$	320	$	(625)	$	2,701	$	(2,591)
Less: Net income (loss) attributable to noncontrolling interests		4		(5)		(7)		(25)
Less: Preferred stock dividends		30		30		91		91
Net income (loss) available to MetLife, Inc. s common shareholders	$	286	$	(650)	$	2,617	$	(2,657)
Basic	$	0.33	$	(0.79)	$	3.11	$	(3.25)
Diluted	$	0.32	$	(0.79)	$	3.09	$	(3.25)

(1) For the three months and nine months ended September 30, 2009, 5,540,339 shares and 3,575,086 shares, respectively, related to the assumed exercise or issuance of stock-based awards have been excluded from the calculation of diluted earnings per common share as these assumed shares are anti-dilutive.

MetLife, Inc.

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

13. Business Segment Information

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

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

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

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

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

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

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

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

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

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

Set forth in the tables below is certain financial information with respect to the Company s segments, as well as Banking, Corporate & Other for the three months and nine months ended September 30, 2010 and 2009. The accounting policies of the segments are the same as those of the Company, except for the method of capital allocation and the accounting for gains (losses) from intercompany sales, which are eliminated in consolidation. Economic capital is an internally developed risk capital model, the purpose of which is to measure the risk in the business and to provide a basis upon which capital is deployed. The economic capital model accounts for the unique and specific nature of the risks inherent in the Company s businesses. As a part of the economic capital process, a portion of net investment income is credited to the segments based on the level of allocated equity. The Company allocates certain non-recurring items, such as expenses associated with certain legal proceedings, to Banking, Corporate & Other.

	Operating Earnings								
			U.S. Business						
s Ended September 30, 2010	Insurance Products	Retirement Products	Corporate Benefit Funding	Auto & Home	Total	International	Banking, Corporate & Other	Total	Adjustmen
	(In millions)								
	$ 4,234	$ 128	$ 501	$ 740	$ 5,603	$ 956	$ 3	$ 6,562	$
and investment-type product	539	554	58		1,151	302		1,453	
nt income	1,515	777	1,295	51	3,638	474	225	4,337	54
es	185	56	59	8	308	7	309	624	
nt gains (losses)									(342)
es gains (losses)									(244)
s	6,473	1,515	1,913	799	10,700	1,739	537	12,976	(532)
benefits and claims and dividends	4,685	456	1,120	506	6,767	852	(4)	7,615	174
ed to policyholder account	243	393	381		1,017	244		1,261	5
ed to bank deposits							33	33	
of DAC	(204)	(270)	(6)	(118)	(598)	(180)		(778)	
of DAC and VOBA	221	98	4	110	433	110	(1)	542	37
se		1	2		3	(1)	292	294	103
es	998	607	121	200	1,926	519	278	2,723	42
s	5,943	1,285	1,622	698	9,548	1,544	598	11,690	361
income tax expense (benefit)	185	81	102	20	388	4	(14)	378	(307)

rnings	$	345	$	149	$	189	$	81	$	764	$	191	$	(47)		908
o:																
s																(532)
s																(361)
income tax (expense) benefit																307
from continuing operations, net of income tax															$	322

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MetLife, Inc.

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

	Operating Earnings								
	U.S. Business								
Ended September 30, 2009	**Insurance Products**	**Retirement Products**	**Corporate Benefit Funding**	**Auto & Home**	**Total**	**International**	**Banking, Corporate & Other**	**Total**	**Adjustme**
	(In millions)								
	$ 4,222	$ 140	$ 639	$ 727	$ 5,728	$ 868	$ 5	$ 6,601	$
nd investment-type product	533	466	34		1,033	222		1,255	(4
income	1,437	749	1,210	45	3,441	395	120	3,956	(33
	221	61	34	8	324	4	274	602	
gains (losses)									(732
gains (losses)									(1,407
	6,413	1,416	1,917	780	10,526	1,489	399	12,414	(2,176
enefits and claims and vidends	4,745	424	1,192	483	6,844	705		7,549	63
d to policyholder account	240	431	390		1,061	198		1,259	(1
d to bank deposits							37	37	
of DAC	(218)	(223)	(5)	(112)	(558)	(164)		(722)	
f DAC and VOBA	145	42	3	107	297	79		376	(174
e			1		1	3	270	274	
	1,048	580	128	189	1,945	481	297	2,723	29
	5,960	1,254	1,709	667	9,590	1,302	604	11,496	(83
come tax expense (benefit)	151	57	68	27	303	34	(167)	170	(721
nings	$ 302	$ 105	$ 140	$ 86	$ 633	$ 153	$ (38)	748	
:									
								(2,176)	
								83	
come tax (expense) benefit								721	
from continuing operations, net of income tax								$ (624)	

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

Operating Earnings