



MetLife Representative

Shawn Domark
Senior Account Executive
10 South LaSalle Street
5th Floor
Chicago, IL 60603

Phone Number: 312-425-3433

Fax Number: 908-655-9751

Email Address:
sdomark@metlife.com

Plan Effective Date

July 2019

Shawn Domark
Sr. Account Executive, National Accounts



December 10, 2018

Teresa Fleming
State of Nebraska Purchasing Bureau
1526 K Street, Suite 130
Lincoln, NE 68508

Dear Teresa,

MetLife is pleased to submit a proposal to the State of Nebraska Purchasing Bureau to provide both Short-Term and Long-Term Disability benefits. Throughout our proposal, we hope to demonstrate that MetLife is uniquely positioned to provide all of the necessary and required services including staffing, systems and other critical components, which advances early return to work where appropriate, notifications, insurance, fully insured premiums, claims adjudication, claims payment, customer service, underwriting, consulting, and reports for the State of Nebraska. Similar to our Life Insurance proposal, we want to demonstrate our commitment to deliver on the very best service experience for the State and its employees by including significant performance guarantees.

As you consider our proposal and all of the advantages that our Disability program offers, I wanted to take this opportunity to explain why there is a difference with the length of our rate guarantees between the Long-Term and Short-Term Disability benefits and offer an alternative strategy.

Proposed Rates & Rate Guarantee Periods:

You will see that MetLife has proposed a six (6) year rate guarantee for the Long-Term Disability (LTD) plan, three (3) years for the initial contract period price with three additional one (1) year extensions (not exceeding the 5% maximum of the initial price bid). The reason MetLife is comfortable making this guarantee for the State and its employees with regards to pricing is due to the multiple years of financial experience provided. This financial experience gives us the necessary level of predictability and assurance with regards to the potential financial risk we are pricing for during the contracted period.

For the Short-Term Disability (STD), we were able to comply with the request for the three (3) year rate guarantee during the initial contract period. However, given this will be a new STD plan for the State and its employees without any financial experience for us to review, we are not able to extend a guarantee beyond the initial 3-year contract period. As I mentioned above, the financial experience is a critical component in the underwriting process to help provide a certain level of assurance / predictability with regards to potential financial risk we are assuming. Equally, we feel this would not be in the best interest of the State or its employees to unfairly over / under charge a premium that does not properly align with the overall financial risk or liability. We would be happy to have a discussion with you on this matter to further explain our position.

With the understanding that the State of Nebraska would likely prefer to keep both the LTD and STD plans under the same rate guarantee period for a multitude of reasons, MetLife would be willing to offer an alternative cost proposal for the State's consideration. Given the STD plan needs at least 3 years to establish a credible level of experience, if the State was willing to consider a rate guarantee of three (3) years (initial contract period only) with no extensions on either plan, then MetLife would be willing to lower our proposed LTD rates by 13.5%. At the end of the initial 3 year period, we would then have the necessary experience to discuss a renewal / extension strategy.

In conclusion, we hope this helps better explain our position on the rate guarantees, especially as it relates to the new benefit offering for STD. We strongly believe that MetLife is a uniquely qualified partner for the State of Nebraska's Disability programs, along with the Life insurance plans, and hope that you give our proposal your full consideration. Thank you for the opportunity to submit a proposal. My colleagues and I are excited to discuss it with you in more detail should we be afforded the opportunity to do so.

Sincerely,

Shawn Domark
Sr. Account Executive, National Accounts

State of Nebraska

MetLife Group Benefits Proposal

TECHNICAL PROPOSAL TABLE OF CONTENTS

Form A Bidder Contact Sheet	Section 1
II. Terms and Conditions	Section 2
III. Contractor Duties	Section 3
IV. Payment	Section 4
V. Project Description and Scope of Work	Section 5
• Project Overview & Environment	A
• Contractor Requirements (Attachment A: Contractor Requirements Matrix)	B
VI. Proposal Instructions/Submission	Section 6
• Request for Proposal for Contractual Services Form	
• Corporate Overview	
• Technical Approach	
VII. Cost Proposal	Section 7
• STD and LTD Cost & Benefit Summary	
• Intermediary Producer Compensation Notice	
Exhibits	Section 8
• Addenda 1-2	
• Sample Group Insurance Contract	
• Sample Disability Policy	
• Sample STD & LTD Booklet Certificate	
• Statement of Responsibility	
• Billing & Premium Remittance Procedures	
• Enrollment & Communications Proposal	



Group Benefits

- Detailed Project Work Plan/Sample Timeline
- Project Due Date & Deliverables/Milestones
- Proposed Performance Guarantees
- Proprietary Information

Metropolitan Life Insurance Company
Metropolitan Tower Life Insurance Company
SafeGuard Health Plans, Inc.
Delaware American Life Insurance Company
MetLife Health Plans, Inc.
SafeHealth Life Insurance Company

Our Privacy Notice

We know that you buy our products and services because you trust us. This notice explains how we protect your privacy and treat your personal information. It applies to current and former customers. "Personal information" as used here means anything we know about you personally.

1. Plan Sponsors and Group Insurance Contract Holders

This privacy notice is for individuals who apply for or obtain our products and services under an employee benefit plan, group insurance or annuity contract, or as an executive benefit. In this notice, "you" refers to these individuals.

2. Protecting Your Information

We take important steps to protect your personal information. We treat it as confidential. We tell our employees to take care in handling it. We limit access to those who need it to perform their jobs. Our outside service providers must also protect it, and use it only to meet our business needs. We also take steps to protect our systems from unauthorized access. We comply with all laws that apply to us.

3. Collecting Your Information

We typically collect your name, address, age, and other relevant information. We may also collect information about any business you have with us, our affiliates, or other companies. Our affiliates include life, car, and home insurers. They also include a legal plans company and a securities broker-dealer. In the future, we may also have affiliates in other businesses.

4. How We Get Your Information

We get your personal information mostly from you. We may also use outside sources to help ensure our records are correct and complete. These sources may include consumer reporting agencies, employers, other financial institutions, adult relatives, and others. These sources may give us reports or share what they know with others. We don't control the accuracy of information outside sources give us. If you want to make any changes to information we receive from others about you, you must contact those sources.

We may ask for medical information. The Authorization that you sign when you request insurance permits these sources to tell us about you. We may also, at our expense:

- Ask for a medical exam
- Ask for blood and urine tests
- Ask health care providers to give us health data, including information about alcohol or drug abuse

We may also ask a consumer reporting agency for a "consumer report" about you (or anyone else to be insured). Consumer reports may tell us about a lot of things, including information about:

- Reputation
- Driving record
- Finances
- Work and work history
- Hobbies and dangerous activities

The information may be kept by the consumer reporting agency and later given to others as permitted by law. The agency will give you a copy of the report it provides to us, if you ask the agency and can provide adequate identification. If you write to us and we have asked for a consumer report about you, we will tell you so and give you the name, address and phone number of the consumer reporting agency.

Another source of information is MIB Group, Inc. ("MIB"). It is a non-profit association of life insurance companies. We and our reinsurers may give MIB health or other information about you. If you apply for life or health coverage from another member of MIB, or claim benefits from another member company, MIB will give that company any information that it has about you. If you contact MIB, it will tell you what it knows about you. You have the right to ask MIB to correct its information about you. You may do so by writing to MIB, Inc., 50 Braintree Hill, Suite 400, Braintree, MA 02184-8734, by calling MIB at (866) 692-6901, or by contacting MIB at www.mib.com.

5. Using Your Information

We collect your personal information to help us decide if you're eligible for our products or services. We may also need it to verify identities to help deter fraud, money laundering, or other crimes. How we use this information depends on what products and services you have or want from us. It also depends on what laws apply to those products and services. For example, we may also use your information to:

- administer your products and services
- perform business research
- market new products to you
- comply with applicable laws
- process claims and other transactions
- confirm or correct your information
- help us run our business

6. Sharing Your Information With Others

We may share your personal information with others with your consent, by agreement, or as permitted or required by law. We may share your personal information without your consent if permitted or required by law. For example, we may share your information with businesses hired to carry out services for us. We may also share it with our affiliated or unaffiliated business partners through joint marketing agreements. In those situations, we share your information to jointly offer you products and services or have others offer you products and services we endorse or sponsor. Before sharing your information with any affiliate or joint marketing partner for their own marketing purposes, however, we will first notify you and give you an opportunity to opt out.

Other reasons we may share your information include:

- doing what a court, law enforcement, or government agency requires us to do (for example, complying with search warrants or subpoenas)
- telling another company what we know about you if we are selling or merging any part of our business
- giving information to a governmental agency so it can decide if you are eligible for public benefits
- giving your information to someone with a legal interest in your assets (for example, a creditor with a lien on your account)
- giving your information to your health care provider
- having a peer review organization evaluate your information, if you have health coverage with us
- those listed in our "Using Your Information" section above

7. HIPAA

We will not share your health information with any other company – even one of our affiliates – for their own marketing purposes. The Health Insurance Portability and Accountability Act ("HIPAA") protects your information if you request or purchase dental, vision, long-term care and/or medical insurance from us. HIPAA limits our ability to use and disclose the information that we obtain as a result of your request or purchase of insurance. Information about your rights under HIPAA will be provided to you with any dental, vision, long-term care or medical coverage issued to you.

You may obtain a copy of our HIPAA Privacy Notice by visiting our website at www.MetLife.com. For additional information about your rights under HIPAA; or to have a HIPAA Privacy Notice mailed to you, contact us at HIPAAprivacyAmericasUS@metlife.com, or call us at telephone number (212) 578-0299.

8. Accessing and Correcting Your Information

You may ask us for a copy of the personal information we have about you. Generally, we will provide it as long as it is reasonably locatable and retrievable. You must make your request in writing listing the account or policy numbers with the information you want to access. For legal reasons, we may not show you privileged information relating to a claim or lawsuit, unless required by law.

If you tell us that what we know about you is incorrect, we will review it. If we agree, we will update our records. Otherwise, you may dispute our findings in writing, and we will include your statement whenever we give your disputed information to anyone outside MetLife.

9. Questions

We want you to understand how we protect your privacy. If you have any questions or want more information about this notice, please contact us. When you write, include your name, address, and policy or account number.

Send privacy questions to:

MetLife Privacy Office
P. O. Box 489
Warwick, RI 02887-9954
privacy@metlife.com

We may revise this privacy notice. If we make any material changes, we will notify you as required by law. We provide this privacy notice to you on behalf of the MetLife companies listed at the top of the first page.

**Form A
Bidder Contact Sheet
Request for Proposal Number 5956 Z1**

Form A should be completed and submitted with each response to this RFP. This is intended to provide the State with information on the bidder's name and address, and the specific person(s) who are responsible for preparation of the bidder's response.

Preparation of Response Contact Information	
Bidder Name:	Metropolitan Life Insurance Company
Bidder Address:	10 South LaSalle Street Chicago, IL 60603
Contact Person & Title:	Shawn Domark, Sr. Account Executive
E-mail Address:	sdomark@metlife.com
Telephone Number (Office):	312-425-3433
Telephone Number (Cellular):	630-936-3111
Fax Number:	908-655-9751

Each bidder should also designate a specific contact person who will be responsible for responding to the State if any clarifications of the bidder's response should become necessary. This will also be the person who the State contacts to set up a presentation/demonstration, if required.

Communication with the State Contact Information	
Bidder Name:	Metropolitan Life Insurance Company
Bidder Address:	10 South LaSalle Street Chicago, IL 60603
Contact Person & Title:	Shawn Domark, Sr. Account Executive
E-mail Address:	sdomark@metlife.com
Telephone Number (Office):	312-425-3433
Telephone Number (Cellular):	630-936-3111
Fax Number:	908-655-9751

II. Terms and Conditions

Bidders should complete Sections II through VI as part of their proposal. Bidder is expected to read the Terms and Conditions and should initial either accept, reject, or reject and provide alternative language for each clause. The bidder should also provide an explanation of why the bidder rejected the clause or rejected the clause and provided alternate language. By signing the RFP, bidder is agreeing to be legally bound by all the accepted terms and conditions, and any proposed alternative terms and conditions submitted with the proposal. The State reserves the right to negotiate rejected or proposed alternative language. If the State and bidder fail to agree on the final Terms and Conditions, the State reserves the right to reject the proposal. The State of Nebraska is soliciting proposals in response to this RFP. The State of Nebraska reserves the right to reject proposals that attempt to substitute the bidder's commercial contracts and/or documents for this RFP.

The bidders should submit with their proposal any license, user agreement, service level agreement, or similar documents that the bidder wants incorporated in the Contract. The State will not consider incorporation of any document not submitted with the bidder's proposal as the document will not have been included in the evaluation process. These documents shall be subject to negotiation and will be incorporated as addendums if agreed to by the Parties.

If a conflict or ambiguity arises after the Addendum to Contract Award have been negotiated and agreed to, the Addendum to Contract Award shall be interpreted as follows:

1. If only one Party has a particular clause then that clause shall control;
2. If both Parties have a similar clause, but the clauses do not conflict, the clauses shall be read together;
3. If both Parties have a similar clause, but the clauses conflict, the State's clause shall control.

GENERAL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		✓ <i>J.F.</i>	As required by state law, insurance policies (the "Group Contract") will be issued by one or more MetLife Companies. With respect to all terms relating to subcontractors, MetLife can agree to comply with those requirements with respect to subcontracts entered into exclusively to perform services related to the State of Nebraska LTD and STD coverage. With respect to Subsection A within Section II Terms and Conditions on page 6 of the RFP, the Group Contract governs the terms and conditions of the coverage being provided. In the event of any conflict between the Group Contract and any other documents, the Group Contract will govern. With respect to Section K on page 3 of the RFP and Subsection P Early Termination within Section II Terms and Conditions on page 12 of the RFP, please note that there are termination provisions in the Group Contract. We note that the State of Nebraska has the right to terminate coverage without cause.

The contract resulting from this RFP shall incorporate the following documents:

1. Request for Proposal and Addenda;
2. Amendments to the RFP;
3. Questions and Answers;
4. Contractor's proposal (RFP and properly submitted documents);
5. The executed Contract and Addendum One to Contract, if applicable; and
6. Amendments/Addendums to the Contract.

These documents constitute the entirety of the contract.

Unless otherwise specifically stated in a future contract amendment, in case of any conflict between the incorporated documents, the documents shall govern in the following order of preference with number one (1) receiving preference over all other documents and with each lower numbered document having preference over any higher numbered document: 1) Amendment to the executed Contract with the most recent dated amendment having the highest priority, 2) executed Contract and any attached Addenda, 3) Amendments to RFP and any Questions and Answers, 4) the original RFP document and any Addenda, and 5) the Contractor's submitted Proposal.

Any ambiguity or conflict in the contract discovered after its execution, not otherwise addressed herein, shall be resolved in accordance with the rules of contract interpretation as established in the State of Nebraska.

ease note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

NOTIFICATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JF			Jessica Wold, your assigned Client Service Consultant, is responsible for account administration, including claim inquiries, communication requests, contract updates and legal resolution.

Contractor and State shall identify the contract manager who shall serve as the point of contact for the executed contract.

Communications regarding the executed contract shall be in writing and shall be deemed to have been given if delivered personally or mailed, by U.S. Mail, postage prepaid, return receipt requested, to the parties at their respective addresses set forth below, or at such other addresses as may be specified in writing by either of the parties. All notices, requests, or communications shall be deemed effective upon personal delivery or three (3) calendar days following deposit in the mail.

C. GOVERNING LAW (Statutory)

Notwithstanding any other provision of this contract, or any amendment or addendum(s) entered into contemporaneously or at a later time, the parties understand and agree that, (1) the State of Nebraska is a sovereign state and its authority to contract is therefore subject to limitation by the State's Constitution, statutes, common law, and regulation; (2) this contract will be interpreted and enforced under the laws of the State of Nebraska; (3) any action to enforce the provisions of this agreement must be brought in the State of Nebraska per state law; (4) the person signing this contract on behalf of the State of Nebraska does not have the authority to waive the State's sovereign immunity, statutes, common law, or regulations; (5) the indemnity, limitation of liability, remedy, and other similar provisions of the final contract, if any, are entered into subject to the State's Constitution, statutes, common law, regulations, and sovereign immunity; and, (6) all terms and conditions of the final contract, including but not limited to the clauses concerning third party use, licenses, warranties, limitations of liability, governing law and venue, usage verification, indemnity, liability, remedy or other similar provisions of the final contract are entered into specifically subject to the State's Constitution, statutes, common law, regulations, and sovereign immunity.

The Parties must comply with all applicable local, state and federal laws, ordinances, rules, orders, and regulations.

Noted.

Please note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential



BEGINNING OF WORK

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JA			

The bidder shall not commence any billable work until a valid contract has been fully executed by the State and the successful Contractor. The Contractor will be notified in writing when work may begin.

E. CHANGE ORDERS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JA			

The State and the Contractor, upon the written agreement, may make changes to the contract within the general scope of the RFP. Changes may involve specifications, the quantity of work, or such other items as the State may find necessary or desirable. Corrections of any deliverable, service, or work required pursuant to the contract shall not be deemed a change. The Contractor may not claim forfeiture of the contract by reasons of such changes.

The Contractor shall prepare a written description of the work required due to the change and an itemized cost sheet for the change. Changes in work and the amount of compensation to be paid to the Contractor shall be determined in accordance with applicable unit prices if any, a pro-rated value, or through negotiations. The State shall not incur a price increase for changes that should have been included in the Contractor's proposal, were foreseeable, or result from difficulties with or failure of the Contractor's proposal or performance.

No change shall be implemented by the Contractor until approved by the State, and the Contract is amended to reflect the change and associated costs, if any. If there is a dispute regarding the cost, but both parties agree that immediate implementation is necessary, the change may be implemented, and cost negotiations may continue with both Parties retaining all remedies under the contract and law.

base note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential

NOTICE OF POTENTIAL CONTRACTOR BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
<i>Q.A.</i>			

If Contractor breaches the contract or anticipates breaching the contract, the Contractor shall immediately give written notice to the State. The notice shall explain the breach or potential breach, a proposed cure, and may include a request for a waiver of the breach if so desired. The State may, in its discretion, temporarily or permanently waive the breach. By granting a waiver, the State does not forfeit any rights or remedies to which the State is entitled by law or equity, or pursuant to the provisions of the contract. Failure to give immediate notice, however, may be grounds for denial of any request for a waiver of a breach.

G. BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
<i>Q.A.</i>			

Either Party may terminate the contract, in whole or in part, if the other Party breaches its duty to perform its obligations under the contract in a timely and proper manner. Termination requires written notice of default and a thirty (30) calendar day (or longer at the non-breaching Party's discretion considering the gravity and nature of the default) cure period. Said notice shall be delivered by Certified Mail, Return Receipt Requested, or in person with proof of delivery. Allowing time to cure a failure or breach of contract does not waive the right to immediately terminate the contract for the same or different contract breach which may occur at a different time. In case of default of the Contractor, the State may contract the service from other sources and hold the Contractor responsible for any excess cost occasioned thereby.

The State's failure to make payment shall not be a breach, and the Contractor shall retain all available statutory remedies and protections.

base note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

NON-WAIVER OF BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
✓ J.F.			

The acceptance of late performance with or without objection or reservation by a Party shall not waive any rights of the Party nor constitute a waiver of the requirement of timely performance of any obligations remaining to be performed.

I. SEVERABILITY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
✓ J.F.			

If any term or condition of the contract is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and conditions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the contract did not contain the provision held to be invalid or illegal.

J. INDEMNIFICATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
✓ J.F.			

1. GENERAL

The Contractor agrees to defend, indemnify, and hold harmless the State and its employees, volunteers, agents, and its elected and appointed officials (“the indemnified parties”) from and against any and all third party claims, liens, demands, damages, liability, actions, causes of action, losses, judgments, costs, and expenses of every nature, including investigation costs and expenses, settlement costs, and attorney fees and expenses (“the claims”), sustained or asserted against the State for personal injury, death, or property loss or damage, arising out of, resulting from, or attributable to the willful misconduct, negligence, error, or omission of the Contractor, its employees,

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Subcontractors, consultants, representatives, and agents, resulting from this contract, except to the extent such Contractor liability is attenuated by any action of the State which directly and proximately contributed to the claims.

2. INTELLECTUAL PROPERTY

The Contractor agrees it will, at its sole cost and expense, defend, indemnify, and hold harmless the indemnified parties from and against any and all claims, to the extent such claims arise out of, result from, or are attributable to, the actual or alleged infringement or misappropriation of any patent, copyright, trade secret, trademark, or confidential information of any third party by the Contractor or its employees, Subcontractors, consultants, representatives, and agents; provided, however, the State gives the Contractor prompt notice in writing of the claim. The Contractor may not settle any infringement claim that will affect the State's use of the Licensed Software without the State's prior written consent, which consent may be withheld for any reason.

If a judgment or settlement is obtained or reasonably anticipated against the State's use of any intellectual property for which the Contractor has indemnified the State, the Contractor shall, at the Contractor's sole cost and expense, promptly modify the item or items which were determined to be infringing, acquire a license or licenses on the State's behalf to provide the necessary rights to the State to eliminate the infringement, or provide the State with a non-infringing substitute that provides the State the same functionality. At the State's election, the actual or anticipated judgment may be treated as a breach of warranty by the Contractor, and the State may receive the remedies provided under this RFP.

3. PERSONNEL

The Contractor shall, at its expense, indemnify and hold harmless the indemnified parties from and against any claim with respect to withholding taxes, worker's compensation, employee benefits, or any other claim, demand, liability, damage, or loss of any nature relating to any of the personnel, including subcontractor's and their employees, provided by the Contractor.

4. SELF-INSURANCE

The State of Nebraska is self-insured for any loss and purchases excess insurance coverage pursuant to Neb. Rev. Stat. § 81-8,239.01 (Reissue 2008). If there is a presumed loss under the provisions of this agreement, Contractor may file a claim with the Office of Risk Management pursuant to Neb. Rev. Stat. §§ 81-8,829 – 81-8,306 for review by the State Claims Board. The State retains all rights and immunities under the State Miscellaneous (Section 81-8,294), Tort (Section 81-8,209), and Contract Claim Acts (Section 81-8,302), as outlined in Neb. Rev. Stat. § 81-8,209 et seq. and under any other provisions of law and accepts liability under this agreement to the extent provided by law.

The Parties acknowledge that Attorney General for the State of Nebraska is required by statute to represent the legal interests of the State, and that any provision of this indemnity clause is subject to the statutory authority of the Attorney General.

K. ATTORNEY'S FEES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
	4.7		MetLife cannot agree to this section as drafted. If awarded the business, MetLife would be happy to discuss this section further to address any of the State's concerns.

In the event of any litigation, appeal, or other legal action to enforce any provision of the contract, the Parties agree to pay all expenses of such action, as permitted by law and if order by the court, including attorney's fees and costs, if the other Party prevails.

L. ASSIGNMENT, SALE, OR MERGER

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
4.7			

Either Party may assign the contract upon mutual written agreement of the other Party. Such agreement shall not be unreasonably withheld.

The Contractor retains the right to enter into a sale, merger, acquisition, internal reorganization, or similar transaction involving Contractor's business. Contractor agrees to cooperate with the State in executing amendments to the contract to allow for the transaction. If a third party or entity is involved in the transaction, the Contractor will remain responsible for performance of the contract until such time as the person or entity involved in the transaction agrees in writing to be contractually bound by this contract and perform all obligations of the contract.

M. CONTRACTING WITH OTHER NEBRASKA POLITICAL SUB-DIVISIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
4.7			

ease note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

The Contractor may, but shall not be required to, allow agencies, as defined in Neb. Rev. Stat. §81-145, to use this contract. The terms and conditions, including price, of the contract may not be amended. The State shall not be contractually obligated or liable for any contract entered into pursuant to this clause. A listing of Nebraska political subdivisions may be found at the website of the Nebraska Auditor of Public Accounts.

N. FORCE MAJEURE

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
✓ G.F.			

Neither Party shall be liable for any costs or damages, or for default resulting from its inability to perform any of its obligations under the contract due to a natural or manmade event outside the control and not the fault of the affected Party ("Force Majeure Event"). The Party so affected shall immediately make a written request for relief to the other Party, and shall have the burden of proof to justify the request. The other Party may grant the relief requested; relief may not be unreasonably withheld. Labor disputes with the impacted Party's own employees will not be considered a Force Majeure Event.

O. CONFIDENTIALITY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
✓ G.F.			

All materials and information provided by the Parties or acquired by a Party on behalf of the other Party shall be regarded as confidential information. All materials and information provided or acquired shall be handled in accordance with federal and state law, and ethical standards. Should said confidentiality be breached by a Party, the Party shall notify the other Party immediately of said breach and take immediate corrective action.

It is incumbent upon the Parties to inform their officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 U.S.C. 552a. Specifically, 5 U.S.C. 552a (i)(1), which is made applicable by 5 U.S.C. 552a (m)(1), provides that any officer or employee, who by virtue of his/her employment or official position has possession of or access to agency records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations

ease note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

established thereunder, and who knowing that disclosure of the specific material is prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than \$5,000.

P. EARLY TERMINATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response	NOTES/COMMENTS:
✓ A.F.			

The contract may be terminated as follows:

1. The State and the Contractor, by mutual written agreement, may terminate the contract at any time.
2. In the event of policy termination, either on or off policy anniversary date, Contractor will fully account for all reserves and return to The State any unused portion.
2. The State, in its sole discretion, may terminate the contract for any reason upon thirty (30) calendar day's written notice to the Contractor. Such termination shall not relieve the Contractor of warranty or other service obligations incurred under the terms of the contract. In the event of termination the Contractor shall be entitled to payment, determined on a pro rata basis, for products or services satisfactorily performed or provided.
3. The State may terminate the contract immediately for the following reasons:
 - a. if directed to do so by statute;
 - b. Contractor has made an assignment for the benefit of creditors, has admitted in writing its inability to pay debts as they mature, or has ceased operating in the normal course of business;
 - c. a trustee or receiver of the Contractor or of any substantial part of the Contractor's assets has been appointed by a court;
 - d. fraud, misappropriation, embezzlement, malfeasance, misfeasance, or illegal conduct pertaining to performance under the contract by its Contractor, its employees, officers, directors, or shareholders;
 - e. an involuntary proceeding has been commenced by any Party against the Contractor under any one of the chapters of Title 11 of the United States Code and (i) the proceeding has been pending for at least sixty (60) calendar days; or (ii) the Contractor has consented, either expressly or by operation of law, to the entry of an order for relief; or (iii) the Contractor has been decreed or adjudged a debtor;
 - f. a voluntary petition has been filed by the Contractor under any of the chapters of Title 11 of the United States Code;
 - g. Contractor intentionally discloses confidential information;
 - h. Contractor has or announces it will discontinue support of the deliverable; and,
 - i. In the event funding is no longer available.

ease note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.



CONTRACT CLOSEOUT

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
✓ J.F.			

Upon contract closeout for any reason the Contractor shall within 30 days, unless stated otherwise herein:

1. Transfer all completed or partially completed deliverables to the State;
2. Transfer ownership and title to all completed or partially completed deliverables to the State;
3. Return to the State all information and data, unless the Contractor is permitted to keep the information or data by contract or rule of law. Contractor may retain one copy of any information or data as required to comply with applicable work product documentation standards or as are automatically retained in the course of Contractor's routine back up procedures;
4. Cooperate with any successor Contractor, person or entity in the assumption of any or all of the obligations of this contract;
5. Cooperate with any successor Contractor, person or entity with the transfer of information or data related to this contract;
6. Return or vacate any state owned real or personal property; and,
7. Return all data in a mutually acceptable format and manner.

Nothing in this Section should be construed to require the Contractor to surrender intellectual property, real or personal property, or information or data owned by the Contractor for which the State has no legal claim.

Disclaimer: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

RFP 5956 Z1

III. Contractor Duties

A. INDEPENDENT CONTRACTOR / OBLIGATIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AA			

It is agreed that the Contractor is an independent contractor and that nothing contained herein is intended or should be construed as creating or establishing a relationship of employment, agency, or a partnership.

The Contractor is solely responsible for fulfilling the contract. The Contractor or the Contractor's representative shall be the sole point of contact regarding all contractual matters.

The Contractor shall secure, at its own expense, all personnel required to perform the services under the contract. The personnel the Contractor uses to fulfill the contract shall have no contractual or other legal relationship with the State; they shall not be considered employees of the State and shall not be entitled to any compensation, rights or benefits from the State, including but not limited to, tenure rights, medical and hospital care, sick and vacation leave, severance pay, or retirement benefits.

By-name personnel commitments made in the Contractor's proposal shall not be changed without the prior written approval of the State. Replacement of these personnel, if approved by the State, shall be with personnel of equal or greater ability and qualifications.

All personnel assigned by the Contractor to the contract shall be employees of the Contractor or a subcontractor, and shall be fully qualified to perform the work required herein. Personnel employed by the Contractor or a subcontractor to fulfill the terms of the contract shall remain under the sole direction and control of the Contractor or the subcontractor respectively.

With respect to its employees, the Contractor agrees to be solely responsible for the following:

1. Any and all pay, benefits, and employment taxes and/or other payroll withholding;
2. Any and all vehicles used by the Contractor's employees, including all insurance required by state law;

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RFP 5956 Z1

3. Damages incurred by Contractor's employees within the scope of their duties under the contract;
4. Maintaining Workers' Compensation and health insurance that complies with state and federal law and submitting any reports on such insurance to the extent required by governing law; and
5. Determining the hours to be worked and the duties to be performed by the Contractor's employees.
6. All claims on behalf of any person arising out of employment or alleged employment (including without limit claims of discrimination alleged against the Contractor, its officers, agents, or subcontractors or subcontractor's employees).

If the Contractor intends to utilize any subcontractor, the subcontractor's level of effort, tasks, and time allocation should be clearly defined in the bidder's proposal. The Contractor shall agree that it will not utilize any subcontractors not specifically included in its proposal in the performance of the contract without the prior written authorization of the State.

The State reserves the right to require the Contractor to reassign or remove from the project any Contractor or subcontractor employee.

Contractor shall insure that the terms and conditions contained in any contract with a subcontractor does not conflict with the terms and conditions of this contract.

The Contractor shall include a similar provision, for the protection of the State, in the contract with any Subcontractor engaged to perform work on this contract.

B. EMPLOYEE WORK ELIGIBILITY STATUS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
✓ 47			

The Contractor is required and hereby agrees to use a federal immigration verification system to determine the work eligibility status of employees physically performing services within the State of Nebraska. A federal immigration verification system means the electronic verification of the work authorization program authorized by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, 8 U.S.C. 1324a, known as the E-Verify Program, or an equivalent federal program designated by the United States Department of Homeland Security or other federal agency authorized to verify the work eligibility status of an employee.

base note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

If the Contractor is an individual or sole proprietorship, the following applies:

1. The Contractor must complete the United States Citizenship Attestation Form, available on the Department of Administrative Services website at <http://das.nebraska.gov/materiel/purchasing.html>

The completed United States Attestation Form should be submitted with the RFP response.

2. If the Contractor indicates on such attestation form that he or she is a qualified alien, the Contractor agrees to provide the US Citizenship and Immigration Services documentation required to verify the Contractor's lawful presence in the United States using the Systematic Alien Verification for Entitlements (SAVE) Program.
3. The Contractor understands and agrees that lawful presence in the United States is required and the Contractor may be disqualified or the contract terminated if such lawful presence cannot be verified as required by Neb. Rev. Stat. §4-108.

C. COMPLIANCE WITH CIVIL RIGHTS LAWS AND EQUAL OPPORTUNITY EMPLOYMENT / NONDISCRIMINATION (Statutory)

The Contractor shall comply with all applicable local, state, and federal statutes and regulations regarding civil rights laws and equal opportunity employment. The Nebraska Fair Employment Practice Act prohibits Contractors of the State of Nebraska, and their Subcontractors, from discriminating against any employee or applicant for employment, with respect to hire, tenure, terms, conditions, compensation, or privileges of employment because of race, color, religion, sex, disability, marital status, or national origin (Neb. Rev. Stat. §48-1101 to 48-1125). The Contractor guarantees compliance with the Nebraska Fair Employment Practice Act, and breach of this provision shall be regarded as a material breach of contract. The Contractor shall insert a similar provision in all Subcontracts for services to be covered by any contract resulting from this RFP.

Noted.

D. COOPERATION WITH OTHER CONTRACTORS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
GF			

Contractor may be required to work with or in close proximity to other contractors or individuals that may be working on same or different projects. The Contractor shall agree to cooperate with such other contractors or individuals, and shall not commit or permit

base note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

any act which may interfere with the performance of work by any other contractor or individual. Contractor is not required to compromise Contractor's intellectual property or proprietary information unless expressly required to do so by this contract.

E. PERMITS, REGULATIONS, LAWS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response	NOTES/COMMENTS:
✓ A.F.			

The contract price shall include the cost of all royalties, licenses, permits, and approvals, whether arising from patents, trademarks, copyrights or otherwise, that are in any way involved in the contract. The Contractor shall obtain and pay for all royalties, licenses, and permits, and approvals necessary for the execution of the contract. The Contractor must guarantee that it has the full legal right to the materials, supplies, equipment, software, and other items used to execute this contract.

F. OWNERSHIP OF INFORMATION AND DATA / DELIVERABLES


Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response	NOTES/COMMENTS:
✓ A.F.			

The State shall have the unlimited right to publish, duplicate, use, and disclose all information and data developed or obtained by the Contractor on behalf of the State pursuant to this contract.

The State shall own and hold exclusive title to any deliverable developed as a result of this contract. Contractor shall have no ownership interest or title, and shall not patent, license, or copyright, duplicate, transfer, sell, or exchange, the design, specifications, concept, or deliverable.

ease note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

4. INSURANCE REQUIREMENTS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response	NOTES/COMMENTS:
		✓ 	Please note that MetLife does not carry Medical Malpractice liability insurance as it is not applicable to the products and services provided. We agree to all other insurance requirements specified by the State.

The Contractor shall throughout the term of the contract maintain insurance as specified herein and provide the State a current Certificate of Insurance/Acord Form (COI) verifying the coverage. The Contractor shall not commence work on the contract until the insurance is in place. If Contractor subcontracts any portion of the Contract the Contractor must, throughout the term of the contract, either:

1. Provide equivalent insurance for each subcontractor and provide a COI verifying the coverage for the subcontractor;
2. Require each subcontractor to have equivalent insurance and provide written notice to the State that the Contractor has verified that each subcontractor has the required coverage; or,
3. Provide the State with copies of each subcontractor's Certificate of Insurance evidencing the required coverage.

The Contractor shall not allow any Subcontractor to commence work until the Subcontractor has equivalent insurance. The failure of the State to require a COI, or the failure of the Contractor to provide a COI or require subcontractor insurance shall not limit, relieve, or decrease the liability of the Contractor hereunder.

In the event that any policy written on a claims-made basis terminates or is canceled during the term of the contract or within one (1) year of termination or expiration of the contract, the contractor shall obtain an extended discovery or reporting period, or a new insurance policy, providing coverage required by this contract for the term of the contract and one (1) year following termination or expiration of the contract.

If by the terms of any insurance a mandatory deductible is required, or if the Contractor elects to increase the mandatory deductible amount, the Contractor shall be responsible for payment of the amount of the deductible in the event of a paid claim.

Notwithstanding any other clause in this Contract, the State may recover up to the liability limits of the insurance policies required herein.

1. WORKERS' COMPENSATION INSURANCE

The Contractor shall take out and maintain during the life of this contract the statutory Workers' Compensation and Employer's Liability Insurance for all of the contactors' employees to be engaged in work on the project under this contract and, in case any such work is sublet, the Contractor shall require the Subcontractor

ease note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

similarly to provide Worker's Compensation and Employer's Liability Insurance for all of the Subcontractor's employees to be engaged in such work. This policy shall be written to meet the statutory requirements for the state in which the work is to be performed, including Occupational Disease. The policy shall include a waiver of subrogation in favor of the State. The COI shall contain the mandatory COI subrogation waiver language found hereinafter. The amounts of such insurance shall not be less than the limits stated hereinafter. For employees working in the State of Nebraska, the policy must be written by an entity authorized by the State of Nebraska Department of Insurance to write Workers' Compensation and Employer's Liability Insurance for Nebraska employees.

2. COMMERCIAL GENERAL LIABILITY INSURANCE AND COMMERCIAL AUTOMOBILE LIABILITY INSURANCE

The Contractor shall take out and maintain during the life of this contract such Commercial General Liability Insurance and Commercial Automobile Liability Insurance as shall protect Contractor and any Subcontractor performing work covered by this contract from claims for damages for bodily injury, including death, as well as from claims for property damage, which may arise from operations under this contract, whether such operation be by the Contractor or by any Subcontractor or by anyone directly or indirectly employed by either of them, and the amounts of such insurance shall not be less than limits stated hereinafter.

The Commercial General Liability Insurance shall be written on an occurrence basis, and provide Premises/Operations, Products/Completed Operations, Independent Contractors, Personal Injury, and Contractual Liability coverage. The policy shall include the State, and others as required by the contract documents, as Additional Insured(s). This policy shall be primary, and any insurance or self-insurance carried by the State shall be considered secondary and non-contributory. The COI shall contain the mandatory COI liability waiver language found hereinafter. The Commercial Automobile Liability Insurance shall be written to cover all Owned, Non-owned, and Hired vehicles.

REQUIRED INSURANCE COVERAGE	
COMMERCIAL GENERAL LIABILITY	
General Aggregate	\$1,000,000 per occurrence / \$2,000,000 aggregate
Products/Completed Operations Aggregate	\$2,000,000
Personal/Advertising Injury	\$1,000,000 per occurrence
Bodily Injury/Property Damage	\$1,000,000 per occurrence
Medical Payments	\$10,000 any one person
Damage to Rented Premises (Fire)	\$300,000 each occurrence
Contractual	Included
Independent Contractors	Included
<i>If higher limits are required, the Umbrella/Excess Liability limits are allowed to satisfy the higher limit.</i>	
WORKER'S COMPENSATION	
Employers Liability Limits	\$500K/\$500K/\$500K
Statutory Limits- All States	Statutory - State of Nebraska

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RFP 5956 Z1



Voluntary Compensation	Statutory
COMMERCIAL AUTOMOBILE LIABILITY	
Bodily Injury/Property Damage	\$1,000,000 combined single limit
Include All Owned, Hired & Non-Owned Automobile liability	Included
Motor Carrier Act Endorsement	Where Applicable
UMBRELLA/EXCESS LIABILITY	
Over Primary Insurance	\$3,000,000 per occurrence
PROFESSIONAL LIABILITY	
Professional liability (Medical Malpractice)	Limits consistent with Nebraska Medical Malpractice Cap
Qualification Under Nebraska Excess Fund	
All Other Professional Liability (Errors & Omissions)	\$10,000,000 Per Claim / \$20,000,000 Aggregate
COMMERCIAL CRIME	
Crime/Employee Dishonesty Including 3rd Party Fidelity	\$2,000,000
CYBER LIABILITY	
Breach of Privacy, Security Breach, Denial Of Service, Remediation, Fines and Penalties	\$2,000,000
MANDATORY COI SUBROGATION WAIVER LANGUAGE	
"Workers' Compensation policy shall include a waiver of subrogation in favor of the State of Nebraska."	
MANDATORY COI LIABILITY WAIVER LANGUAGE	
"Commercial General Liability & Commercial Automobile Liability policies shall name the State of Nebraska as an Additional Insured and the policies shall be primary and any insurance or self-insurance carried by the State shall be considered secondary and non-contributory as additionally insured."	

If the mandatory COI subrogation waiver language or mandatory COI liability waiver language on the COI states that the waiver is subject to, condition upon, or otherwise limit by the insurance policy, a copy of the relevant sections of the policy must be submitted with the COI so the State can review the limitations imposed by the insurance policy.

3. EVIDENCE OF COVERAGE

The Contractor shall furnish the Contract Manager, with a certificate of insurance coverage complying with the above requirements prior to beginning work at:

**Department of Administrative Services
Employee Wellness and Benefits
Attn: Contract Manager
1526 K Street, Suite 110
Lincoln, NE 68508**

These certificates or the cover sheet shall reference the RFP number, and the certificates shall include the name of the company, policy numbers, effective dates, dates of expiration, and amounts and types of coverage afforded. If the State is damaged by the failure of the Contractor to maintain such insurance, then the Contractor shall be responsible for all reasonable costs properly attributable thereto.

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Reasonable notice of cancellation of any required insurance policy must be submitted to the contract manager as listed above when issued and a new coverage binder shall be submitted immediately to ensure no break in coverage.

4. DEVIATIONS

The insurance requirements are subject to limited negotiation. Negotiation typically includes, but is not necessarily limited to, the correct type of coverage, necessity for Workers' Compensation, and the type of automobile coverage carried by the Contractor.

H. ANTITRUST

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JA			

The Contractor hereby assigns to the State any and all claims for overcharges as to goods and/or services provided in connection with this contract resulting from antitrust violations which arise under antitrust laws of the United States and the antitrust laws of the State.

I. CONFLICT OF INTEREST

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response	NOTES/COMMENTS:
JA			Please note that Metropolitan Life Insurance Company ("MetLife") is a wholly owned subsidiary of MetLife, Inc., which is a publicly held corporation. In light of this fact and due to the sheer size of MetLife, it would be unduly burdensome to try to uncover the information for all employees of MetLife. Therefore, our response to Subsection I is limited to the undersigned and the members of the Account Team/Sales Team assigned to this proposal.

By submitting a proposal, bidder certifies that there does not now exist a relationship between the bidder and any person or entity which is or gives the appearance of a conflict of interest related to this RFP or project.

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The bidder certifies that it shall not take any action or acquire any interest, either directly or indirectly, which will conflict in any manner or degree with the performance of its services hereunder or which creates an actual or an appearance of conflict of interest.

The bidder certifies that it will not knowingly employ any individual known by bidder to have a conflict of interest.

The Parties shall not knowingly, for a period of two years after execution of the contract, recruit or employ any employee or agent of the other Party who has worked on the RFP or project, or who had any influence on decisions affecting the RFP or project.

J. ADVERTISING

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response	NOTES/COMMENTS:
✓ J.F.			

The Contractor agrees not to refer to the contract award in advertising in such a manner as to state or imply that the company or its services are endorsed or preferred by the State. Any publicity releases pertaining to the project shall not be issued without prior written approval from the State.

K. DISASTER RECOVERY/BACK UP PLAN

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response	NOTES/COMMENTS:
✓ J.F.			

The Contractor shall have a disaster recovery and back-up plan, of which a copy should be provided upon request to the State, which includes, but is not limited to equipment, personnel, facilities, and transportation, in order to continue services as specified under the specifications in the contract in the event of a disaster.

Disclaimer note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential



DRUG POLICY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response	NOTES/COMMENTS:
✓ A.F.			

Contractor certifies it maintains a drug free work place environment to ensure worker safety and workplace integrity. Contractor agrees to provide a copy of its drug free workplace policy at any time upon request by the State.

IV. Payment

A. PROHIBITION AGAINST ADVANCE PAYMENT (Statutory)

Payments shall not be made until contractual deliverable(s) are received and accepted by the State.

Agreed.

B. TAXES (Statutory)

The State is not required to pay taxes and assumes no such liability as a result of this solicitation. Any property tax payable on the Contractor's equipment which may be installed in a state-owned facility is the responsibility of the Contractor.

Agreed.

C. INVOICES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
✓ 9.7.			

Invoices for payments must be submitted by the Contractor to the agency requesting the services with sufficient detail to support payment. Invoices should be sent to Department of Administrative Services, Employee Wellness and Benefits, 1526 K Street, Suite 110, Lincoln, NE 68508.

The invoice must contain the State's Account number and or ID number and the Coverage Period being billed. The invoice must list each plan and rates for the plans. Premiums are deducted via payroll on a Bi-Weekly and/or Monthly basis. After the close of business each month the total premiums deducted are paid to the Contractor via ACH payment. Premiums are not paid in advance. Example, August premiums would not be paid to the Contractor until after close of business on August 31st. In the example above, the 45 days starts on September 1st. As premiums are sent via ACH an Excel or PDF Report will be generated and provided to the Contractor by the State as backup documentation for the premiums paid. The report is produced manually and date of completion may vary from month to month.

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RFP 5956 Z1

The terms and conditions included in the Contractor's invoice shall be deemed to be solely for the convenience of the parties. No terms or conditions of any such invoice shall be binding upon the State, and no action by the State, including without limitation the payment of any such invoice in whole or in part, shall be construed as binding or estopping the State with respect to any such term or condition, unless the invoice term or condition has been previously agreed to by the State as an amendment to the contract.

D. INSPECTION AND APPROVAL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response	NOTES/COMMENTS:
✓ JF			

Final inspection and approval of all work required under the contract shall be performed by the designated State officials.

The State and/or its authorized representatives shall have the right to enter any premises where the Contractor or Subcontractor duties under the contract are being performed, and to inspect, monitor or otherwise evaluate the work being performed. All inspections and evaluations shall be at reasonable times and in a manner that will not unreasonably delay work.

E. PAYMENT

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response	NOTES/COMMENTS:
✓ JF			

State will render payment to Contractor when the terms and conditions of the contract and specifications have been satisfactorily completed on the part of the Contractor as solely determined by the State. (Neb. Rev. Stat. Section 73-506(1)) Payment will be made by the responsible agency in compliance with the State of Nebraska Prompt Payment Act (See Neb. Rev. Stat. §81-2401 through 81-2408). The State may require the Contractor to accept payment by electronic means such as ACH deposit. In no event shall the State be responsible or liable to pay for any services provided by the Contractor prior to the Effective Date of the contract, and the Contractor hereby waives any claim or cause of action for any such services.

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LATE PAYMENT (Statutory)

The Contractor may charge the responsible agency interest for late payment in compliance with the State of Nebraska Prompt Payment Act (See Neb. Rev. Stat. §81-2401 through 81-2408).

Noted.

G. SUBJECT TO FUNDING / FUNDING OUT CLAUSE FOR LOSS OF APPROPRIATIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response	NOTES/COMMENTS:
J.F.			

The State's obligation to pay amounts due on the Contract for a fiscal years following the current fiscal year is contingent upon legislative appropriation of funds. Should said funds not be appropriated, the State may terminate the contract with respect to those payments for the fiscal year(s) for which such funds are not appropriated. The State will give the Contractor written notice thirty (30) calendar days prior to the effective date of termination. All obligations of the State to make payments after the termination date will cease. The Contractor shall be entitled to receive just and equitable compensation for any authorized work which has been satisfactorily completed as of the termination date. In no event shall the Contractor be paid for a loss of anticipated profit.

H. RIGHT TO AUDIT (First Paragraph is Statutory)

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response	NOTES/COMMENTS:
J.F.			

The State shall have the right to audit the Contractor's performance of this contract upon a 30 days' written notice. Contractor shall utilize generally accepted accounting principles, and shall maintain the accounting records, and other records and information relevant to the contract (Information) to enable the State to audit the contract. The State may audit and the Contractor shall maintain, the Information during the term of the contract and for a period of five (5) years after the completion of this contract or until all issues or litigation are resolved, whichever is later. The Contractor shall make the Information available to the State at Contractor's place of business or a location acceptable to both Parties during normal business hours. If this is not practical or the

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Contractor so elects, the Contractor may provide electronic or paper copies of the Information. The State reserves the right to examine, make copies of, and take notes on any Information relevant to this contract, regardless of the form or the Information, how it is stored, or who possesses the Information. Under no circumstance will the Contractor be required to create or maintain documents not kept in the ordinary course of contractor's business operations, nor will contractor be required to disclose any information, including but not limited to product cost data, which is confidential or proprietary to contractor.

The Parties shall pay their own costs of the audit unless the audit finds a previously undisclosed overpayment by the State. If a previously undisclosed overpayment exceeds one-half of one percent (.5%) of the total contract billings, or if fraud, material misrepresentations, or non-performance is discovered on the part of the Contractor, the Contractor shall reimburse the State for the total costs of the audit. Overpayments and audit costs owed to the State shall be paid within ninety days of written notice of the claim. The Contractor agrees to correct any material weaknesses or condition found as a result of the audit.

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RFP 5956 Z1

Project Description and Scope of Work

A. PROJECT OVERVIEW

The State of Nebraska (“the State”), through the Department of Administrative Services, currently offers Long Term Disability (LTD) to State employees. Beginning July 1, 2019, the State will also offer Short Term Disability (STD). The State is seeking proposals from qualified disability carriers to provide fully insured STD and LTD benefits, for the approximate 15,670 eligible state permanent and temporary employees, effective July 1, 2019.

The purpose of this RFP is to select a Contractor to provide all necessary and required services including staffing, systems and other critical components, which advances early return to work, notifications, insurance, fully insured premiums, claims adjudication, claims payment, customer service, underwriting, consulting, and reports for the State of Nebraska for:

1. Short-Term Disability (STD) plan (100% paid by the employee/post tax deductions), and
2. Long Term Disability (LTD) plan (100% paid by the employee/post tax deductions).

This RFP does not include group term life insurance, accidental death and dismemberment, optional term life insurance or any other employee benefits program.

The Contractor must be able to offer both STD and LTD.

Noted.

B. PROJECT ENVIRONMENT

The current LTD benefits include only one (1) income option with four (4) qualifying (elimination period) options. A detailed description of age-banded premium rate for current LTD benefit options can be found in the Attachment B: Current Long Term Disability Benefits.

A summary of reports can be found in the following attachments:

Attachment C Closed Claims Listing for Group
Attachment D Open Claims Report
Attachment E Group Paid Basis Report

Coverage is 100% voluntary, with employees covering the full cost of coverage. Premium rates are age-banded for both permanent and temporary employees. The State maintains the same LTD benefit options for employees under the labor contract as it does for those not under the labor contract. Of the State’s eligible permanent and temporary employees, 6,375 are currently enrolled in one of the current LTD plan options.

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RFP 5956 Z1

Effective July 1, 2019, the State will provide a fully insured, full service administration, and 100% voluntary STD plan to the same population of permanent and temporary employees. The new STD plan will provide 1st day accident coverage, 8th day illness coverage, and will pay benefits up to six (6) months with 60% income option. Employees will not be required to exhaust their leave balances to begin receiving STD benefit payments. The LTD benefit offering will have one elimination period of six (6) months with 60% income option.

Deviations/Enhancements

It is MetLife's intent to match the existing plan design where possible using our standard filed contract. When MetLife's contract wording is not identical to the current carrier's language, but the meaning is substantially similar or the same, it is not included in this comparison.

Please refer to the STD LTD Cost & Benefit Summary list of deviations and enhancements.

Contract Provision	LTD Comments And Recommendations
<p>[REDACTED]</p>	<p>[REDACTED]</p>
<p>[REDACTED]</p>	<p>[REDACTED]</p>

Please note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.



LTD	
Contract Provision	Comments And Recommendations
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Please note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

RFP 5956 Z1



LTD	
Contract Provision	Comments And Recommendations
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Please note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

RFP 5956 Z1





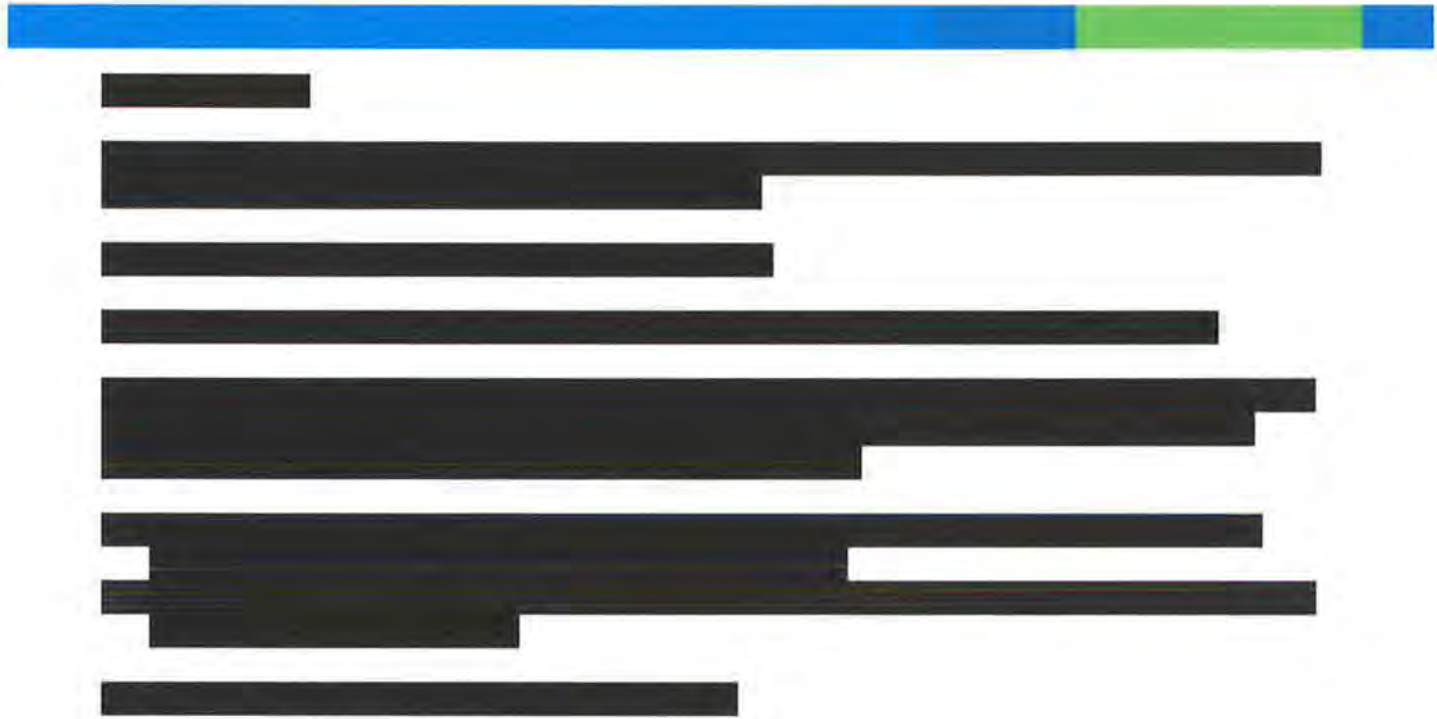
	LTD
Contract Provision	Comments And Recommendations

Underwriting Assumptions

[Redacted text block containing underwriting assumptions]

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C. ADMINISTRATION REQUIRMENTS

This section contains specific work requirements related to the administration of the employee disability plans. The table identifies whether the State of Nebraska or the Contractor will perform the service. Contractor must provide the services, at a minimum, identified under the respective heading and coordinate the transition of cases that progress from short-term to long-term durations.

Responsibility	State of Nebraska	STD and LTD Contractor
1. ENROLLMENT and ELIGIBILITY	<p>A. Collects contributions from employees.</p> <p>B. Determines eligibility in all cases and maintains a database of enrolled employees.</p>	
2. CUSTOMER SERVICE	<p>A. Assists agencies and participants with eligibility and enrollment issues.</p> <p>B. Monitors the service agreements and insured contracts.</p> <p>C. Monitors carrier's performance and reviews customer complaints.</p>	<p>D. Assists participants and agencies with claims issues.</p> <p>Agreed.</p> <p>E. Staffs a customer service department that provides telephone support to members via a toll free number.</p> <p>Agreed.</p>

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Responsibility	State of Nebraska	STD and LTD Contractor
		<p>F. Maintains telephone technology for the hearing and visually impaired.</p> <p>Agreed.</p> <p>G. Responds to participant questions on enrollment, claims and benefits.</p> <p>Agreed.</p> <p>H. Handles problems and complaints initially and pursues all other inquiries in a timely fashion and advises State of NE of escalated issues and recurring patterns.</p> <p>Agreed.</p>
<p>3.COMMUNICATIONS</p>	<p>A. Approves all communication materials prior to distribution.</p>	<p>B. Develops enrollment materials.</p> <p>Agreed.</p> <p>C. Develops and produces a standard benefit description form and also makes it available in an electronic format.</p> <p>Agreed.</p> <p>D. Develops benefits booklet (Summary Plan Description (SPD)/ Certificate of Coverage).</p> <p>Agreed.</p> <p>E. Works with State of Nebraska communications personnel.</p> <p>Agreed.</p> <p>F. Provides content for direct employee communications at</p>

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Responsibility	State of Nebraska	STD and LTD Contractor the State's request.
		<p>Agreed.</p> <p>G. Provides assistance to State at Annual Open Enrollment meetings.</p> <p>Agreed.</p>
<p>4. CLAIMS PROCESSING</p>		<p>A. Processes all claims.</p> <p>Agreed.</p> <p>B. Maintains a process for the correction of under and over payments.</p> <p>Agreed.</p> <p>C. Issues W-2 forms to employees.</p> <p>Agreed, for taxable benefits.</p> <p>D. Withhold Medicare taxes from the disabled employee's disability benefits and remits them to the federal government.</p> <p>Agreed.</p> <p>E. Remits the State's portion of Medicare tax (from a State Medicare matching Fund) to the federal government.</p> <p>Agreed. We will remit the employer portion of FICA (Federal Insurance Contributions Act) if you appoint MetLife as Agent for the remitting of the employer portion of FICA and provide us with a completed Agency Agreement form.</p>

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Responsibility	State of Nebraska	STD and LTD Contractor
		<p>The service is provided at a cost of the Employer FICA remittance plus 3% of the amount of FICA remitted and is included on your quarterly tax bill.</p>
<p>5. CLAIM MANAGEMENT</p>		<p>A. Maintains and provides effective case management and disability management programs.</p> <p>Agreed.</p> <p>B. Provides Return to Work services.</p> <p>Agreed.</p> <p>C. Identifies and reports fraud.</p> <p>Agreed.</p>
<p>6. COORDINATION OF BENEFITS</p>		<p>A. Coordinates with other programs that provide Deductible Income (offset income) when applicable.</p> <p>Agreed.</p>
<p>7. COORDINATION WITH OTHER INSURANCE COMPANIES OR VENDORS</p>		<p>A. Coordinates with State's online enrollment vendor.</p> <p>Agreed.</p>
<p>8. REPORTING</p>		<p>A. Monthly and quarterly claims paid/denied reports must be available no later than the end of the month following the close of the period in question.</p> <p>Depending on the nature of the report, lag time can range from one day to one week for standard reports. Many reports can be requested and produced within the same day via e-reporting through MetLink, our employer website. Ad hoc reports may require more time based on</p>

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RFP 5956 Z1



Responsibility	State of Nebraska	STD and LTD Contractor
		<p>programming necessary to produce the requested information.</p> <p>Individual claim status data and detail can be viewed in real time on MetLink. Claim status views also reflect total activity from the preceding day to show claims approved, denied, pended or in progress. Plan information is updated weekly with the exception of our real-time claim status updates, and reports can be accessed at any time.</p> <p>B. A year-end financial accounting for the program within 60 days of the contract anniversary date.</p> <p>We will provide year-end financial accounting within 90 days after the close of the program year assuming bills and premium have been received. The report will reflect your established structure.</p>
<p>9. MISCELLANEOUS</p>		<p>A. Attends quarterly meetings with State of Nebraska and other meetings as requested by the State at insurance company expense. Agreed.</p> <p>B. Provides proposed fee changes by January 1 for the subsequent July 1 unless otherwise requested by the State. Agreed.</p> <p>C. Advises State of any new regulatory compliance issues that affect the State's account. Agreed.</p>

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RFP 5956 Z1

Attachment A

Contractor Requirements Matrix

Bidder Name: MetLife

Bidders should provide a response to each of the following Contractor requirements below.

CONTRACT ADMINISTRATION	
1.	<p>Be licensed to conduct business in the State of Nebraska and be responsible for administering the State's STD plan and LTD plan in accordance with all applicable laws, regulations, IRS requirements, and State of Nebraska requirements.</p> <p>Response: Agreed.</p>
2.	<p>A commitment to work cooperatively with the State of Nebraska and provide with at least one day-to-day contact person for account management of the STD and LTD contract.</p> <p>Response: Agreed.</p>
3.	<p>There will be no restrictions or benefit limitations for pre-existing conditions applied to any employee under the plan.</p> <p>Response: Agreed. A 3/12 pre-ex will be in place for both LTD and STD, but Continuity of Coverage will apply to the LTD.</p>
4.	<p>Accept the current enrollment files for the State's employees.</p> <p>Response: Agreed.</p>
5.	<p>Review all plans, draft plan abstracts, and confirm plan provisions with the State.</p> <p>Response: Agreed.</p>
6.	<p>Draft, revise, and finalize the policy and benefit summaries (Summary Plan Descriptions (SPD)/booklets) for review by the State before February 12 of each calendar year.</p> <p>Response: Agreed.</p>
7.	<p>Provide SPDs in an electronic format for access via internet or intranet.</p> <p>Response: Agreed.</p>
8.	<p>Deliver an Administration Manual containing all user guidelines on such matters as eligibility, reports, plan summaries and procedures 60 days prior to plan year.</p> <p>Response: Agreed.</p>
9.	<p>State staff portal for eligibility updates, eligibility validation, uploading documentation, pulling management reports, etc.</p>

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RFP 5956 Z1



Response: You will be able to access valuable, customized benefits information quickly and easily with our website. You can file and view claims in real time, and get access to reports providing a full view of your MetLife Disability benefit program.

MetLink

With our employer website, MetLink, you have access to information that can help improve productivity while lowering administrative burdens. The following are common functions available to authorized users:

MetLink for Benefit Administrators	
Function	Description of Function
File and Update a Claim	<ul style="list-style-type: none"> Initiate and update disability claims.
View Contact Information	<ul style="list-style-type: none"> Access assigned Claims Specialist names and phone numbers on the Claims Detail pages.
Claim Status	<ul style="list-style-type: none"> Check individual claim status details and see a summary of claim status for all employees.
Daily Status View	<ul style="list-style-type: none"> New claim submissions, approvals, denials and claims; Existing claims updates; Return-to-work updates; New suspended claims; Benefit period updates; Date last worked updates; Social Security approvals; Any occupation decisions.
Send MetLife Messages	<ul style="list-style-type: none"> Send messages, with attachments, to us as part of the claim file.
Reports	<ul style="list-style-type: none"> Run financial, claim and administrative reports; Set up recurring reports; Run reports to collect valuable information essential to understanding workplace productivity and absence management.
Eligibility and Enrollment	<ul style="list-style-type: none"> Add, change or view employee and dependent eligibility information after the first eligibility file feed; Adjustments take effect in real time and can be verified online; Upload an eligibility file and view reports of any eligibility or enrollment file processing errors and changes.
Billing and Pay Your Bill	<ul style="list-style-type: none"> Create bills and submit invoices; View history; View and change bills before they are submitted; Receive notification of whether the information you are entering appears to have changed from prior billing periods; Set up ACH accounts and authorize MetLife to automatically debit payments.

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View Statement of Health (SOH) Status	<ul style="list-style-type: none"> View status of an employee's SOH in real time, (e.g., outstanding applications, approved, pending, including applications not started, declined); View all SOHs or find those for a specific employee (by Social Security number or last name).
Forms Library	<ul style="list-style-type: none"> Save time and reduce paperwork by downloading just those forms you need to administer your MetLife benefits program.
Optional Email Alerts	<ul style="list-style-type: none"> Notifications about the status of a Disability claim and notifications when a report is ready to view.
Legislative and Regulatory Releases	<ul style="list-style-type: none"> View summaries of new state or federal laws or regulations to provide insight into changes that may affect your business operations and benefit plans.
User Guides	<ul style="list-style-type: none"> View or download helpful instructional information on how to use MetLink features.

Employee/claimant portal for monitoring claim status, communications, uploading documentation, etc.

Response: Your employees will be able access the information they need via our website – including filing and viewing claims in real-time – making the Disability claims process seamless.

MyBenefits

We have created a self-service website, MyBenefits, to help your employees to better understand and manage their benefits, and allow you more time to work on strategic development. MyBenefits provides employees with personalized and integrated access to information, tools and self-service capabilities for their MetLife benefits. Employees have one place to go to see what benefits are available to them, get their questions answered and conduct transactions, allowing them to spend less time and get more value out of their benefits.

The following are common functions available to enrolled employees:

10.

MyBenefits for Employees	
Function	Description of Function
Claims	<ul style="list-style-type: none"> File a claim, update and upload additional information for a claim, and set up and manage direct deposits; Check the current status of a disability claim, including applicable payment details and other details; Be notified via email to visit MyBenefits to view new claims or claim status changes; Access assigned Claim Specialist name and phone number on the Claims Detail pages; Real-time claim status and payment details; Ability to submit disability claims.
Statement of Health*	<ul style="list-style-type: none"> Complete and submit an SOH, check SOH status online and access commonly asked questions to help with the submission process;

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	<ul style="list-style-type: none"> • Receive real-time approval or notice that further review is needed.
Educational Tools and Resources	<ul style="list-style-type: none"> • Access all standard Disability forms, eliminating the need to contact the employer for forms. Only forms appropriate for the individual user are available.

*These services are offered as part of the end-to-end MyBenefits Life Insurance enrollment experience. They can also be offered as a standalone feature.

We offer a Trusted Authentication (TA) exchange (single sign on) which allows your employees to move easily between your intranet site or a TPA enrollment website to MyBenefits to complete an SOH form.

Mobile App

We make it easy for claimants to keep track of a disability claim from the time the claim is approved to the time the claimant is ready to go back to work. Accessing a claim is now easier than ever with the MetLife US App.

Users can:

- View and update claim information;
- Send messages and attachments to MetLife;
- Upload photos of claim documents;
- Set up direct deposit of benefit payments, if applicable;
- Obtain contact information;
- Provide updates such as an RTW date and other important details;
- Register for group products;
- Add other MetLife group products to their existing credentials.

The app is available by searching for "MetLife" in the Apple App Store or Google Play and downloading the app to a mobile device.

Texting

We offer participants the option to receive claim updates via text message. These messages include:

- Acknowledging receipt of a claim;
- Asking to confirm a return-to-work date;
- Asking to provide additional documents;
- Confirming that a payment is being processed.

A participant can text a reply of HELP or STOP.

We are currently piloting two-way text capabilities and anticipate general availability in 2019.

11.

Communications (phone calls, emails) should be responded to within 24 hours. The customer service department shall provide telephone support to members via a toll free number and maintain telephone technology for the hearing and visually impaired.

Describe your customer service process, including the hours of operation and methods of contact.

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Response: Our Claim Specialists have an objective to return all calls received before 3:00 p.m. CT by the end of the business day. Calls received after 3:00 p.m. CT are returned within 24 hours from when the call was received. If the State emails the Disability Customer Advocate, the turnaround is 1 business day.

Our call centers are equipped for communication with speech or hearing-impaired callers.

For the visually-impaired, we are currently in the process of making our websites compliant to WCAG 2.0 Level A and Level AA guidelines as part of our multi-year program. Each year, starting in 2016, components of our Online Service Portal have been enhanced to conform to the Web Content Accessibility Guidelines (WCAG) version 2.0 Level A and Level AA of the World Wide Web Consortium Web Accessibility Initiative (W3C WAI). This means that components of our Online Service Portal will work with assistive technology, such as screen readers like JAWS or NVDA. More enhancements are scheduled for 2018.

Callers may communicate with any of our call centers using a text telephone device and AT&T's Relay Services. Definitions of these services and numbers are provided below:

- **Telecommunication Devices for the Deaf (TDD)/Teletypewriters (TTY)** – A typewriter-like device that sends typed messages over the telephone line to another TDD/TTY to communicate.
- **Relay Services** – A communication link between TDD/TTY users and those who use a traditional telephone. The operator-guided service is provided 24/7/365. In most cases, there is no charge to access this service. Calls are handled in the strictest confidence.
- **AT&T Relay Service** – 800-855-2880 (TDD/TTY), 800-855-2881 (TTY = Voice).

Our call centers in Oriskany, NY and Omaha, NE are staffed with Customer Service Representatives dedicated to serving our Disability customers. Callers are automatically routed to the location that can answer the call the fastest.

Representatives are available Monday through Friday, 7:00 a.m. to 10:00 p.m., CT.

A toll-free number allows employees to reach their assigned Claims Specialist directly for any inquiries. A separate physician-only line offers medical providers streamlined access for questions or to respond to requests for information from the Claim Specialist.

Our call centers have an IVR service that distributes incoming calls based on the caller's selection of menu options. Callers may elect the English or Spanish menu versions. Our IVR technology allows callers to report return to work (RTW) dates, report delivery dates for maternity claims, obtain information on claim status and make other types of general inquiries.

The IVR service is available:
Monday through Friday, 5:30 a.m. to 10:00 p.m., CT;
Saturday, 5:30 a.m. to 7:00 p.m., CT;
Sunday, 8:00 a.m. to 7:00 p.m., CT.

Our Client Service Consultant will respond to communications from Department of Administrative Services staff within the same business day.

12. Initial claim intake, validation of initial and continuing disability.

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RFP 5956 Z1

Response: Regardless of the type of claim or leave request, we use a four-stage claim process:

- Stage One: Intake and initial investigation;
- Stage Two: Disability decision;
- Stage Three: Ongoing management and administration;
- Stage Four: Resolution.

Our Disability claim management philosophy is about applying the right resources at the right time. We use these resources to manage claim results that ensure timely decisions and accurate payments. Ultimately, this creates a claim process that meets the needs of each claimant.

STD

Intake

When we receive notice of an employee's absence the STD claim management process begins. Claims can be submitted via mail, fax, telephone or through the Web using either our employee website, MyBenefits, or our employer website, MetLink.

Both telephonic and employee Web submission methods require an eligibility file.

Investigation

The first step in the early intervention process is getting medical information over the phone. This helps speed up the process by allowing us to direct the investigation, educate the physician about our process and secure his or her cooperation to return the claimant to a productive employment setting. The claimant and your HR representatives can provide updated information through MyBenefits and MetLink on an ongoing basis.

Decision

A disability determination is based on several factors, including but not limited to:

- Plan provisions, including the definition of disability;
- Medical information provided, including any limitations and restrictions;
- Circumstances of the disability, treatment plan and prognosis;
- Claimant's functional job demands (physical and cognitive);
- Effect of the disability on the claimant's functional capacity;
- Claimant's ability to earn an income.

A comparison of the claimant's functional capabilities and job demands is critical in identifying his or her level of impairment to determine if there are any barriers for RTW. We review any barriers to determine whether accommodations can be made.

We base expected recovery periods on the diagnosis, type of work the claimant performs and other relevant factors. Duration guidelines are not the sole determinant of the length of disability; however, they are a benchmark we use to establish a reasonable, estimated RTW date.

Once the evaluation is complete, the STD Claim Specialist approves or denies the claim.

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RFP 5956 Z1

	<p>The claimant receives notification in writing and by phone. Notification for an approved claim includes the expected RTW date or, in the case of a severe disability, the date the follow-up investigation is scheduled. When a claim update is available via MetLink, you receive an eAlert.</p> <p>Our standard is to make an initial STD claim decision within an average of two business days. We issue checks on the date of the approval and they are mailed the following day.</p> <p>Ongoing Management</p> <p>For ongoing disabilities, the STD Claim Specialist follows up with the claimant on a regular basis. These follow ups include acquiring updates on recovery progress, securing updated medical information and assessing RTW ability. Telephonic investigation is our primary means of gathering information.</p> <p>The Claim Specialist or clinical resource (e.g., Nurse Consultants, Medical Directors, Independent Physician Consultants) deals directly with the treating physician to request updated medical information, discuss ongoing treatment plans and the claimant's ability to return to full or modified duty. If additional vocational rehabilitation assistance is needed, the Claim Specialist refers the case to a Vocational Rehabilitation Consultant (VRC) to discuss accommodations to facilitate RTW.</p> <p>Resolution</p> <p>Five to seven days before the end of the approved period of disability, the STD Claim Specialist contacts the claimant to determine whether he or she intends to RTW on the expected RTW date. If the claimant plans to RTW as anticipated, no further action is taken. If the claimant does not intend to RTW as planned, additional medical information is gathered to support the ongoing disability.</p>
<p>13. Provide routine underwriting and actuarial services.</p>	<p>Response: Agreed.</p>
<p>14. Make determinations with respect to submitted claims, including claim investigation and analysis prior to payment.</p>	<p>Response: Agreed.</p>
<p>14. Investigation</p> <p>The first step in the early intervention process is getting medical information over the phone. This helps speed up the process by allowing us to direct the investigation, educate the physician about our process and secure his or her cooperation to return the claimant to a productive employment setting. The claimant and your HR representatives can provide updated information through MyBenefits and MetLink on an ongoing basis.</p> <p>Decision</p> <p>A disability determination is based on several factors, including but not limited to:</p> <ul style="list-style-type: none"> • Plan provisions, including the definition of disability; • Medical information provided, including any limitations and restrictions; • Circumstances of the disability, treatment plan and prognosis; • Claimant's functional job demands (physical and cognitive); • Effect of the disability on the claimant's functional capacity; 	

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RFP 5956 Z1



	<ul style="list-style-type: none"> • Claimant's ability to earn an income.
	<p>A comparison of the claimant's functional capabilities and job demands is critical in identifying his or her level of impairment to determine if there are any barriers for RTW. We review any barriers to determine whether accommodations can be made.</p> <p>We base expected recovery periods on the diagnosis, type of work the claimant performs and other relevant factors. Duration guidelines are not the sole determinant of the length of disability; however, they are a benchmark we use to establish a reasonable, estimated RTW date.</p> <p>Once the evaluation is complete, the STD Claim Specialist approves or denies the claim.</p> <p>The claimant receives notification in writing and by phone. Notification for an approved claim includes the expected RTW date or, in the case of a severe disability, the date the follow-up investigation is scheduled. When a claim update is available via MetLink, you receive an eAlert.</p> <p>Our standard is to make an initial STD claim decision within an average of two business days. We issue checks on the date of the approval and they are mailed the following day.</p>
<p>15.</p>	<p>Maintain claim files to support payment, denials and appeals. Documentation must be legally acceptable and readily accessible.</p> <p>Response: All claims are administered and managed on our proprietary claim adjudication and payment system which includes an outline of each customer's plans and provisions.</p> <p>Our Claim Specialists and team resources are required to document the following information within the claim system:</p> <ul style="list-style-type: none"> Intake answers documented by the call center; The date and time communication took place; Next steps; Medical records; Documented conversations and participants; Attempts to contact the claimant and/or providers; Other pertinent claim information or correspondence. <p>All steps within the claim process are documented in real time and include a date and time stamp. Documentation includes when a case was referred to a clinician, when documents are received and any case-specific notes. This information is available to any resource reviewing the claim and is especially helpful to Claim Specialists and nurses.</p>
<p>16.</p>	<p>Medical review and integration with medical administrator for co-management of claim.</p> <p>Response: Our Disability Health and Wellness Connection enhances awareness of your existing wellness programs. With it, we work with your medical carriers, wellness providers and disease management programs to promote healthier employee behaviors.</p> <p>Services include:</p> <ul style="list-style-type: none"> Explaining how to access the programs available to your employees, as needed; Diagnosis-specific identification and referral for disease management programs; Warm telephonic transfers to disease management programs; Employee Assistance Program referral;

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	<p>Tracking referrals to other vendors; Data sharing; Reporting back to you with trends and analysis from the disability program to identify additional opportunities for your wellness/disease management programs.</p>
	<p>Evaluate and recommend Return to Work options and accommodations.</p>
	<p>Response: We support RTW through contract incentives and within our case management process. Once the condition is stabilized, we work with the claimant, the treating physician and you to explore job modifications, accommodations and other opportunities for RTW.</p>
	<p>STD</p>
	<p>Rehabilitation efforts for STD focus on returning the individual to the job held prior to becoming disabled. The RTW may be part or full time, with or without job or worksite modifications. Individual cases are discussed with you. Often an employee can return to his or her job earlier than anticipated if you are willing to accept the employee back with certain restrictions. This can be on a temporary or permanent basis.</p>
	<p>LTD</p>
	<p>LTD cases with vocational rehabilitation potential are referred to a Rehabilitation Consultant. If it appears the case has a high potential for success, the consultant contacts the claimant, the treating physician and you to develop a customized plan. The Claim Specialist remains involved and manages the claim in conjunction with the rehabilitation effort.</p>
	<p>A plan may be developed with or without accommodations in an alternate occupation with the employer. A plan may also be developed for RTW in the claimant's own occupation or another occupation with a new employer. We may contract with a local certified rehabilitation vendor to interview and potentially work with the disabled employee to implement a rehabilitation plan.</p>
<p>17.</p>	
	<p>While involved in an approved rehabilitation plan, a disabled employee may be eligible for several incentives including an additional 10% Rehabilitation Incentive, a Family Care Benefit and/or worksite modifications coordinated between us.</p>
	<p>Our Work Incentive Benefit allows a disabled employee who is attempting a RTW to receive up to 100% of predisability earnings between their rehabilitative earnings, other income and the MetLife benefit (our benefit is adjusted so that the employee does not receive more than 100% of predisability earnings).</p>
	<p>We recognize that returning an individual to work, even in a limited capacity, increases the motivation and potential that the individual will return to full-time employment. Our standard contract includes financial incentives to encourage the claimant to RTW either part or full time. Our work incentive allows an employee to participate in rehabilitative employment without losing benefit eligibility. The employee may earn up to 100% income replacement for the duration for which benefits are payable. The rehabilitation incentives include one or more of the following benefits:</p>
	<p>Work Incentive;</p>
	<p>Rehabilitation Benefit Incentive;</p>
	<p>Family Care Expense Incentive;</p>
	<p>Moving Expense Incentive;</p>
	<p>Recovery from a Disability during the LTD Elimination Period;</p>
	<p>Recovery from a Disability after LTD Benefits Begin.</p>

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RFP 5956 Z1





	<p>Transition from STD to LTD, when applicable.</p> <p>Response: Information obtained during the short-term claim period contributes to the continuing eligibility investigation. Claimant demographic information, including specifics of the disabling condition, is included in the STD file. We call to clarify or obtain any missing information.</p> <p>Bridging to LTD</p> <p>We begin the LTD evaluation at the midpoint of the STD claim. Approximately four to six weeks prior to the end of the STD benefit period, we bridge the STD claim to an LTD claim, copying all of the STD claim information to begin the LTD evaluation.</p> <p>Investigation</p> <p>18. After verifying eligibility under the LTD plan, the LTD Claim Specialist begins the claim investigation. During the initial call to the employee, the LTD Claim Specialist discusses the following:</p> <ul style="list-style-type: none"> • Benefits schedule (usually monthly); • Definition of disability under the plan guidelines; • Claim investigation and evaluation process; • Plan provisions that may require further explanation; • Application for Social Security; • Impacts on the benefit if Social Security is approved or other benefits are in place; • Pertinent information and forms necessary to complete the investigation and make a claim decision. <p>Decision</p> <p>Based on information gathered from the investigation, the claim is approved or denied for LTD benefits.</p>
<p>19.</p>	<p>Fraud monitoring and detection.</p> <p>Response: We have implemented a number of initiatives to detect and deter fraudulent Disability claims. Our initiatives center on training, system security, procedural protocols, segregation of duties and internal investigation services.</p> <p>Training</p> <p>Our training program addresses all aspects of fraud detection, prevention and investigation. During training, we provide examples of potential fraud indicators. The trainer gives detailed instructions regarding our procedural protocols. This general training is supplemented by annual training sessions conducted by an investigative specialist.</p> <p>System Security</p> <p>System access is limited to authorized staff members. Access is only permitted after the input of the employee's ID number, password, claim office code and authorization code. Certain functions are restricted to authorized personnel identified within the system. The system generates and maintains a dated audit trail anytime a claim is added to the system or altered. This trail includes a depiction of the claim prior to the alteration, the transaction details and the employee ID of the individual involved.</p>

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	<p>Procedural Protocols</p> <p>Members of our Disability management staff carefully review all forms and medical documentation for alterations. Medical statements provided by the treating physician, or other medical providers, must include the provider's signature. The contents of unsigned medical documentation and the validity of the information received are verified through direct contact with the medical provider.</p> <p>Segregation of Duties</p> <p>We employ a front-end claim entry process. Our intake unit logs all new claims on our claim system. In lieu of claims personnel, a dedicated group handles this function.</p> <p>Investigation Services</p> <p>When suspicious claim activity is uncovered, the situation is referred to the Special Investigation Unit. This unit coordinates possible surveillance and investigation. These specialists have backgrounds in private investigation, military intelligence, law enforcement or insurance investigation. Special investigators conduct onsite surveillance and in-person interviews as necessary. They are also responsible for providing staff training sessions on topics such as identifying red flags and investigative techniques.</p>
20.	<p>Provide ongoing assistance in administration, claim adjudication, and general problem solving. Periodic account servicing meetings will be held with the account manager and claims support group.</p> <p>Response: Your assigned Client Service Consultant (CSC) is your day-to-day administration contact at MetLife. Your CSC partners with you to:</p> <ul style="list-style-type: none"> Answer administration questions; Resolve claim inquires; Deliver standard and ad hoc reporting requests; Satisfy any other administrative needs you may have. <p>You are assigned a Disability Customer Advocate (DCA) to serve as the lead point of contact for in-depth claim inquiries. The DCA owns the claims relationship with you and will be responsible for resolving your claim inquiries or concerns. Typical claims questions can be addressed through MetLink, our employer website. MetLink provides real-time claim information.</p>
21.	<p>Refrain from issuing any external communications material that mentions the State's benefit plans without written approval from the State. This includes newsletters and publications to agents, brokers and consultants.</p> <p>Response: Agreed.</p>
22.	<p>Design, submit for approval, and print enrollment forms with the State's logo for use by plan participants to enroll, and change their coverages, in accordance with plan provisions.</p> <p>Response: Agreed.</p>
23.	<p>When customized printing is requested by the State, present a complete draft and subsequent proof to the State for sign-off. The Contractor must ensure that logo placement and color requirements are met. Contractor will be responsible for costs of printing booklets, certificates, or</p>

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	<p>SPDs as required.</p>
	<p>Response: Noted.</p>
	<p>We will provide booklet certificates in lieu of SPDs.</p>
	<p>Handles problems and complaints initially and pursues all other inquiries in a timely fashion and advises State of NE of escalated issues and recurring patterns.</p>
	<p>Response: Agreed.</p>
<p>24.</p>	<p>We incorporate our administrative, consultative and service functions into a single unit we call our Client Service Team. Having a single unit enables the team to seek consultation and provide solutions internally without the need for escalation.</p> <p>Client Service Consultants (CSC) are an essential part of our Client Service Team. They use a series of guiding principles along with many helpful tools to deliver best-in-class service. One of these tools is an "Open Items Log" that tracks any issues, challenges, questions or complaints you may have. The CSC researches and resolves these open items with help from the rest of the Client Service Team. The CSC then updates the log with the resolution. Logs can be shared as needed.</p> <p>In addition, tight controls and tracking protocols are utilized to ensure that issues are documented, addressed and that timely responses are provided to the appropriate party.</p> <p>In addition, you are assigned a Disability Customer Advocate (DCA) to serve as the lead point of contact for in-depth claim inquiries. The DCA owns the claims relationship with you and will be responsible for resolving your claim inquiries or concerns. Typical claims questions can be addressed through MetLink, our employer website. MetLink provides real-time claim information.</p>
	<p>Appeals</p> <p>We have a Disability Appeals Unit in place to address and resolve claim appeals. This unit functions independently from the unit making the original claim determination. This ensures that a full and fair review is conducted on received appeals. Our Appeals Unit uses an appeals database to track appeals and their outcome.</p>
	<p>Direct Complaints/Grievances</p> <p>Direct complaints are received by the claim office as general correspondence or in other communications. They may also be received by any claims management personnel.</p> <p>We have a Complaint Unit to address and resolve direct complaints. The claims team forwards any direct complaints received to the unit for a formal response. It is then assigned to a Complaint Specialist who inputs the correspondence into the complaint database, reviews the complaint and sends an acknowledgment letter to the complainant.</p> <p>If corrective action is appropriate, action is taken. A response is sent to the complainant addressing all issues and concerns raised and advising them of any actions taken as a result of the complaint. Copies of the complaint correspondence and response are placed in the claim file. The claim system is documented</p>

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<p>with the outcome as well as all actions taken to investigate and resolve the complaint. An update is sent to our Corporate Customer Relations Department for tracking.</p> <p>Complaint Specialists and managers review complaints to identify problem areas. These are subsequently addressed through our ongoing training programs and/or individual associate coaching.</p> <p>Insurance Department Complaints</p> <p>We maintain a Corporate Customer Relations Department whose function is to record and track the type of inquiries or complaints received. A team of dedicated Complaint Specialists is responsible for receiving Insurance Department inquiries or complaints from Corporate Customer Relations and responding to them. The complaint is reviewed in conjunction with the issues raised. If corrective action is appropriate, action is taken. The Complaint Specialist prepares and sends a response to the Insurance Department as needed. Copies of the complaint correspondence and response are placed in the claim file. The claim system is documented with the outcome and all actions taken to investigate and resolve the complaint. An update is sent to our Corporate Customer Relations Department for tracking.</p> <p>Presidential/Corporate Complaints</p> <p>Presidential/Corporate complaints are those addressed to our CEO or other senior officers. These complaints are handled in the same manner as Insurance Department complaints. However, company protocol dictates that a response to these complaints must be provided no later than 10 working days from receipt of the complaint.</p> <p>The Complaint Specialist sends a response letter directly to the complainant. A copy of this letter is not sent to the Insurance Department unless the complainant copied the insurance department and a complaint was received from them as well.</p>	
<p>25. Develops enrollment materials. Provide an example of an employee enrollment kit.</p> <p>Response: We will partner with you to develop a successful enrollment strategy to familiarize your employee population with your benefit plan. To do this, we familiarize ourselves with your demographics, organization size, site locations, organizational structure and any specific requirements. This will enable us to recommend the appropriate communication to use for your employees. Our Onsite Services team will serve as a resource during the onsite enrollment process.</p> <p>We have included a sample Enrollment & Communications plan in Section 8.</p>	
<p>IMPLEMENTATION</p>	
<p>26. Provide a detailed timeline and implementation plan including deadlines set forth in this RFP including State resources and personnel required.</p> <p>Response: We have included a detailed timeline and implementation plan in Section 8.</p>	
<p>27. No statement of health or medical evidence will be imposed upon the initial group of covered employees.</p>	

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	<p>Response: Per the State's clarification provided in the response to bidder's questions, employees enrolled in any LTD option on 6/30/19 will be able to enroll in the single LTD plan effective 7/1/2019 with no EOI. However, employees who are not enrolled in an LTD plan as of 6/30/2019 will be treated as late enrollees and will need to complete EOI in order to enroll in LTD. There will be no EOI requirements on the initial group of STD enrollees for 7/1/2019 as this will be new coverage.</p>
28.	<p>Provide coverage to all present participants enrolled on the program effective date. No active employees or disabled employees shall lose coverage as a result of a change in the Contractor.</p> <p>Response: Our Disability Income Insurance policy provides coverage on a no-loss, no-gain basis for employees who are not actively at work on the plan's effective date. Your employees will not be negatively impacted nor will they benefit in terms of their coverage level solely from the transition from the prior carrier to us. The policy provides the complete terms and conditions of this coverage.</p>
29.	<p>Any "actively at work" requirements will be waived for current covered employees.</p> <p>Response: The actively-at-work definition applies to all covered employees. Employees must be actively at work or at active work and performing all of the usual and customary duties of their job on a full-time basis. This must be done at one of the following:</p> <ul style="list-style-type: none"> • The policyholder's place of business; • An alternate place approved by the policyholder; • A place to which the policyholder's business requires them to travel. <p>Employees are considered actively at work during weekends, approved vacations, holidays or business closures if they were actively at work on the last scheduled workday preceding such time off.</p>
30.	<p>Identify any programs, systems, or administrative opportunities that your organization can provide during the implementation process that would be beneficial to the State.</p> <p>Response: Programs</p> <p>You can add to your Disability coverage with many value-added services:</p> <p>STD and LTD Services That Add Value to Your Business</p> <ul style="list-style-type: none"> • Our mobile app handles comprehensive claim inquiries and claim update capabilities. You can also add comments, attachments and update direct deposits; • Text message updates for employees; • Electronic funds transfer; • Employee benefit deductions; • Customer program metrics; • Reporting, analytics and consulting; • Access for employers and employees to real-time online claim information; • Online employer reporting capabilities; • A platform-neutral payroll, time and attendance and HRIS file feed; • Assigned Disability Customer Advocate to resolve claim administration matters; • An Assigned Disability Consultant, who analyzes your organization's claim trends and works

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RFP 5956 Z1

in partnership with the Client Service Team to recommend plan changes and implement Return to Work action plans. This expert uses data from your current Disability plan to:

- Identify disability trends through customized reporting;
- Recommend Disability management strategies to improve your productivity;
- Suggest streamlined or refined policies and procedures that can reduce costs.
- Annual reporting package and dashboard reporting to provide:
 - In-depth statistical reporting and analysis;
 - Comprehensive annual or semi-annual program review;
 - A proactive approach to identifying, understanding and addressing trends;
 - Recommendations and strategies to improve processes and protocols;
 - Plan design analysis based on the overall program performance;
 - Periodic snapshots of employees' claim experience, demographic information and key claim metrics.

MetLife's Disability Health and Wellness Connection

We can work closely with your existing disease management, EAP or medical carrier programs to help promote healthier behaviors by:

- Explaining how to access the programs available to your employees, as needed;
- Diagnosis-specific identification and referral for disease management programs;
- Warm telephonic transfers to disease management programs;
- Employee Assistance Program referral;
- Tracking referrals to other vendors;
- Data sharing;
- Reporting back to you with trends and analysis from the disability program to identify additional opportunities for your wellness/disease management programs.

Contract Features

- **Work Incentive Benefit** – This allows claimants to receive up to 100% of their pre-disability earnings, including the disability benefit, rehabilitative work earnings, rehabilitation incentives and other income sources;
- **Rehabilitation Benefit** – This benefit increases monthly benefits by up to 10% when the claimant participates in a MetLife-approved rehabilitation program;
- **Family Care Expense Reimbursement** – This provides reimbursement for the care of family members, including child care or care for a parent if the claimant works or participates in a MetLife-approved rehabilitation program while disabled;
- **Moving Expense Benefit** – Provides reimbursement for a move made as part of an approved rehabilitation program.

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RFP 5956 Z1

PlanSmart

We offer our financial education series, PlanSmart®, to our group customers and their employees at no cost. It includes onsite workshops to complement your existing benefits and personal consultations with a financial professional.¹

The combination of a solid educational foundation and the ability to address individual goals will empower your employees to take action to improve their financial state. PlanSmart offers plenty of relevant, objective financial information through the following programs:

Retirewise® – It's a four-part, award-winning workshop series that can play a fundamental role in your employees' basic financial and retirement planning. Retirewise provides objective information that covers a broad spectrum of financial topics suited to all employees, ranging from budgeting and investment principles to tax strategies and estate planning.

Topical Workshops – We provide a range of educational workshops that address the different needs of your employees. Our one-hour workshops cover topics of interest among employees of varying ages and career stages across your workforce. The workshops fall into four main categories – Early Career, Mid-Career, Pre-Retirement, and Specialty.

¹ MetLife has arranged for Massachusetts Mutual Life Insurance Company financial professionals to provide optional personal consultations.

Systems

Our websites enable you and your employees to obtain valuable and customized benefits information quickly, helping to reduce your administrative burden.

MetLink

Streamline and simplify your benefits management with our employer website, MetLink. With MetLink, your benefit managers and HR personnel can easily and immediately access MetLife benefit information.

MetLink may be accessed via the Internet or can be accessed with a hyperlink integrated into your existing intranet.

To take a tour of MetLink, visit <http://metdemo.metlife.com/MetDemo/bce09080-0215-4020-bc44-dd69b5d60299>. To access the demo, use your email address as the username. The password is metlife1.

MyBenefits

We have created a self-service website to help your employees better understand and manage their benefits. This allows you more time to work on strategic development. MyBenefits provides employees with personalized and integrated access to information, tools and self-service capabilities for their MetLife benefits. Employees have one place to go to see what benefits are available to them, get their questions answered and conduct transactions. This allows them to

spend less time and get more value out of their benefits.

To take a tour of MyBenefits, visit <http://metdemo.metlife.com/MetDemo/346ea140-87a3-408e-b08c-5895958440cd>. To access the demo, use your email address as the username. The password is metlife1.

Administrative Opportunities

Web Submission

Our employee website, MyBenefits, allows your employees to submit claims online in real time. You must provide an electronic eligibility feed for employee Web submission.

Additional features of Web submission are:

- Pre-populated claim forms – Employees receive the appropriate online claim form pre-filled with information based on their coverage eligibility;
- Real-time submission confirmation – Claims are received in real time, and employees receive an immediate confirmation that includes their claim number(s). They will have instant claim inquiry access;
- Links to other online resources – After submission, employees are given a link to the online forms library. A medical authorization is automatically mailed. It can also be downloaded from the website.

Via our employer website, MetLink, you can access our *File a Claim* feature which allows you to file your employees' Disability claims in real time. You can also subscribe to e-alerts, and receive notification when a new claim is submitted or if there is a status change.

REPORTING

Monthly, quarterly, semi-annual, and annual reporting including but not limited to: Utilization, approvals/denials of coverage, etc.

Response: During the implementation phase, your Client Service Consultant will work with you to consider your reporting requirements. Requirements might include data to be reported on, reporting frequency and, if necessary, custom reports.

The following is a description of our standard employer reports:

31. Financial Accounting Reporting

The following monthly financial accounting reports are available at no additional charge:

Premium versus Claims (PVC) – Compares the billed premium over a specific period of time with the claims paid during that same period. You can run this report via our employer website, MetLink, or request it from your Client Service Team. The report provides a view of premium and claim levels using easy-to-read graphs to clearly illustrate the overall premium and monthly claim activity for the current policy year. PVC reports are available in PDF format.

Detailed Claim Report (DCR) – Provides monthly claim activity and can be ordered by your Client Service Team. It includes the amount paid, date paid, claim reference number, the name of the insured, incurred date, date processed and other individual claim data. The DCR is processed overnight and is

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available in Excel format.

E-reporting via MetLink

E-reporting through our employer website, MetLink, allows you to access summary and detailed Disability information quickly and easily. E-reporting provides feature-level authentication, access to reporting data based on case structure and access to certain features based on a user's roles and group associations. Report sharing, scheduling and notification capabilities enable recurring generation and auto-delivery.

MetLink offers the following capabilities:

- Weekly, monthly, quarterly, semi-annual and annual scheduling options;
- Various reports based on customer structure levels and for specific time periods;
- Immediate access to standard Disability reports;
- Ability to view, print or email reports;
- Ability to compare customer data to our book of business.

The following standard reports are available to customers at no charge. Reports can be downloaded into an Excel or PDF format:

Claim Status Summary and Graph – Includes totals for open, suspended, pending, closed, denied and received STD or LTD claims within the reporting period. Identifies overall trends in claim activity, in addition to demographic information such as gender mix and average age of the claimants. Monitors changes in claim incidence, approval rates and claimant profiles.

Claim Status Detail – Reflects the claim detail supporting the Claim Status Summary Report, including the claim number, claim status, disability date, benefit start date and cumulative gross benefit. The data allows a customer to import the information into a spreadsheet application for further analysis.

Duration by Diagnosis Summary and Graph – Reflects all closed STD claims within the reporting period and totals by major diagnostic category. Average days paid, average days absent and average dollars paid are also included on this report. These key measurements enable you to monitor changes in disability durations and your cost in order to identify disability management opportunities.

Social Security Status Summary and Graph – Includes all LTD claims open and suspended as of the end of the reporting period, including total claims by duration and Social Security award status. Highlights our effectiveness in obtaining Social Security awards on disabled claimants.

Distribution by Diagnosis Summary and Graph – Includes the number and percentage of all LTD claims approved in the selected reporting period by major diagnostic category. This allows the customer to track trends by disability cause.

Additional Report

You also have the ability to view a Customer File Error Report. From this report, you can view the status of enrollment or eligibility data (e.g., errors, number of employees, summary of transactions) and correct any errors online. You will also have the ability to drill down to detailed information. This capability is compliant with HIPAA regulations.

Client Service Team Capabilities

In addition to the on-demand reports that you can run, your Client Service Team has the capability to run various additional reports based on summarized or detailed claims data for a defined date range. Your Client Service Team can discuss the specifics of your data requirements with you in order to produce

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	<p>helpful reports that fulfill your needs. The following reports may also be requested:</p> <p>SIC and Customer Dashboard Reports – Gives a snapshot of customer or industry-level STD and LTD claim experience, demographic information and claim metrics. The report provides a comparison against MetLife’s book of business, and enables you to evaluate your program’s performance against the industry to identify absence management opportunities.</p> <p>Normative Data Report – A compilation of normative data intended to provide you with ballpark benchmarks for certain STD and LTD claim indicators.</p> <p>Program Summary Report (PSR) and Dashboard Reporting – The following analytic and benchmarking reports and tools are available:</p> <ul style="list-style-type: none"> In-depth statistical reporting and analysis; Comprehensive consultative review on an annual or semi-annual basis; Proactive approach to identifying, understanding and addressing trends; Consultative recommendations and strategies for improved processes and protocols; Plan design analysis and recommendations based on review of overall program performance; Snapshot of claim experience, demographic information and key claim metrics available to supplement the PSR on a more frequent basis.
<p>32.</p>	<p>A year-end financial accounting for the program within 60 days of the contract anniversary date.</p> <p>Response: Agreed.</p>
<p>33.</p>	<p>Maintain an internal audit program and provide the State with a copy of the most recent internal audit report upon request.</p> <p>Response: In order to maintain objectivity, the Disability Quality Assurance (QA) program is a separately managed function outside of the claim office structure.</p> <p>The program provides an objective review of the processes and procedures used by our claim organization. It also proactively identifies quality-related trends so that we can consistently meet and/or exceed your expectations.</p> <p>QA audits are performed daily. A sample of STD and LTD claims are selected randomly from claim decisions made in the previous week. This sample includes active and closed claims.</p> <p>Quality audits are focused on the following:</p> <ul style="list-style-type: none"> Payment accuracy Timeliness Procedural accuracy Statistical accuracy <p>The focus of the QA program is to ensure that claims are appropriately paid or not paid, claim decisions are timely, communicated appropriately and documented accurately.</p> <p>Results are used to identify individual coaching opportunities, training needs and possible process improvements for a specific customer, team, site or the Disability organization as a whole.</p> <p>We can assure you the goal of each office location is to consistently perform at or above established standards. Company-wide quality assurance audit results are not released to current or prospective customers.</p>

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PERFORMANCE GUARANTEES

34.	<p>Do you have a formal performance guarantee program? If so, please provide a copy.</p> <p>Response: Yes. We have included a copy of our proposed performance guarantees in Section 8 of our response.</p>
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BILLING

35.	<p>Attach a description of premium billing procedures.</p> <p>Response: Please see Section 8 for our response.</p>
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36.	<p>Maintains a process for the correction of under and over payments.</p> <p>Response: An important factor in our approach toward the recovery of overpayments is effective communication with the claimant. The Claim Specialist maintains ongoing telephone communication with the claimant throughout the Social Security application process making him or her aware of the repayment requirement upon award. Claimants sign a repayment agreement that fully explains his or her responsibilities in the pursuit of other income benefits, such as Social Security, and the repayment of any funds advanced prior to the approval of the benefits. These preliminary activities create a mutual understanding of the overpayment process and the steps taken to recover an overpayment.</p> <p>When an overpayment situation occurs, the Claim Specialist immediately contacts the claimant by telephone to initiate recovery. At this point, the situation is referred to our centralized Overpayment Unit for handling by one of our Overpayment Specialists. A letter detailing the overpayment and requesting full reimbursement is then sent to the claimant. If repayment has not been received within thirty days from the date of the letter, the Overpayment Specialist calls the claimant to discuss possible repayment options, such as a lump sum cash payment, installment payments and/or benefit credits. This follow-up activity normally generates positive results. Once an agreement is reached, a second letter, documenting the telephone conversation and outlining the agreement reached, is sent to the claimant.</p> <p>In certain scenarios, the overpayment may be pursued by a Social Security vendor or a recovery vendor. The overpayment may be sent to our recovery vendor to be pursued if the overpayment is \$1,500 or higher.</p> <p>We work with our Social Security vendors to allow the claimant to authorize a withdrawal from his or her bank account when the Social Security Administration makes the award. The claimant authorizes this transaction when he or she begins working with one of our approved vendors and then again prior to the award. Approximately 80% of the claimants working with one of our approved vendors take advantage of this option.</p> <p>Underpayments</p> <p>Once an underpayment is identified, we update the claim to issue any benefits and interest due.</p> <p>We follow the standard regulatory guidelines regarding delayed interest settlements. Interest due can result from many different situations and is resolved as appropriate based on individual claim facts.</p>
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<p>37. Withhold Medicare taxes from the disabled employee's disability benefits and remits them to the federal government.</p> <p>Response: Yes.</p> <p>Federal Income Tax and State Income Tax withholding is automatic and based on the claimant's marital status and number of tax exemptions being claimed.</p> <p>We automatically withhold Social Security and Medicare taxes from taxable Disability benefit payments issued during the first six continuous complete calendar months of the disability. This practice is applicable to benefits issued under STD, LTD and state temporary disability insurance plans.</p> <p>Both mandatory and voluntary withholding options are available, depending on your financial arrangement. For mandatory tax withholding, we generally withhold at a flat rate. If the claimant wishes to be exempted from the flat rate, or desires an additional amount to be withheld, he or she may submit a W-4S withholding form.</p> <p>We will remit the employer portion of FICA (Federal Insurance Contributions Act) if you appoint MetLife as Agent for the remitting of the employer portion of FICA and provide us with a completed Agency Agreement form.</p>
<p>38. Remits the State's portion of Medicare tax (from a State Medicare matching Fund) to the federal government.</p> <p>Response: Agreed. We will remit the employer portion of FICA (Federal Insurance Contributions Act) if you appoint MetLife as Agent for the remitting of the employer portion of FICA and provide us with a completed Agency Agreement form.</p> <p>The service is provided at a cost of the Employer FICA remittance plus 3% of the amount of FICA remitted and is included on your quarterly tax bill.</p>

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RFP 5956 Z1



REQUEST FOR PROPOSAL FOR CONTRACTUAL SERVICES FORM

BIDDER MUST COMPLETE THE FOLLOWING

By signing this Request for Proposal for Contractual Services form, the bidder guarantees compliance with the procedures stated in this Request for Proposal, and agrees to the terms and conditions unless otherwise indicated in writing and certifies that bidder maintains a drug free work place.


Per Nebraska's Transparency in Government Procurement Act, Neb. Rev Stat § 73-603 DAS is required to collect statistical information regarding the number of contracts awarded to Nebraska Contractors. This information is for statistical purposes only and will not be considered for contract award purposes.

NEBRASKA CONTRACTOR AFFIDAVIT: Bidder hereby attests that bidder is a Nebraska Contractor. "Nebraska Contractor" shall mean any bidder who has maintained a bona fide place of business and at least one employee within this state for at least the six (6) months immediately preceding the posting date of this RFP.

N/A I hereby certify that I am a Resident disabled veteran or business located in a designated enterprise zone in accordance with Neb. Rev. Stat. § 73-107 and wish to have preference, if applicable, considered in the award of this contract.

N/A I hereby certify that I am a blind person licensed by the Commission for the Blind & Visually Impaired in accordance with Neb. Rev. Stat. §71-8611 and wish to have preference considered in the award of this contract.

FORM MUST BE SIGNED USING AN INDELIBLE METHOD (NOT ELECTRONICALLY)

FIRM:	Metropolitan Life Insurance Company
COMPLETE ADDRESS:	10 South LaSalle Street, Chicago, IL 60603
TELEPHONE NUMBER:	312-425-3442
FAX NUMBER:	312-425-3436
DATE:	December 6, 2018
SIGNATURE:	
TYPED NAME & TITLE OF SIGNER:	Justin Funk, Vice President

Corporate Overview

The Corporate Overview section of the Technical Proposal should consist of the following subdivisions:

a. BIDDER IDENTIFICATION AND INFORMATION

The bidder should provide the full company or corporate name, address of the company's headquarters, entity organization (corporation, partnership, proprietorship), state in which the bidder is incorporated or otherwise organized to do business, year in which the bidder first organized to do business and whether the name and form of organization has changed since first organized.

Our legal name is Metropolitan Life Insurance Company. We are a subsidiary of MetLife, Inc.

Our headquarters is located at:
200 Park Avenue
New York, NY 10166-0188

Metropolitan Life Insurance Company (MLIC) is providing this quote. MLIC was incorporated on March 24, 1868 in New York, NY. It became a wholly-owned subsidiary of MetLife, Inc. on April 7, 2000 and is a publicly-traded corporation.

b. FINANCIAL STATEMENTS

The bidder should provide financial statements applicable to the firm. If publicly held, the bidder should provide a copy of the corporation's most recent audited financial reports and statements, and the name, address, and telephone number of the fiscally responsible representative of the bidder's financial or banking organization.

If the bidder is not a publicly held corporation, either the reports and statements required of a publicly held corporation, or a description of the organization, including size, longevity, client base, areas of specialization and expertise, and any other pertinent information, should be submitted in such a manner that proposal evaluators may reasonably formulate a determination about the stability and financial strength of the organization. Additionally, a non-publicly held firm should provide a banking reference.

The bidder must disclose any and all judgments, pending or expected litigation, or other real or potential financial reversals, which might materially affect the viability or stability of the organization, or state that no such condition is known to exist.

The State may elect to use a third party to conduct credit checks as part of the corporate overview evaluation.

Please note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

RFP 5956 Z1

Our most recent and historical Annual Reports and Quarterly Financial Statements are available on our website. We are also including copies on CD in our hard copy response.

Link to our most recent, and prior years, Annual Report:

<http://investor.metlife.com/phoenix.zhtml?c=121171&p=irol-reportsannual>

Link to our most recent Quarterly Financial Statements:

<http://investor.metlife.com/phoenix.zhtml?c=121171&p=irol-reportsother&nyo=0>

Fiscally Responsible Representative

John D. McCallion
Executive Vice President and Chief Financial Officer
200 Park Avenue
New York, NY 10166
212-578-2167

Litigation

Lawsuits do arise periodically in the ordinary course of business. They are generally coordinated by MetLife's litigation attorneys. Subjects of litigation include, but are not limited to, activities as an insurer, employer, investor, investment advisor and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning our compliance with applicable insurance and other laws and regulations. In some cases, penalties are negotiated and paid to a regulatory authority.

MetLife, Inc.'s most recent 10-K contains a discussion of a number of litigation, claims and regulatory matters. Current and recent litigation disclosures from our 10-K filing and 10-Q filing of MetLife, Inc. are available at www.metlife.com. We believe the matters noted therein will not interfere with us providing your quality service and support. We would be pleased to address any specific questions you may have.

c. CHANGE OF OWNERSHIP

If any change in ownership or control of the company is anticipated during the twelve (12) months following the proposal due date, the bidder should describe the circumstances of such change and indicate when the change will likely occur. Any change of ownership to an awarded vendor(s) will require notification to the State.

We do not foresee any impact on the services we provide, as a result of any merger or acquisition activity; however if such activity takes place, we will notify the State as soon as possible.

d. OFFICE LOCATION

The bidder's office location responsible for performance pursuant to an award of a contract with the State of Nebraska should be identified.

Please note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

RFP 5956 Z1

Claims/Customer Service

Our claim center in Aurora, IL, will administer your Disability claims. This office is your centralized source for all Disability claim processing, case management, vocational rehabilitation services and Social Security assistance.

Client Services

Our National Accounts Customer Unit, located in Aurora, IL, is responsible for your overall service.

e. RELATIONSHIPS WITH THE STATE

The bidder should describe any dealings with the State over the previous three (3) years. If the organization, its predecessor, or any Party named in the bidder's proposal response has contracted with the State, the bidder should identify the contract number(s) and/or any other information available to identify such contract(s). If no such contracts exist, so declare.

We have not had any dealings with the State over the previous three years.

f. BIDDER'S EMPLOYEE RELATIONS TO STATE

If any Party named in the bidder's proposal response is or was an employee of the State within the past two (2) years, identify the individual(s) by name, State agency with whom employed, job title or position held with the State, and separation date. If no such relationship exists or has existed, so declare.

If any employee of any agency of the State of Nebraska is employed by the bidder or is a Subcontractor to the bidder, as of the due date for proposal submission, identify all such persons by name, position held with the bidder, and position held with the State (including job title and agency). Describe the responsibilities of such persons within the proposing organization. If, after review of this information by the State, it is determined that a conflict of interest exists or may exist, the bidder may be disqualified from further consideration in this proposal. If no such relationship exists, so declare.

To the best of our knowledge, neither MetLife nor its subcontractors employ any prior State employees.

g. CONTRACT PERFORMANCE

If the bidder or any proposed Subcontractor has had a contract terminated for default during the past three (3) years, all such instances must be described as required below. Termination for default is defined as a notice to stop performance delivery due to the bidder's non-performance or poor performance, and the issue was either not litigated due to inaction on the part of the bidder or litigated and such litigation determined the

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RFP 5856 Z1

bidder to be in default.

It is mandatory that the bidder submit full details of all termination for default experienced during the past three (3) years, including the other Party's name, address, and telephone number. The response to this section must present the bidder's position on the matter. The State will evaluate the facts and will score the bidder's proposal accordingly. If no such termination for default has been experienced by the bidder in the past three (3) years, so declare.

If at any time during the past three (3) years, the bidder has had a contract terminated for convenience, non-performance, non-allocation of funds, or any other reason, describe fully all circumstances surrounding such termination, including the name and address of the other contracting Party.

We have not had a contract terminated for default during the past three (3) years nor are we proposing a subcontractor who has terminated for default during the past three (3) years.

h. SUMMARY OF BIDDER'S CORPORATE EXPERIENCE

The bidder should provide a summary matrix listing the bidder's previous projects similar to this RFP in size, scope, and complexity. The State will use no more than three (3) narrative project descriptions submitted by the bidder during its evaluation of the proposal.

The bidder should address the following:

Provide narrative descriptions to highlight the similarities between the bidder's experience and this RFP. These descriptions should include:

- a) The time period of the project;
- b) The scheduled and actual completion dates;
- c) The Contractor's responsibilities;
- d) For reference purposes, a customer name (including the name of a contact person, a current telephone number, a facsimile number, and e-mail address); and
- e) Each project description should identify whether the work was performed as the prime Contractor or as a Subcontractor. If a bidder performed as the prime Contractor, the description should provide the originally scheduled completion date and budget, as well as the actual (or currently planned) completion date and actual (or currently planned) budget.
 - ii. Contractor and Subcontractor(s) experience should be listed separately. Narrative descriptions submitted for Subcontractors should be specifically identified as Subcontractor projects.
 - iii. If the work was performed as a Subcontractor, the narrative description should identify the same information as requested for the Contractors above. In addition, Subcontractors should identify what share of contract costs, project responsibilities, and time period were performed as a Subcontractor.

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	Time Period of Project	Scheduled and Actual Completion Dates	Contractor's Responsibilities	Customer Name Contact Person Telephone Number Fax Number Email Address	Was Work Performed as Prime Contractor or Subcontractor?	For Prime Contractors, List Actual or Currently Planned Budget
#1	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
#2	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
#3	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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RFP 5956 Z1

i. **SUMMARY OF BIDDER'S PROPOSED PERSONNEL/MANAGEMENT APPROACH**

The bidder should present a detailed description of its proposed approach to the management of the project.

The bidder should identify the specific professionals who will work on the State's project if their company is awarded the contract resulting from this RFP. The names and titles of the team proposed for assignment to the State project should be identified in full, with a description of the team leadership, interface and support functions, and reporting relationships. The primary work assigned to each person should also be identified. The bidder should provide resumes for all personnel proposed by the bidder to work on the project. The State will consider the resumes as a key indicator of the bidder's understanding of the skill mixes required to carry out the requirements of the RFP in addition to assessing the experience of specific individuals.

Resumes should not be longer than three (3) pages. Resumes should include, at a minimum, academic background and degrees, professional certifications, understanding of the process, and at least three (3) references (name, address, and telephone number) who can attest to the competence and skill level of the individual. Any changes in proposed personnel shall only be implemented after written approval from the State.

Our National Accounts Customer Unit, located in Aurora, IL, is responsible for your overall service. Under the direction of Justin Funk, Customer Unit Vice President, your designated Client Service Team includes the following resources for initial and ongoing plan support:

- **Sr. Account Executive**
Shawn Domark is responsible for overall account satisfaction, implementation and problem solving. Shawn acts as your main point of contact. He is your overall relationship manager and will develop customer-specific solutions using his detailed knowledge of our benefit product offerings.
- **Client Service Director**
Kristen Mack is responsible for service and operational delivery including administration and finance.
- **Client Service Consultant**
Jessica Wold is responsible for account administration, including claim inquiries, communication requests, contract updates and legal resolution.
- **Financial Consultant**
Brent Grier is responsible for overall billing, banking and annual accounting, customer reporting and analysis. The Financial Consultant partners with your Client Service Consultant on overall deliverables and service.

Resumes appear on the following pages.

Shawn Domark, MBA
domark6@yahoo.com
630-936-3111

PROFESSIONAL EXPERIENCE

MetLife, Chicago, IL

Account Executive

Jan. 2015 to present

Extensive experience working with large, complex employers (5,000+ employees) in the areas of plan design development, service delivery and analyzing financial outcomes. Consultative approach using industry trends, benchmarking, and metrics to demonstrate supported recommendations for change or action. Development and negotiation of rates, fees and contract terms on a \$100M+ book of business.

Market Specialist

Oct. 2012 to Jan. 2015

Provide external product wholesaling / marketing services to sales executives. Drive voluntary benefit product sales by promoting products through third parties, and/or creating and providing business plans, sales goals, training and support for sales executives. Build and maintain strong relationships to foster sales growth and opportunities.

Account / Client Executive

Oct. 2007 to Oct. 2012

Accountable for sales and servicing of a broad suite of MetLife benefits and financial services directly to group clients or through broker / consultant relationships. Built and maintained strong external and internal relationships to help foster cross product sales growth throughout the Midwest. Responsible for sales goals, service and post-sale issue resolution within assigned sales territory. Developed and delivered client reporting and benefit consultation at annual stewardship meetings with both clients and brokers for voluntary benefits.

Customer Unit Director

Oct. 2004 to Oct. 2007

Responsible for 28 employees and two managers with overall responsibility for customer satisfaction with the administration of MetLife's voluntary benefits program for group customers and National Accounts. Recruited, developed and retained leadership and associate talent for the organization. Responsible for all facets of people management, including financial and administrative performance goals and management decisions that impact earnings, revenue, expenses, and processes.

Senior Business Consultant

June 2003 to Oct. 2004

Responsible for managing, developing and implementing projects related to MetLife's customer billing processes and supporting IT application. Develop business requirements and ROIs for projects supporting the strategic goals of the business. Assist external partners with planning, funding and the prioritization of projects associated with customer billing applications.

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RFP 5955 21



Customer Unit Supervisor

Dec. 2000 to June 2003

Supervised and led a team of Account Managers in the implementation and administration of the payroll deduction process for Voluntary Benefits. Responsible for the performance management process and assisting with salary administration. Interviewed, hired and monitored the training of new personal.

Customer Account Manager

Dec. 1998 to Dec. 2000

Accountable for customer satisfaction with the operation of the Voluntary Benefits program for group customers. Coordinated internal resources for the installation of new customer accounts, product additions and changes to ensure client satisfaction through the implementation process. Facilitated a working dialog with clients, brokers and sales partners in order to provide solutions to program needs.

Corporate Compliance Technical Coordinator

Dec. 1996 to Dec. 1998

Assisted the Corporate Compliance Director and Manager in the compilation of management reports. Reviewed and issued Compliance Reports, which assess the levels of compliance risk and exposure within outside sales agencies.

Quality Specialist

Oct. 1994 to Dec. 1996

Contacted external customers to investigate and respond to situations that might involve prohibited Company practices and reported the results to the local Quality/Compliance Council.

Change Correspondent - Individual Business

Feb. 1991 to Oct. 1994

Responsible for the prompt and efficient completion of all types of life insurance policy changes. Determined correct methods and rules to be applied for simple to complex calculations.

EDUCATION

Aurora University – Master of Business Administration	2006
Aurora University – Bachelor of Science in Business Administration	1996

REFERENCES

First Data, Stephanie Pulverenti
6855 Pacific St., Omaha, NE 68106, 402-222-5478

Valmont, Jennifer Paisley
1 Valmont Plz., Omaha, NE 68154, 402-963-1026

Nebraska Medicine, Laurie Wilburn
987535 Nebraska Medical Center, Omaha, NE 68198, 402-552-3057

Kristen Mack
kamack@metlife.com
630-499-3603

PROFESSIONAL EXPERIENCE

MetLife

Client Services Director 2018 - Present

- Accountable for overall service for Life, Dental, Disability and Voluntary Benefits
- Customer satisfaction and operational responsibility
- Administrative and financial oversight
- Consultation and trend analysis
- Coach and mentor client service consultant team and managed team resources
- Responsible for escalated issues

Sales Support Director 2013 - 2018

- Developed roles and responsibilities for the newly formed team.
- Managed a team of Sales Support Consultants responsible for finalist presentations, new product sales opportunity proposals, sales pipeline report, commission issues/reporting, renewal and proposal cover letter preparation and broker escalations.
- Acted as Strategy and Planning Consultant for the Customer Unit Vice President. Duties included tracking earnings, revenue, sales; analysis of financial data to identify trends, develop strategies to achieve office level sales goals; assisted with short and long term business planning; compensation planning; and manage budget for overall sales team.

Proposal Manager 2007 – 2013

- Managed team of Proposal Specialists who utilize multiple internal resources to project manage and prepare group benefit proposals for all of National Accounts.
- Managed deadlines through work load balancing and a strong team environment.
- Partnered with Account Executives, the product team, legal counsel, and the contracts team to develop comprehensive proposal responses and database content.
- Lead various projects: Process improvements to generate task time savings, strategic review of team structure, updated and developed new proposal content and implemented new technology.

Client Services Director 2001-2007

- Led a team of Client Services Consultants who were responsible for all aspects of day-to-day account management, implementation and financial reporting.
- Cross trained Client Service Consultants on annual accounting process to provide additional staffing for annual financial calculations.
- Responsible for employee development planning and compensation budgeting.
- Partnered with internal departments to ensure complete client satisfaction.

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RFP 5956 Z1

Client Services Consultant

1997-2001

- Handled financial planning and analytics, reporting, contractual and administrative work on National Account size groups.
- Consulted customers on group benefits for plan design, process questions and keeping the groups up to date on regulatory changes.
- Led implementations as the project manager for Life, Disability and Dental.

EDUCATION

Northern Illinois University – Bachelor of Science

REFERENCES

Sara Norman, Benefits Specialist, Schneider Electric
200 N. Martingale Road, Suite 1000 (10th Floor), Schaumburg, IL 60173, 847-925-3241

Thomas Slawik, Manager, HRSS Leave Management, Advocate Aurora Health
3075 Highland Parkway, Suite 600, Downers Grove, IL 60515, 630-929-6735

Susan (Sue) Young, VP – HR Shared Service Center, Advocate Aurora Health
3075 Highland Parkway, Suite 600, Downers Grove, IL 60515, 630-929-9569

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RFP 5956 Z1

Jessica Wold
JWold@MetLife.com
630-820-7322

PROFESSIONAL EXPERIENCE

MetLife

Client Services Consultant – National Accounts

2018 – Present

- Responsible for the day-to-day administration of multiple National Accounts clients.
- Responds to client requests and works on escalated issues for all product lines.
- Creates and edits extensive PowerPoint presentations for customer meetings.
- Implements and develops timelines for new product installations.
- Collaborates with the Account Executive on potential plan changes for the customer.
- Facilitates client meetings and provides agendas, presentations and engages with financial consultant and other internal partners to assist in my consultation with the customers.
- Presents annual, semi-annual and quarterly financial plan data on life, dental, disability and voluntary products.
- Participates in projects and audits to improve processes and the experience for the customers.
- Demonstrates knowledge of group products (life, dental, disability, property and voluntary products), and is able to provide consultative services to the customer.

Client Services Consultant – Regional Market

2011 - 2018

- Responsible for the day-to-day administration of multiple Regional Market clients.
- Responds to client requests and works on escalated issues for all product lines.
- Collaborates with the Account Executive on potential plan changes for the customer.
- Presents annual, semi-annual and quarterly financial plan data.
- Participates in projects and audits to improve processes and the experience for the customer.
- Demonstrates knowledge of group products and is able to provide consultative services to the customer.

EDUCATION

Waubonsee Community College

REFERENCES

Sara Norman, Benefits Specialist, Schneider Electric
200 N. Martingale Road, Suite 1000 (10th Floor), Schaumburg, IL 60173, 847-925-3241

Ali Burrows, Benefits Analyst, Schneider Electric
1650 W. Crosby Road, Carrollton, TX 75006, 214-674-2801

Scott McNiece, Benefits Manager, Stericycle
4010 Commercial Avenue, Northbrook, IL 60062, 847-943-6413

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RFP 5956 Z1

Brent Grier
bgrier@metlife.com
630-692-4265

PROFESSIONAL EXPERIENCE:

MetLife

Financial Consultant - National Accounts

2010 - present

- Partners with the administration team to deliver exceptional customer service to customers.
- Responsible for billing and premium remittance and providing financial reports as requested by customers.
- Responsible for annual financial planning, reporting and Schedule A preparation.
- Consult on plan design, financial inquiries and implementations.

Account Manager – Regional Market

2002 - 2010

- Responsible for the day-to-day administrative relationship of customers ranging from 1,000 to 10,000+ employees.
- Worked closely with the sales team, management and various other internal partners to ensure customer satisfaction.
- Acted as the liaison for escalated claim and service issues
- Responsible for escalated issues.

EDUCATION

Augsburg College, Minneapolis, MN

Bachelor of Science degree in communications and business administration

REFERENCES

Taryn Imes

177 South Commons Drive, Aurora, IL 60504
630-692-4235

Tom Rauenbuehler

177 South Commons Drive, Aurora, IL 60504
630-692-4248

Sue Hupp

177 South Commons Drive, Aurora, IL 60504
630-692-4233

j. SUBCONTRACTORS

If the bidder intends to Subcontract any part of its performance hereunder, the bidder should provide:

- i. name, address, and telephone number of the Subcontractor(s);
- ii. specific tasks for each Subcontractor(s);
- iii. percentage of performance hours intended for each Subcontract; and
- iv. total percentage of Subcontractor(s) performance hours.

Subcontractor Services and Locations				
Subcontractor	Tasks	Address/Phone	% of Performance Hours Intended for Each Subcontract	% of Subcontractor's Performance Hours
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Please note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

Subcontractor Services and Locations				
Subcontractor	Tasks	Address/Phone	% of Performance Hours Intended for Each Subcontract	% of Subcontractor's Performance Hours
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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RFP 5956 Z1



Subcontractor Services and Locations				
Subcontractor	Tasks	Address/Phone	% of Performance Hours Intended for Each Subcontract	% of Subcontractor's Performance Hours
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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RFP 5956 Z1



Technical Approach

The technical approach section of the Technical Proposal should consist of the following subsections:

1. Understanding of the project requirements;

We understand the insurance, contractor and statutory requirements as well as the RFP requirements specified by the State of Nebraska. Our response addresses each of the following requirements in full:

- Original Request for Proposal for Contractual Services form signed using an indelible method;
- Clarity and responsiveness of the proposal;
- Completed Corporate Overview;
- Completed Sections II through VI;
- Completed Technical Approach (Attachment A: Contractor Requirements Matrix);
- Completed State Cost Proposal Template; and
- Addenda One and Two.

Our standard services include the following:

Administration

- Plan documents, including the policy, booklet certificate, for distribution to participants;
- Standard administration manual and forms preparation;
- Standard claim forms;
- Advice and assistance with preparation of ERISA forms for reporting and disclosure;
- Monthly premium statement processing;
- Reports required by federal and/or state legislation;
- Plan benefits litigation assistance;
- Coordination of state mandated benefits, when applicable;
- When requested, consultations regarding specific plan provisions relating to eligibility, effective dates, cessation, coverage or matters affecting the administration of the plan.

Claim Management

- Initial and subsequent evaluations;
- Call center availability - Monday through Friday, 7:00 a.m. to 10:00 p.m. CT;
- Eligibility determination;
- Evidence of insurability for late enrollees, if applicable;
- Adjudication;

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RFP 5956 Z1

- Disability clinical case management;
- Clinical model, supported by Registered Nurse, Psychiatric Clinical Specialist, Independent Physician Consultants and Medical Director resources;
- Rehabilitation expertise, including Vocational Rehabilitation Consultants and Return to Work Coordinators;
- Communications;
- Social Security experts for assistance with application and appeal of negative benefit decisions;
- Independent Medical Examinations (IMEs), Physician File Reviews and Functional Capacity Exams;
- Investigation Unit;
- Overpayment Recovery;
- Disability case management tools;
- Claim management tools and reports;
- Claimant services;
- Dedicated Quality Management staff;
- Dedicated training staff;
- MetLink access for employers.

Employer/Employee Internet Websites

- Employer or employee Web intake (an electronic eligibility feed is required);
- Employer access to standard reports, forms, legislative updates;
- Automated email notifications;
- Supervisor access for direct report absence activities and reporting.

Financial

- Plan benefit and cost estimates;
- Plan revision estimates.

Reports

- STD/LTD Duration by Diagnosis, STD/LTD Claim Detail, STD/LTD Benefit Status;
- Full suite of absence reporting;
- Disability Tax report;
- Premium versus Claims report and Detail Claim Listing, available monthly upon request.

Taxes

- Standard tax withholding (FIT, FICA, Medicare);
- Standard W-2 preparation.

Please note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

Marketing Services

- Advice on new benefit trends and plan design modifications;
- When requested by policyholder, subject to minimum attendance requirements, personnel will visit locations.

2. Proposed development approach;

Implementation Approach

Our implementation process follows a consistent and structured approach that promotes positive outcomes.

We use a Microsoft Project Plan to monitor all implementation deliverables. The detailed project plan tracks due dates and accountability of the owners of each item. Once a plan is devised, we will meet with you to review any issues, status reports and items that require customer signoff. Frequent collective review of the project plan allows us to react promptly if a target milestone is in jeopardy. We also monitor all milestones in a critical milestones document which will be provided to you on a weekly basis.

Our implementation processes and tools encompass the following project management methods:

- Detailed implementation plans and timelines;
- Stakeholder accountability;
- Issue tracking and resolution;
- Assessment of risks;
- Regular and consistent communication;
- A defined escalation process.

A comprehensive Implementation Guide is created for each customer to provide an overview of the end-to-end process. The guide is presented at the initial implementation meeting and includes an implementation schedule that outlines, key tasks, responsible parties and target due dates. The presentation of the guide and discussion of key tasks is crucial in setting expectations. Subsequent follow-up meetings are scheduled to ensure that all parties remain on target with their key deliverables.

During the process, several quality assurance checks are conducted to ensure we have accurately finalized the plan design. These checks are done during the system set-up, contract production and system finalization. This ensures the accuracy of the information being loaded against the final system production information and contractual documents. These measures and our partnership allow us to successfully implement your plans by your effective date.

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RFP 5956 Z1

Throughout the implementation process, we will ask for your feedback to make sure we are meeting or exceeding your established goals and expectations. Additionally, customers are surveyed about their case installation experience. The results of these surveys are used to evaluate the implementation process and recognize opportunities for improvement.

National Accounts Service Model

We deliver an integrated sales and service customer unit model via a designated Client Service Team that is unique to the marketplace. Our heightened accountability model empowers our associates to make decisions and advocate for your benefits program, making it quicker and easier for you to do business with us. Your Client Service Team will quickly build a relationship with you and your team by developing an intimate knowledge of your needs, objectives, culture and philosophy.

We meet the needs of our large customers through specialized service. Our National Accounts organization has customer-facing teams that specialize in large customers. These teams serve as an extension of your benefit department. Teams are organized into strategically-located customer units across the U.S. The Aurora, IL Customer Unit will service your account and will perform the following functions:

- Underwriting
- Marketing
- Consulting services
- Administrative, billing and financial services

A streamlined transition process and efficient ongoing administration are essential to ensuring a consistent and reliable service experience. We will deliver expert people, processes and tools to reduce your administrative responsibilities and provide the service support you and your employees need.

3. Technical considerations;

Eligibility and Enrollment Data

We can accept eligibility data in virtually any file layout and transmission method required. The most important element of eligibility intake is the quality of the data itself.

SFTP with PGP encryption is our preferred method of electronic data transfer. If SFTP cannot be supported, our preference is FTPS with PGP encryption for electronic data transfer. However, other electronic submission options are available.

We can receive updated eligibility feeds on a weekly, biweekly or monthly basis. For Disability coverage, we recommend a weekly feed. Customer eligibility files received via the Web are updated nightly. Manual updates are processed in our eligibility and claim processing systems in real time.

Required Browsers for Online Access

Both MyBenefits, our employee website, and MetLink, our employer website, require browsers with 128-bit encryption levels.

For MyBenefits: Microsoft IE, Mozilla Firefox and Google Chrome browsers are supported on Microsoft WinXP and Win7, and Safari browser on Apple iOS-10, but only MS IE v.8 is fully tested on WinXP and Win7 (as of March 2015).

For MetLink: Microsoft IE, Mozilla Firefox and Google Chrome browsers are supported on Microsoft WinXP and Win7, but only MS IE v.8 is fully tested on WinXP (as of March 2015).

While browsers that are not fully tested, as well as browsers and versions not mentioned may work on our sites, there may be some viewing and/or functionality limitations. Please note that Java and/or Active X controls are not required to be installed for use. However, Javascript and cookies must be enabled.

4. Detailed project work plan; and

A detailed project work plan has been provided in Section 8 of our response.

5. Deliverables and due dates.

A detailed project work plan including deliverables and due dates has been provided in Section 8 of our response.

ADDENDUM ONE

Date: November 7, 2018
To: All Bidders
From: Teresa Fleming, Buyer
State Purchasing Bureau
RE: Addendum for Request for Proposal Number 5956 Z1 to be opened December 13, 2018 at
2:00 p.m. Central Time

Addendum One is being issued to provide Attachment F: Census Report to the RFP listed above.

This addendum will become part of the proposal and should be acknowledged with the Request for Proposal response.



Signature

Metropolitan Life Insurance Company
Company

Justin Funk, Vice President
Name & Title

December 6, 2018
Date

ADDENDUM TWO, QUESTIONS and ANSWERS

Date: November 29, 2018

To: All Bidders

From: Teresa Fleming, Buyer
AS Materiel State Purchasing

RE: Addendum for Request for Proposal Number 5956 Z1 to be opened December 13, 2018 at
2:00 p.m. Central Time

Questions and Answers

Following are the questions submitted and answers provided for the above mentioned Request for Proposal. The questions and answers are to be considered as part of the Request for Proposal. It is the Bidder's responsibility to check the State Purchasing Bureau website for all addenda or amendments.

<u>Question Number</u>	<u>RFP Section Reference</u>	<u>RFP Page Number</u>	<u>Question</u>	<u>State Response</u>										
1.			Can we please have a census that is all eligible for the STD/LTD, Occupation, and Zip code?	Refer to Attachment G – Eligibility Census.										
2.			Please have the occupations added to the LTD enrolled census.	Refer to REVISED Attachment F Census Report.										
3.			The RFP reflects that there are 15,670 full time and temporary employees eligible for the STD and LTD coverages. Please provide a complete census for all of these employees. * Please also include a column to identify the full time verses temporary employees.	Refer to Attachment G – Eligibility Census.										
4.			Please provide a copy of the Mutual of Omaha VLTD plans	Here is the most recent version of the Certificate of Coverage										
5.			Please provide a key code for the “Class” codes on the LTD Open and Closed Claim Listing.	<table border="1"> <thead> <tr> <th>Class Code</th> <th>Definition</th> </tr> </thead> <tbody> <tr> <td>AX01</td> <td>2 Month Elimination</td> </tr> <tr> <td>AX02</td> <td>3 Month Elimination</td> </tr> <tr> <td>AX03</td> <td>6 Month Elimination</td> </tr> <tr> <td>AX04</td> <td>9 Month Elimination</td> </tr> </tbody> </table>	Class Code	Definition	AX01	2 Month Elimination	AX02	3 Month Elimination	AX03	6 Month Elimination	AX04	9 Month Elimination
Class Code	Definition													
AX01	2 Month Elimination													
AX02	3 Month Elimination													
AX03	6 Month Elimination													
AX04	9 Month Elimination													
6.			If the “Class” on the Open and Closed Claim Listing does not identify which plan the claimants are enrolled in, please have the claims listings updated to reflect that information.	Refer to the response in Question 5.										
7.			Please provide any previous VLTD rates (rate history) and when those rates were in place (from – to)	Rates have not changed since 2013.										

8.			<p>Have there been any plan changes to the VLTD?</p> <p>If yes, please outline what provisions were changed, the date of the change and provide the previous plan provision. For example, the maximum was increased from 5,000 to 7,500 effective 1/1/2016.</p>	<p>No.</p> <p>N/A</p>
9.			Do the State of Nebraska employees participate in social security?	Yes.
10.			Do the State of Nebraska employees participate in the Public Employees Retirement System.	Yes.
11.			Do the State of Nebraska employees participate in the State Teacher Retirement System?	Yes.
12.			Please provide a Paid and Incurred Exhibit for the VLTD from Mutual of Omaha.	Refer to Attachment H – Paid Claims and Triangle
13.			Please provide the Offset Amounts for each of the VLTD Open Claims.	Refer to Attachments I, J, K and L (Payment Detail for Classes 1, 2, 3 and 4)
14.			Please provide the paid sick leave and/or salary continuation paid during 2017 for STD.	The State has not had a short term disability plan.
15.			Please provide the paid sick leave and/or salary continuation paid during 2018 for STD.	The State has not had a short term disability plan.
16.			<p>Please provide a census with the following information:</p> <ul style="list-style-type: none"> o All eligible employees. Currently the census only has those participating. They are asking us to change the plan design and add STD as first-time coverage, so we need the entire eligible population for rating purposes. 	<p>The State has not had a short term disability plan.</p> <p>Refer to Attachment G – Eligibility Census.</p>

			<ul style="list-style-type: none"> o Job descriptions. The State of Nebraska has different pension plans depending on the nature of employment. We need job descriptions to determine the proper pension plan offsets, as well as to get a clear picture of our exposure in the voluntary plan. 	
17.			Please provide an LTD certificate to determine the exact provisions of the inforce plan.	Refer to the response in Question 4.
18.			<p>Please provide a detailed claim listing with offsets and classes</p> <ul style="list-style-type: none"> o This is a four-tier voluntary inforce plan with differing elimination periods and a state pension. 	Refer to the response in Question 13.
19.			Does the group have any sort of ASO/Salary Continuation plan in place today as a placeholder for STD? If yes, can we get information on the plan?	No.
20.			Is the group eligible and participating in Social Security? It appears there is state-mandated plan.	Yes.

21.			<p>Please confirm the State is looking to completely move off of their current four-tier VLTD and move forward with ONLY the 180 day EP.</p> <ul style="list-style-type: none"> o If confirmed, would there be a mass re-enrollment for the whole group? <p>What will happen to the current enrollees that are not on the 180 day EP?</p> <p>Will they be shifted to this EP, or will they be dis-enrolled and have to re-enroll?</p>	<p>Yes.</p> <p>Yes, with EOI approval.</p> <p>All current (with any elimination period) will have to re-enroll with no EOI approval.</p> <p>Re-enroll.</p>
22.			<p>The State is requesting no pre-ex on both VLTD and VSTD. Is this a deal-breaker? This is highly risky for voluntary plans.</p>	<p>The State is requiring no pre-existing on LTD for currently enrolled employees.</p> <p>New enrollees on LTD and all enrollees on STD are subject to pre-existing limitations.</p>
23.			<p>Are there any union members in the group currently? If so, we would need them broken out on the census as well.</p>	<p>Refer to Attachment G – Eligibility Census.</p>
24.			<p>It appears that we did not receive the paid LTD claims on an incurred basis. Attachment E has premium and claims on a monthly cash flow basis, not incurred. Please provide paid claims, paid premium and reserves for the last 5 years.</p>	<p>Refer to Attachment H – Paid Claims and Triangle</p>
25.			<p>Detail any rate or plan changes since 2013.</p>	<p>None.</p>
26.			<p>Please provide a current premium statement.</p>	<p>Refer to Attachment O Invoice.</p>
27.			<p>Please provide the current Long Term Disability certificate.</p>	<p>Refer to the response in Question 4.</p>

28.	"		Are State of Nebraska employees eligible for any Public Employee Retirement Systems (PERS) benefits? Does the group participate in SSDI?	Yes. Yes.
29.	V. Project Description and Scope of Work A. Project Overview	32	Per the RFP, the Disability plans will cover temporary employees. How many temporary employees are eligible? Are these employees on a temporary assignment? How long is the average work period for temporary employees?	Refer to Attachment G – Eligibility Census. Temporary employees with an assignment of 6 months or longer they are eligible. The State does not have the average work period for temporary employees.
30.	Census		Please provide a complete eligible census including enrollment indicator with plan selection for the current Voluntary Long Term Disability plan. The census should include gender, date of birth, occupation and salary/earnings.	Refer to Attachment G – Eligibility Census.
31.	Cost Proposal		Please confirm the Voluntary Short Term Disability rate basis should be per \$100 monthly covered payroll instead of per \$10 weekly benefit.	STD should be priced on a "per \$10 of weekly benefit" basis; LTD should be priced on a "per \$100 of covered monthly payroll" basis. Refer to REVISED Cost Proposal.
32.	Attachments C &D		Please provide a Class Key for the Attachments C &D (AX01, AX02, etc.) Which LTD plans do these codes represent?	Refer to the response in Question 5.
33.	V. Project Description and Scope of Work C. Administration Requirements	25	Regarding: Coordinates with State's online enrollment vendor. Please advise what will be expected of insurance carrier.	Enrollment is on-line in the State's system and EOI is on paper which is submitted to the State and forwarded to the Contractor for processing.
34.	Attachment A Contractor	1	Regarding 3. There will be no restrictions or benefit	Refer to the response in Question 22.

	Requirements Matrix		limitations for pre-existing conditions applied to any employee under the plan. Please elaborate on the intent of this requirement; Voluntary Long Term Disability and Voluntary Short Term Disability plans typically include a pre-existing condition exclusion.	
35.	Attachment A Contractor Requirements Matrix	3	Regarding: 23. When customized printing is requested by the State, present a complete draft and subsequent proof to the State for sign-off. The Contractor must ensure that logo placement and color requirements are met. Contractor will be responsible for costs of printing booklets, certificates, or SPDs as required. Please advise approximate number of copies, and if the mailing should be to the State for distribution or to employee homes.	Flyers or informational materials to provide during Open Enrollment process. The quantity would be approximately 600 pieces. The certificate booklet or other items can be sent electronically to the State to post on the website. The distribution will not be sent to employee's homes.
36.	I. Procurement Procedure i. Submission of Proposals	3	Please confirm that only one (1) original hard copy binder is requested?	Confirmed.
37.	I. Procurement Procedure i. Submission of Proposals	3	Regarding the "Technical" and "Cost" sections of the response, please confirm that we can put both within the 1 requested binder but separated into separate sections?	Confirmed.
38.	Census		Please provide a census of all eligible employees for VSTD.	Refer to Attachment G – Eligibility Census.
39.	Census		Can the all eligible census show the amount of sick leave an employee has?	Refer to Attachment G – Eligibility Census.

40.	Census		Please provide a LTD census that shows occupations for the employees.	Refer to Attachment G – Eligibility Census.
41.	Contracts		Please provide the actual VLTD cert. What we have now is a benefits summary. We know that they are sliding to a 180 day ep plan but we want to make sure the benefits and provisions align well behind the ep.	Refer to the response in Question 4.
42.	V. Project Description and Scope of Work B. Current and Future Environment	24	How do they intend the STD and sick leave to integrate? They are not to be forced to exhaust sick leave before using STD; therefore, do they want a 100% integration layering effect?	The State requires that the short term disability run concurrently with the employees using at least 5 sick days (40 hours), so the duration starts on day one.
43.	V. Project Description and Scope of Work B. Current and Future Environment	24	What amount of sick leave will they accrue going forward?	There is no change in sick leave accrual at this time.
44.	V. Project Description and Scope of Work B. Current and Future Environment	24	Can the State define temporary employee, as they ask bidders to cover them?	Per the State of Nebraska Options Guide: "Temporary Employees: Eligible for the state's group health, dental, long-term disability, HSA, and FSA dependent care plans if they work at least 20 hours per week and are placed in a position with a six-month assignment or longer."
45.	VII. Cost Proposal Requirements A. Cost Sheet	30	Please confirm if you want STD billed as per 100 monthly covered payroll?	Refer to the response in Question 31.
46.	Experience		Please provide information and data on the STD utilization, including basic duration and incidence data.	The State has not had a short term disability plan.
47.	Experience		Do the class markers on the LTD claims reports correspond to the VLTD	Refer to the response in Question 5.

			enrollment options? If so, what is the 'key'?	
48.	Experience		Please provide the premium vs claims on an incurred basis.	Refer to Attachment H – Paid Claims and Triangle
49.	Experience		Please provide an open claims listing with 'total paid'.	Refer to Attachments I, J, K and L (Payment Detail for Classes 1,2,3 and 4)
50.	Experience		Does the open claims listing list gross or net benefit?	No. Refer to Attachments I, J, K and L (Payment Detail for Classes 1,2,3 and 4)
51.	Experience		Can we receive diagnosis, offset status or salary for the LTD open claims?	Diagnosis not available. Refer to Attachments I, J, K and L (Payment Detail for Classes 1,2,3 and 4)
52.	General		What are the State's intentions regarding enrollment?	Refer to the response in Question 33.
53.	General		Who would handle the enrollment? Are they enrolling online? What is the roll out like?	Refer to the response in Question 33.
54.	General		While this is a separate bid, what is the State's opinion of ██████ service on the Life side?	The State will not answer this question as it is not relevant to the RFP.
55.	General		Did this RFP go out to all carriers since this is a direct bid?	This is a public Request for Proposal.
56.	General		How does the State feel about their inforce carrier, ██████?	The State will not answer this question as it is not relevant to the RFP.
57.	General		Do employees participate in Nebraska PERS or Social Security or both?	Yes, both.
58.	N/A	N/A	Please provide a copy of the current LTD contract.	The current Contract is 55674 O4 .
59.	N/A	N/A	Who is the current administrator for your FML?	It is self-administered by the State.
60.	V. Project Description, Sub C Administration requirements, question #7	33	Who is the online enrollment vendor and explain "Coordinates with State's online enrollment vendor".	Refer to the response in Question 33.
61.	V. Project Description, Sub B Current and Future environment	32	What is the min and max for the current LTD and new STD plan?	Current LTD is: \$100 minimum and \$7500 monthly maximum The STD Plan will be:

				\$25/week and maximum of \$1,731/week.
62.	V. Project Description & Scope of Work (B.)	Pg. 24	Can an updated LTD Open Claims report (Attachment D) with net benefit and total paid amounts be provided?	Refer to Attachments I, J, K and L (Payment Detail for Classes 1,2,3 and 4)
63.	V. Project Description & Scope of Work (B.)	Pg. 24	Can The State confirm that Class code on the claim reports (Attachment C and D) corresponds to the Elected Elimination Period option (i.e. AX01 = EE elected LTD EP option 1 60 days)?	Refer to the response in Question 5.
64.	V. Project Description & Scope of Work (B.)	Pg. 24	Can a report with historical LTD premium by Elimination Period be provided?	Refer to Attachment N – Historical LTD Premium Payments
65.	V. Project Description & Scope of Work (B.)	Pg. 24	Can a copy of the current LTD certificate of coverage be provided?	Refer to the response in Question 4.
66.	V. Project Description & Scope of Work (B.)	Pg. 24	Can historical LTD rate history be provided back to 2013?	Refer to the response in Question 7.
67.	V. Project Description & Scope of Work (B.)	Pg. 24	Can a revised LTD census with each employee's occupation or job title be provided?	Refer to the response in Question 2.
68.	V. Project Description & Scope of Work (B.)	Pg. 24	Are there any Labor or Union negotiated benefits that will impact or change the LTD plan design during the rate guarantee period?	There is currently no bargaining that would impact the LTD Plan.
69.	V. Project Description & Scope of Work (B.)	Pg. 24	Have there been any LTD plan design changes since inception (2013) with Mutual of Omaha?	Refer to the response in Question 25.
70.	V. Project Description & Scope of Work (B.)	Pg. 24	Can a copy of the Employee sick leave bank be provided?	Refer to Attachment G – Eligibility Census.
71.	V. Project Description & Scope of Work (B.)	Pg. 24	Do State employees participate in both Social Security and a Public Employee Retirement System?	Yes, both.
72.	V. Project	Pg. 24	How many SOS	Refer to Attachment G –

	Description & Scope of Work (B.)		Temporary Employees are benefit eligible? Can a revised census be submitted that identifies those employees?	Eligibility Census.
73.	Attachment B Current Long-Term Disability Benefits	1	Have the current LTD rates been in effect since 7/1/2013? If not, please provide rate change history.	Refer to the response in Question 25.
74.	Attachment B Current Long-Term Disability Benefits	1	Have there been any LTD plan changes since 7/1/2013? If so, please describe.	Refer to the response in Question 25.
75.	Attachments C & D Claim Listings	All	Do State of Nebraska employees contribute to Social Security, PERS or both?	Yes, both.
76.	Attachment C Closed Claim Listing for Group	All	Please provide code descriptions for the 'Class' column.	Refer to the response in Question 5.
77.	Attachment D Open Claims Report	All	Are the values in the 'Benefit Amount' column the gross benefit, net benefit or something else?	The values are Net Benefit.
78.	Attachment D Open Claims Report	All	Please provide gross benefit, offset amounts, offset sources and net benefit for all open claims.	Refer to Attachments I, J, K and L (Payment Detail for Classes 1,2,3 and 4)
79.	Attachments C & D Claim Listings	All	Please provide a 'Paid & Incurred' exhibit with a Valuation Date of 7/31/2018 for the time period 7/1/13 through 6/30/18. The exhibit should have 12-month periods with claim payments allocated to the period that corresponds with the claimant's date of disability. The exhibit should also contain open claim reserves and interest credits that also correspond to the period in which disability was incurred. Please provide a separate exhibit for	Refer to Attachment D – Open Claims, Attachment H – Paid Claims and Triangle and Attachments I, J, K and L (Payment Detail for Classes 1, 2, 3 and 4)

			each of the four elimination periods if possible. Otherwise, please provide one complete exhibit which reflects all elimination period options.	
80.	RFP Final	24	Please provide sick leave balances for each employee enrolled in LTD. Otherwise, please provide average sick leave balance for the group and a description of how sick leave is accumulated.	Refer to Attachment G – Eligibility Census.
81.	RFP Final	24	For the July 2019 enrollment into the new LTD plan, will all current employees enrolled in LTD be defaulted into the new plan or will everyone (including current participants) need to actively enroll in coverage?	Refer to the response in Question 33.
82.	RFP Final	24	For the July 2019 enrollment into the new STD plan, will current LTD participants be automatically enrolled in the STD or will everyone (including current participants) need to actively enroll in coverage?	All employees will need to actively enroll in desired coverage.
83.	RFP Final C. Administration Requirements (2G)	25	Please provide more detail around the requirement that the STD and LTD contractor “responds to participant questions on enrollment and benefits.”	Contractor must be able to answer questions about the plan if directly outreached by a participant.
84.	RFP Final C. Administration Requirements (3A)	25	Please provide more detail around the requirement that the STD and LTD contractor “approves all communication materials prior to distribution.”	The State approves all communication materials prior to distribution not the Contractor.
85.	RFP Final C. Administration	25	Please provide more detail around the	Bidder should respond to meet the requirements of

	Requirements (4E)		requirement that the STD and LTD contractor "remits the State's portion of Medicare tax (from a State Medicare matching Fund) to the federal government."	the RFP.
86.	RFP Final C. Administration Requirements (6A)	25	Please provide more detail around the requirement that the STD and LTD contractor "coordinates with other programs that provide Deductible Income (offset income) when applicable."	The Contractor will be responsible for coordinating with the member and/or State of Nebraska regarding offset income. This will help to eliminate overpayments.
87.	RFP Final C. Administration Requirements (7A)	26	Please provide more detail around the requirement that the STD and LTD contractor "coordinate with State's online enrollment vendor."	Refer to the response in Question 33.
88.	RFP	24	Does the State want to offer a maximum benefit for the VSTD coverage that is similar to the VLTD maximum benefit?	Refer to the response in Question 61.
89.	Attachment F		Please add the eligible employees who waived VLTD coverage to the census.	Refer to Attachment G – Eligibility Census.
90.	Attachment F		Please add a column for occupations to the census for all eligible employees.	Refer to Attachment G – Eligibility Census.
91.	Attachment F		Please add a zip code column to the census for all eligible employees.	Refer to Attachment G – Eligibility Census.
92.	Attachment F		Can we please have a census that is all eligible for the STD/LTD, Occupation, and Zip code?	Refer to Attachment G – Eligibility Census.
93.	V-B	24	Does the LTD & STD plan include a pre-existing condition exclusion?	Refer to the response in Question 22.
94.	V-B	24	Who is the current carrier for the State's LTD plan?	Mutual of Omaha.
95.	V-B	24	Does the State prefer to have both LTD and STD plans with the same carrier?	LTD and STD plans must be by the same carrier.
96.	V-B	24	What is the current	Refer to Attachment G –

			participation on the LTD plan? The census indicates that it includes information for all eligible, but it doesn't indicate current enrollees.	Eligibility Census.
97.	Attachment A		Can the State clarify what it means by 'fraud monitoring and detection'?	Contractor must follow-up on monitoring on disabled participants, if necessary.

This addendum will become part of the proposal and should be acknowledged with the Request for Proposal response.



 Signature

Metropolitan Life Insurance Company
 Company

Justin Funk, Vice President
 Name & Title

December 6, 2018
 Date



Metropolitan Life Insurance Company
200 Park Avenue, New York, New York

APPLICATION FOR GROUP INSURANCE

The applicant named below is applying for Group Insurance to provide coverage for the class(es) of persons specified below.

APPLICANT DATA

- 1. Full legal name of Applicant: _____ (the "Policyholder")
- 2. Address: _____ City _____ State _____ Zip _____

EFFECTIVE DATE

The effective date of the applied for group insurance will be _____, subject to MetLife's acceptance of this application and the applicant's payment of the Premium due on or before such date.

SITUS

Group Policy forms will be issued for delivery in and governed by the laws of _____.

COVERAGE DATA

Employees / Members

Dependents

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

PREMIUM DATA

Premiums will be paid: Monthly Quarterly Annually Other _____

Attached is an advance payment of: \$ _____

AGREEMENT

The Applicant signing below agrees to accept the terms and provisions of all Group Policy forms issued pursuant to this application; including all Exhibits, amendments and endorsements, if any.

Fraud Warning. Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.

(Signature of Applicant's Authorized Representative)

(Print Name and Title of Authorized Representative)

Signed at: _____
(City) (State)

Date: _____

(Signature of Licensed MetLife Agent or Resident Agent as required by law) (Agent's State License No.)

(Print Name of Agent)

Sample Disability Insurance Policy

The material that follows is being furnished for illustrative purposes only. Actual contractual material used in administering the plan may be adjusted to reflect specific plan requirements.



Sample Group Accident and Health Insurance Policy - Rate Guarantee



Navigating life together

Metropolitan Life Insurance Company
200 Park Avenue, New York, New York 10166

Metropolitan Life Insurance Company ("MetLife"), a stock company, will pay the benefits specified in the Exhibits of this policy subject to the terms and provisions of this policy. The Schedule of Exhibits lists each Exhibit to this policy, to whom it applies and its effective date.

Policyholder: Sample Group

Group Policy No.: 00000-G

EFFECTIVE DATE

This policy will take effect on September 1, 2011.

POLICY ANNIVERSARIES

Policy anniversaries will be September 1, 2012 and each subsequent September 1.

PREMIUM PAYMENTS

This policy is issued in return for the payment by the Policyholder of required Premiums. Premiums are payable at the home office of MetLife or to its authorized agent. The first Premium is due on and must be paid by this policy's effective date. Any later Premiums are due monthly in advance on the first day of each Policy Month. These dates are the Premium Due Dates.

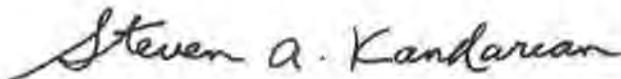
POLICY SITUS

This policy is issued for delivery in and governed by the laws of Ohio.

Signed as of this policy's effective date at MetLife's home office in New York, New York.



Christine M. DeBiase
Vice President and Secretary



Steven A. Kandarian
President and Chief Executive Officer

Signed by _____
(A MetLife licensed agent or resident agent as required by law.)

Date _____

TABLE OF CONTENTS

Section	Page
POLICY FACE PAGE	
Effective Date	1
Policy Anniversaries	1
Premium Payments	1
Policy Situs	1
DEFINITIONS	3
SCHEDULE OF INSURANCE	4
ELIGIBILITY AND EFFECTIVE DATES OF INSURANCE	4
CONTRIBUTIONS	4
PREMIUM RATE(S)	
Initial Rate(s).....	4
Frequency of Premium Payment	4
Computation of Premium	4
Premiums for Changes in Insurance.....	4
Right to Change Premium Rates	5
GRACE PERIOD	6
END OF INSURANCE PROVIDED BY THIS POLICY	6
REINSTATEMENT	7
GENERAL PROVISIONS	
Entire Contract	7
Policy Changes or Waivers.....	7
Incontestability: Statements Made by the Policyholder.....	7
Incontestability: Statements Made by Covered Persons	7
Certificates	8
Assignment	8
Data Needed	8
Misstatement of Age	8
Non-Dividend Paying	8
Conformity with Law	8
SCHEDULE OF EXHIBITS	SCH/EXHIBITS
EXHIBIT 1: Schedule of Premium Rates	EXHIBIT1
EXHIBIT 2: Certificate Forms	EXHIBIT2
EXHIBIT 3: List of Policyholder Subsidiaries, Affiliates, Divisions, Branches and Other Similar Entities	EXHIBIT3

DEFINITIONS

As used in this policy, the terms listed below will have the meanings defined below. When defined terms are used in this policy, they will appear with initial capitalization. The plural use of a term defined in the singular will share the same meaning.

Contribution means the amount the Policyholder may require the Employee to pay towards the total Premium that MetLife charges for the insurance provided by this policy.

Contributory Insurance means insurance for which the Policyholder may require the Employee to pay at least part of the Premium.

Covered Person means an Employee and/or a Dependent as set forth in the Exhibit which applies to the Employee.

Dependent is defined in the Exhibit which applies to the Employee.

Employee is described in the Exhibit which applies to the Employee.

Employer means the Policyholder shown on page 1 and any subsidiaries, affiliates, divisions, branches or other similar entities of such Policyholder as specified in Exhibit 3.

Noncontributory Insurance means insurance for which the Policyholder may not require the Employee to pay any part of the Premium.

Policy Anniversary is defined on page 1.

Policy Month. The first Policy Month will begin on the effective date shown on page 1. Subsequent Policy Months will begin on the same day of each subsequent calendar month.

Premium means the amount the Policyholder must pay to MetLife for all the insurance provided under this policy.

Premium Due Date is defined on page 1.

Signed means any symbol or method executed or adopted by a person with the present intention to authenticate a record, and which is on or transmitted by paper or electronic media, and which is consistent with applicable law.

Written or Writing means a record which is on or transmitted by paper or electronic media, and which is consistent with applicable law.

SCHEDULE OF INSURANCE

The Schedules of Insurance which apply under this policy are set forth in the Exhibits.

ELIGIBILITY AND EFFECTIVE DATES OF INSURANCE

The Eligibility and Effective Dates of Insurance provisions that apply under this policy are set forth in the Exhibits.

CONTRIBUTIONS

The maximum amount that an Employee may be required to contribute to the cost of Contributory Insurance will not exceed the Premium charged for the amounts of such insurance.

PREMIUM RATE(S)

Initial Rate(s)

The initial Premium rate(s) are shown in Exhibit 1.

Frequency of Premium Payment

Premiums for this policy will be paid as shown on page 1. MetLife and the Policyholder may agree that payment be made in advance every 3, 6 or 12 months.

Computation of Premium

The Premium due on any Premium Due Date is determined by the total amount of insurance provided by this policy on such Premium Due Date, multiplied by the appropriate Premium rate(s) which are then in effect subject to any Premium adjustments, if applicable.

MetLife may use any reasonable method to compute Premiums due under this policy.

Premiums for Changes in Insurance

For insurance that takes effect after the first day of a Policy Month, Premium will be charged from the first day of the next Policy Month. However, if a policy amendment or evidence of good health is required for such insurance, Premium will be charged as of the date such insurance takes effect.

If this policy ends, or if insurance ends for a class of persons, Premium will be charged to the date insurance ends. If insurance ends for other reasons, Premium will be charged to the end of the Policy Month in which insurance ends.

PREMIUM RATES (Continued)

Right to Change Premium Rates

MetLife may change Premium rates for changes which materially affect the risk assumed for the insurance provided by this policy, as follows:

1. when this policy is amended or endorsed;
2. when a class of eligible persons is added to or deleted from this policy for any reason including corporate restructuring, acquisition, spin-off or similar situations;
3. when a Policyholder's subsidiary, affiliate, division, branch or other similar entity is added to or deleted from this policy for any reason including corporate restructuring, acquisition, spin-off or similar situations;
4. when there is a significant change in the geographic distribution of insured Employees;
5. when applicable law requires a change in:
 - a. the insurance provided by this policy; and/or
 - b. the class of persons eligible for insurance under this policy; or
6. when a Premium Due Date coincides with or next follows:
 - a. a change greater than 10% in the number of Covered Persons since the later of the policy Effective Date and the last date Premium rates were changed; or
 - b. a change greater than 10% in the amount of insurance provided by this policy since the later of the policy Effective Date and the last date Premium rates were changed.

In addition, MetLife may change Premium rates:

1. except as may be stated in Exhibit 1, on any date on or after the first Policy Anniversary; this will be done no more frequently than every 12 months and only if MetLife notifies the Policyholder, in Writing, at least 31 days before such change; and
2. on any other date agreed to by MetLife and the Policyholder.

The new Premium rates will apply only to Premiums due on or after the date the rate change takes effect.

GRACE PERIOD

Each Premium due after the effective date of this policy may be paid up to 31 days after its Premium Due Date. This period is the grace period. The insurance provided by this policy will stay in effect during this period. MetLife will notify the Policyholder in Writing that, if the Premium is not paid by the end of the grace period, this policy will end at the end of the last day of the grace period. If MetLife fails to give Written notice to the Policyholder, this policy will continue in effect until the date such notice is given.

Policyholder's intent to end this policy during the grace period. The Policyholder may notify MetLife in Writing prior to the end of the grace period of its intent to end this policy before the end of the grace period. In this case, this policy will end on the later of:

1. the date stated in the notice; or
2. the date MetLife receives the notice.

If the Policyholder replaces this policy with another group insurance policy but does not give MetLife notice of intent to end this policy, the grace period provisions will apply.

Grace period extensions. MetLife may extend the grace period by giving Written notice to the Policyholder. Such notice will state the date this policy will end if the Premium remains unpaid.

Premiums must be paid for a grace period, any extension of such period and any period insurance under this policy was in effect for which Premium was not paid.

END OF INSURANCE PROVIDED BY THIS POLICY

The Policyholder can end this policy by giving 60 days advance Written notice to MetLife. The policy will end on the later of:

1. the date stated in the notice; or
2. the date MetLife receives the notice.

MetLife can end this policy as follows:

1. on the date Premium is not paid when due, subject to the Grace Period provisions; or
2. on any Premium Due Date, by giving the Policyholder 31 days advance Written notice, if less than:
 - a. 75% of persons eligible under this policy are insured for Contributory Insurance;
 - b. 100% of persons eligible under this policy are insured for Noncontributory Insurance; or
 - c. for Disability Income Insurance: Long Term Benefits or Disability Income Insurance: Short Term Benefits, 10 Employees are insured by this policy;
for all other insurance provided by this policy, 50 Employees are insured by this policy; or
3. on any Premium Due Date, by giving the Policyholder 60 days advance Written notice, if the Policyholder fails to provide information on a timely basis or perform any obligations required by this policy or any applicable law; or

END OF INSURANCE PROVIDED BY THIS POLICY (Continued)

4. on any Policy Anniversary, except during a Rate Guarantee Period as may be provided in Exhibit 1, by giving the Policyholder 31 days advance Written notice.

This policy will end on the date on which the last certificate in effect under this policy ends.

If this policy ends, all Premiums due must be paid. If MetLife accepts Premium after the date this policy ends, such acceptance will not act to reinstate the policy. MetLife will refund any unearned Premium.

REINSTATEMENT

The Policyholder may request to reinstate this policy within one year from the date it ended. The request must be in Writing and it must provide MetLife with information that MetLife requires to consider such request. If MetLife approves the request, the policy will be reinstated on the date stated in Writing by MetLife.

GENERAL PROVISIONS

Entire Contract. The entire contract is made up of the following:

1. this policy, including its Exhibits;
2. the Policyholder's application; and
3. the amendments and endorsements to this policy, if any.

Policy Changes or Waivers. The terms and provisions of this policy may be changed, at any time, without the consent of the Covered Persons or anyone else with a beneficial interest in it. MetLife will issue amendments or endorsements to effect such changes. MetLife will only make changes that are consistent with applicable law. An amendment or endorsement will not affect the insurance provided under certificates issued before the effective date of the change, unless retroactivity is consistent with applicable law.

An officer of MetLife must approve in Writing any change or waiver of the terms and provisions of this policy. A sales representative, or other MetLife employee, who is not an officer of MetLife does not have MetLife's authority to approve such changes or waivers. A change or waiver will be evidenced by an amendment Signed by an officer of MetLife and the Policyholder or an endorsement Signed by an officer of MetLife. A copy of the amendment or endorsement will be provided to the Policyholder for attachment to this policy.

Incontestability: Statements Made by the Policyholder. Any statement made by the Policyholder will be considered a representation and not a warranty. MetLife will not use such statement to avoid insurance, reduce benefits or defend a claim unless it is contained in a Written application. MetLife will not use such statement to contest life insurance after it has been in force for 2 years from its effective date, or date of last reinstatement, unless the statement is fraudulent.

Incontestability: Statements Made by Covered Persons. Any statement made by a Covered Person will be considered a representation and not a warranty. MetLife will not use such statement to avoid insurance, reduce benefits or defend a claim unless the following requirements are met:

1. the statement is in a Written application or enrollment form;
2. the Covered Person has Signed the application or enrollment form; and
3. a copy of the application or enrollment form has been given to the Covered Person or his beneficiary.

MetLife will not use a Covered Person's statements which relate to insurability to contest life insurance after it has been in force for 2 years during his life, unless the statement is fraudulent. In addition, MetLife will not use such statements to contest an increase or benefit addition to such insurance after the increase or benefit has been in force for 2 years during his life, unless the statement is fraudulent.

GENERAL PROVISIONS (Continued)

Certificates. MetLife will issue certificates to the Policyholder for delivery to each Covered Person, as appropriate. Such certificate will describe the Covered Person's benefits and rights under this policy. "Certificate" includes any of MetLife's insurance riders, notices or other attachments to the certificate.

Assignment. The rights and benefits under this policy are not assignable prior to a claim for benefits, except as required by law or as permitted by MetLife.

Data Needed. The Policyholder will provide MetLife with all the data needed to compute Premiums and carry out the terms of this policy. MetLife may examine such data at any reasonable time. If MetLife or the Policyholder make a clerical error in keeping the data, the Premium and/or benefits will be adjusted according to the correct data. An error will not end insurance validly in effect, nor will it continue insurance validly ended.

Misstatement of Age. If a Covered Person's age is misstated, the correct age will be used to determine if insurance is in effect and, as appropriate, adjust the Premium and/or benefits.

Non-Dividend Paying. This policy does not pay dividends.

Conformity with Law. If the terms and provisions of this policy do not conform to any applicable law, this policy shall be interpreted to so conform.

Sample

SCHEDULE OF EXHIBITS

Exhibit Number	Exhibit Type	Applies To	Effective Date
1	Schedule of Premium Rates	All Covered Persons	September 1, 2011
2	Certificate Forms	All Covered Persons	September 1, 2011
3	List of Policyholder Subsidiaries, Affiliates, Divisions, Branches and Other Similar Entities	All Covered Persons	September 1, 2011

Sample

EXHIBIT 1

SCHEDULE OF PREMIUM RATES

Rate Guarantee Period

Subject to the Right to Change Premium Rates provision on page 5, the Dental Insurance, Disability Income Insurance: Long Term Benefits, Disability Income Insurance: Short Term Benefits Premium rates will be in effect for the period which begins on September ;1, 2011 and ends on August 31, 2014.

The initial monthly Premium rates for the insurance provided by this policy are as follows:

Disability Income Insurance: Short Term Benefits: - \$00.00 per \$10 of Disability Income Insurance: Short Term Benefits.

Disability Income Insurance: Long Term Benefits: - \$\$0.00 per \$100 of Total Insured Payroll.

Total Insured Payroll means the sum of each Employee's Predisability Earnings up to a maximum of \$0000.00 per Employee.

Dental Insurance: - \$0.00 per Employee insured hereunder for Dental Insurance on his or her own account and \$ 0.00 per Employee insured hereunder for Dental Insurance on account of Dependents.

EXHIBIT 2

CERTIFICATE FORMS

Certificate Number	Certificate Form	Applies To	Effective Date
1		All Covered Persons	September 1, 2011

Sample

EXHIBIT 3

LIST OF POLICYHOLDER SUBSIDIARIES, AFFILIATES, DIVISIONS, BRANCHES AND OTHER SIMILAR ENTITIES

The subsidiaries, affiliates, divisions, branches and other similar entities listed below are included for insurance under this policy as of the effective dates shown below. The Policyholder acts for all listed subsidiaries, affiliates, divisions, branches and other similar entities in all matters of this policy. Such actions bind all listed subsidiaries, affiliates, divisions, branches and other similar entities.

MetLife and the Policyholder must agree to any change to this list. If change is needed, a policy amendment will be issued and attached to this policy to reflect the change to this Exhibit.

**Name/Address of Subsidiary, Affiliate, Division,
Branch and Other Similar Entity**

Effective Date

Any Subsidiary
Any Street
Any Town, Any State 00000

September 1, 2011

Sample

Sample Short Term and Long Term Disability Booklet Certificate

The material that follows is being furnished for illustrative purposes only. Actual contractual material used in administering the plan may be adjusted to reflect specific plan requirements.



Sample Group
123 Main Street
Anytown, OH 12345

TO OUR EMPLOYEES:

All of us appreciate the protection and security insurance provides.

This certificate describes the benefits that are available to you. We urge you to read it carefully.

Sample Group
123 Main Street
Anytown, OH 12345

Sample

Metropolitan Life Insurance Company
200 Park Avenue, New York, New York 10166

CERTIFICATE OF INSURANCE

Metropolitan Life Insurance Company ("MetLife"), a stock company, certifies that You are insured for the benefits described in this certificate, subject to the provisions of this certificate. This certificate is issued to You under the Group Policy and it includes the terms and provisions of the Group Policy that describe Your insurance. **PLEASE READ THIS CERTIFICATE CAREFULLY.**

This certificate is part of the Group Policy. The Group Policy is a contract between MetLife and the Policyholder and may be changed or ended without Your consent or notice to You.

Policyholder: Sample Group
Group Policy Number: 00000-1-G
Type of Insurance: Disability Income Insurance, Short Term Benefits and Long Term Benefits
MetLife Toll Free Number(s):
For Claim Information FOR DISABILITY INCOME CLAIMS: 1-800-243-8786

THIS CERTIFICATE ONLY DESCRIBES DISABILITY INSURANCE.

THE BENEFITS OF THE POLICY PROVIDING YOU COVERAGE ARE GOVERNED PRIMARILY BY THE LAWS OF A STATE OTHER THAN FLORIDA.

THE GROUP INSURANCE POLICY PROVIDING COVERAGE UNDER THIS CERTIFICATE WAS ISSUED IN A JURISDICTION OTHER THAN MARYLAND AND MAY NOT PROVIDE ALL THE BENEFITS REQUIRED BY MARYLAND LAW.

WE ARE REQUIRED BY STATE LAW TO INCLUDE THE NOTICE(S) WHICH APPEAR ON THIS PAGE AND IN THE NOTICE(S) SECTION WHICH FOLLOWS THIS PAGE. PLEASE READ THE(SE) NOTICE(S) CAREFULLY.

For Texas Residents:

Para Residentes de Texas:

IMPORTANT NOTICE

AVISO IMPORTANTE

To obtain information or make a complaint:

Para obtener informacion o para someter una queja:

You may call MetLife's toll free telephone number for information or to make a complaint at

Usted puede llamar al numero de telefono gratis de MetLife para informacion o para someter una queja al

1-800-243-8786

1-800-243-8786

You may contact the Texas Department of Insurance to obtain information on companies, coverages, rights or complaints at

Puede comunicarse con el Departamento de Seguros de Texas para obtener informacion acerca de companias, coberturas, derechos o quejas al

1-800-252-3439

1-800-252-3439

You may write the Texas Department of Insurance
P.O. Box 149104
Austin, TX 78714-9104
Fax # (512) 475-1771
Web: <http://www.tdi.state.tx.us>

Puede escribir al Departamento de Seguros de Texas
P.O. Box 149104
Austin, TX 78714-9104
Fax # (512) 475-1771
Web: <http://www.tdi.state.tx.us>

Email: ConsumerProtection@tdi.state.tx.us

Email: ConsumerProtection@tdi.state.tx.us

PREMIUM OR CLAIM DISPUTES: Should You have a dispute concerning Your premium or about a claim, You should contact MetLife first. If the dispute is not resolved, You may contact the Texas Department of Insurance.

DISPUTAS SOBRE PRIMAS O RECLAMOS: Si tiene una disputa concierne a su prima o a un reclamo, debe comunicarse con MetLife primero. Si no se resuelve la disputa, puede entonces comunicarse con el departamento (TDI).

ATTACH THIS NOTICE TO YOUR CERTIFICATE:
This notice is for information only and does not become a part or condition of the attached document.

UNA ESTE AVISO A SU CERTIFICADO:
Este aviso es solo para proposito de informacion y no se convierte en parte o condicion del documento adjunto.

NOTICE FOR RESIDENTS OF ARKANSAS

If You have a question concerning Your coverage or a claim, first contact the Policyholder or group account administrator. If, after doing so, You still have a concern, You may call the toll free telephone number shown on the Certificate Face Page.

If You are still concerned after contacting both the Policyholder and MetLife, You should feel free to contact:

Arkansas Insurance Department
Consumer Services Division
1200 West Third Street
Little Rock, Arkansas 72201
(501) 371-2640 or (800) 852-5494

Sample

NOTICE FOR RESIDENTS OF CALIFORNIA

IMPORTANT NOTICE

TO OBTAIN ADDITIONAL INFORMATION, OR TO MAKE A COMPLAINT, CONTACT THE POLICYHOLDER OR THE METLIFE CLAIM OFFICE SHOWN ON THE EXPLANATION OF BENEFITS YOU RECEIVE AFTER FILING A CLAIM.

IF, AFTER CONTACTING THE POLICYHOLDER AND/OR METLIFE, YOU FEEL THAT A SATISFACTORY SOLUTION HAS NOT BEEN REACHED, YOU MAY FILE A COMPLAINT WITH THE CALIFORNIA INSURANCE DEPARTMENT AT:

**DEPARTMENT OF INSURANCE
300 SOUTH SPRING STREET
LOS ANGELES, CA 90013
1 (800) 927-4357**

Sample

NOTICE FOR RESIDENTS OF CONNECTICUT

MANDATORY REHABILITATION

This certificate contains a mandatory rehabilitation provision, which may require you to participate in vocational training or physical therapy when appropriate.

Sample

NOTICE FOR RESIDENTS OF GEORGIA

IMPORTANT NOTICE

The laws of the state of Georgia prohibit insurers from unfairly discriminating against any person based upon his or her status as a victim of family violence.

Sample

NOTICE FOR RESIDENTS OF IDAHO

If You have a question concerning Your coverage or a claim, first contact the Policyholder. If, after doing so, You still have a concern, You may call the toll free telephone number shown on the Certificate Face Page.

If You are still concerned after contacting both the Policyholder and MetLife, You should feel free to contact:

Idaho Department of Insurance
Consumer Affairs
700 West State Street, 3rd Floor
PO Box 83720
Boise, Idaho 83720-0043
1-800-721-3272 or www.DOI.Idaho.gov

Sample

NOTICE FOR RESIDENTS OF ILLINOIS

IMPORTANT NOTICE

To make a complaint to MetLife, You may write to:

MetLife
200 Park Avenue
New York, New York 10166

The address of the Illinois Department of Insurance is:

Illinois Department of Insurance
Public Services Division
Springfield, Illinois 62767

Sample

NOTICE FOR MASSACHUSETTS RESIDENTS

CONTINUATION OF DISABILITY INCOME INSURANCE

1. If Your Disability Income Insurance ends due to a Plant Closing or Covered Partial Closing, such insurance will be continued for 90 days after the date it ends.
2. If Your Disability Income Insurance ends because:
 - You cease to be in an Eligible Class; or
 - Your employment terminates;

for any reason other than a Plant Closing or Covered Partial Closing, such insurance will continue for 31 days after the date it ends.

Continuation of Your Disability Income Insurance under the CONTINUATION WITH PREMIUM PAYMENT subsection will end before the end of continuation periods shown above if You become covered for similar benefits under another plan.

Plant Closing and **Covered Partial Closing** have the meaning set forth in Massachusetts Annotated Laws, Chapter 151A, Section 71A.

Sample

NOTICE FOR RESIDENTS OF NORTH CAROLINA

Read your Certificate Carefully.

This Certificate Contains a Pre-existing Condition Limitation.

IMPORTANT CANCELLATION INFORMATION

Please Read The Provision Entitled

DATE YOUR INSURANCE ENDS

Found on Pages e/ee

Sample

NOTICE FOR RESIDENTS OF NORTH CAROLINA

UNDER NORTH CAROLINA GENERAL STATUTE SECTION 58-50-40, NO PERSON, EMPLOYER, PRINCIPAL, AGENT, TRUSTEE, OR THIRD PARTY ADMINISTRATOR, WHO IS RESPONSIBLE FOR THE PAYMENT OF GROUP HEALTH OR LIFE INSURANCE OR GROUP HEALTH PLAN PREMIUMS, SHALL:

- (1) CAUSE THE CANCELLATION OR NONRENEWAL OF GROUP HEALTH OR LIFE INSURANCE, HOSPITAL, MEDICAL, OR DENTAL SERVICE CORPORATION PLAN, MULTIPLE EMPLOYER WELFARE ARRANGEMENT, OR GROUP HEALTH PLAN COVERAGES AND THE CONSEQUENTIAL LOSS OF THE COVERAGES OF THE PERSONS INSURED, BY WILLFULLY FAILING TO PAY THOSE PREMIUMS IN ACCORDANCE WITH THE TERMS OF THE INSURANCE OR PLAN CONTRACT, AND
- (2) WILLFULLY FAIL TO DELIVER, AT LEAST 45 DAYS BEFORE THE TERMINATION OF THOSE COVERAGES, TO ALL PERSONS COVERED BY THE GROUP POLICY A WRITTEN NOTICE OF THE PERSON'S INTENTION TO STOP PAYMENT OF PREMIUMS. THIS WRITTEN NOTICE MUST ALSO CONTAIN A NOTICE TO ALL PERSONS COVERED BY THE GROUP POLICY OF THEIR RIGHTS TO HEALTH INSURANCE CONVERSION POLICIES UNDER ARTICLE 53 OF CHAPTER 58 OF THE GENERAL STATUTES AND THEIR RIGHTS TO PURCHASE INDIVIDUAL POLICIES UNDER THE FEDERAL HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT AND UNDER ARTICLE 68 OF CHAPTER 58 OF THE GENERAL STATUTES.

VIOLATION OF THIS LAW IS A FELONY. ANY PERSON VIOLATING THIS LAW IS ALSO SUBJECT TO A COURT ORDER REQUIRING THE PERSON TO COMPENSATE PERSONS INSURED FOR EXPENSES OR LOSSES INCURRED AS A RESULT OF THE TERMINATION OF THE INSURANCE.

NOTICE FOR RESIDENTS OF UTAH

NOTICE TO POLICYHOLDERS

Insurance companies licensed to sell life insurance, health insurance, or annuities in the State of Utah are required by law to be members of an organization called the Utah Life and Health Insurance Guaranty Association ("ULHIGA"). If an insurance company that is licensed to sell insurance in Utah becomes insolvent (bankrupt), and is unable to pay claims to its policyholders, the law requires ULHIGA to pay some of the insurance company's claims. The purpose of this notice is to briefly describe some of the benefits and limitations provided to Utah insureds by ULHIGA.

PEOPLE ENTITLED TO COVERAGE

- You must be a Utah resident.
- You must have insurance coverage under an individual or group policy.

POLICIES COVERED

- ULHIGA provides coverage for certain life, health and annuity insurance policies.

EXCLUSIONS AND LIMITATIONS

Several kinds of insurance policies are specifically excluded from coverage. There are also a number of limitations to coverage. The following are not covered by ULHIGA:

- Coverage through an HMO.
- Coverage by insurance companies not licensed in Utah.
- Self-funded and self-insured coverage provided by an employer that is only administered by an insurance company.
- Policies protected by another state's Guaranty Association.
- Policies where the insurance company does not guarantee the benefits.
- Policies where the policyholder bears the risk under the policy.
- Reinsurance contracts.
- Annuity policies that are not issued to and owned by an individual, unless the annuity policy is issued to a pension benefit plan that is covered.
- Policies issued to pension benefit plans protected by the Federal Pension Benefit Guaranty Corporation.
- Policies issued to entities that are not members of the ULHIGA, including health plans, fraternal benefit societies, state pooling plans and mutual assessment companies.

NOTICE FOR RESIDENTS OF UTAH (continued)

LIMITS ON AMOUNT OF COVERAGE

Caps are placed on the amount ULHIGA will pay. These caps apply even if you are insured by more than one policy issued by the insolvent company. The maximum ULHIGA will pay is the amount of your coverage or \$500,000 — whichever is lower. Other caps also apply:

- \$100,000 in net cash surrender values.
- \$500,000 in life insurance death benefits (including cash surrender values).
- \$500,000 in health insurance benefits.
- \$200,000 in annuity benefits — if the annuity is issued to and owned by an individual or the annuity is issued to a pension plan covering government employees.
- \$5,000,000 in annuity benefits to the contract holder of annuities issued to pension plans covered by the law. (Other limitations apply.)
- Interest rates on some policies may be adjusted downward.

DISCLAIMER

PLEASE READ CAREFULLY:

COVERAGE FROM ULHIGA MAY BE UNAVAILABLE UNDER THIS POLICY. OR, IF AVAILABLE, IT MAY BE SUBJECT TO SUBSTANTIAL LIMITATIONS OR EXCLUSIONS. THE DESCRIPTION OF COVERAGES CONTAINED IN THIS DOCUMENT IS AN OVERVIEW. IT IS NOT A COMPLETE DESCRIPTION. YOU CANNOT RELY ON THIS DOCUMENT AS A DESCRIPTION OF COVERAGE. FOR A COMPLETE DESCRIPTION OF COVERAGE, CONSULT THE UTAH CODE, TITLE 31A, CHAPTER 28.

COVERAGE IS CONDITIONED ON CONTINUED RESIDENCY IN THE STATE OF UTAH.

THE PROTECTION THAT MAY BE PROVIDED BY ULHIGA IS NOT A SUBSTITUTE FOR CONSUMERS' CARE IN SELECTING AN INSURANCE COMPANY THAT IS WELL-MANAGED AND FINANCIALLY STABLE.

INSURANCE COMPANIES AND INSURANCE AGENTS ARE REQUIRED BY LAW TO GIVE YOU THIS NOTICE. THE LAW DOES, HOWEVER, PROHIBIT THEM FROM USING THE EXISTENCE OF ULHIGA AS AN INDUCEMENT TO SELL YOU INSURANCE.

THE ADDRESS OF ULHIGA AND THE INSURANCE DEPARTMENT ARE PROVIDED BELOW.

Utah Life and Health Insurance
Guaranty Association
955 E. Pioneer Rd.
Draper, Utah 84114

Utah Insurance Department
State Office Building, Room 3110
Salt Lake City, Utah 84114

FOR RESIDENTS OF VIRGINIA

IMPORTANT INFORMATION REGARDING YOUR INSURANCE

In the event You need to contact someone about this insurance for any reason please contact Your agent. If no agent was involved in the sale of this insurance, or if You have additional questions You may contact the insurance company issuing this insurance at the following address and telephone number:

MetLife
200 Park Avenue
New York, New York 10166
Attn: Corporate Customer Relations Department

To phone in a claim related question, You may call Claims Customer Service at:
1-800-275-4638

If You have been unable to contact or obtain satisfaction from the company or the agent, You may contact the Virginia State Corporation Commission's Bureau of Insurance at:

The Office of the Managed Care Ombudsman
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23209
1-877-310-6560 - toll-free
1-804-371-9032 - locally
www.scc.virginia.gov - web address
ombudsman@scc.virginia.gov - e-mail

Or:

The Virginia Department of Health (The Center for Quality Health Care Services and Consumer Protection)
3600 West Broad St
Suite 216
Richmond, VA 23230
1-800-955-1819

Written correspondence is preferable so that a record of Your inquiry is maintained. When contacting Your agent, company or the Bureau of Insurance, have Your policy number available.

NOTICE FOR RESIDENTS OF WISCONSIN

KEEP THIS NOTICE WITH YOUR INSURANCE PAPERS

PROBLEMS WITH YOUR INSURANCE? - If You are having problems with Your insurance company or agent, do not hesitate to contact the insurance company or agent to resolve Your problem.

MetLife
Attn: Corporate Consumer Relations Department
200 Park Avenue
New York, NY 10166-0188
1-800-638-5433

You can also contact the **OFFICE OF THE COMMISSIONER OF INSURANCE**, a state agency which enforces Wisconsin's insurance laws, and file a complaint. You can contact the **OFFICE OF THE COMMISSIONER OF INSURANCE** by contacting:

Office of the Commissioner of Insurance
Complaints Department
P.O. Box 7873
Madison, WI 53707-7873
1-800-236-8517 outside of Madison or 608-266-9103 in Madison.

NOTICE FOR RESIDENTS OF ALL STATES

WORKERS' COMPENSATION

This certificate does not replace or affect any requirement for coverage by workers' compensation insurance.

MANDATORY DISABILITY INCOME BENEFIT LAWS

For Residents of California, Hawaii, New Jersey, New York, Rhode Island and Puerto Rico

This certificate does not affect any requirement for any government mandated temporary disability income benefits law.

Sample

TABLE OF CONTENTS

Section	Page
CERTIFICATE FACE PAGE.....	1
NOTICES.....	2
SCHEDULE OF BENEFITS.....	19
DEFINITIONS.....	22
ELIGIBILITY PROVISIONS: INSURANCE FOR YOU.....	26
Eligible Classes.....	26
Date You Are Eligible for Insurance.....	26
Enrollment Process.....	26
Date Your Insurance Takes Effect.....	26
Date Your Insurance Ends.....	28
SPECIAL RULES FOR GROUPS PREVIOUSLY INSURED UNDER A PLAN OF DISABILITY INCOME	
INSURANCE.....	29
CONTINUATION OF INSURANCE WITH PREMIUM PAYMENT.....	31
For Family And Medical Leave.....	31
At Your Option: Portability.....	31
At The Policyholder's Option.....	32
EVIDENCE OF INSURABILITY.....	33
DISABILITY INCOME INSURANCE: SHORT TERM BENEFITS.....	34
DISABILITY INCOME INSURANCE: LONG TERM BENEFITS.....	36
DISABILITY INCOME INSURANCE: SHORT TERM BENEFITS INCOME WHICH WILL REDUCE YOUR	
DISABILITY BENEFIT.....	39
DISABILITY INCOME INSURANCE: LONG TERM BENEFITS INCOME WHICH WILL REDUCE YOUR	
DISABILITY BENEFIT.....	40
DISABILITY INCOME INSURANCE: INCOME WHICH WILL NOT REDUCE YOUR DISABILITY BENEFIT	42
DISABILITY INCOME INSURANCE: DATE BENEFIT PAYMENTS END.....	43
DISABILITY INCOME INSURANCE	
ADDITIONAL SHORT TERM BENEFIT: ORGAN DONOR.....	44

TABLE OF CONTENTS (continued)

Section	Page
ADDITIONAL LONG TERM BENEFIT: SINGLE SUM PAYMENT IN THE EVENT OF YOUR DEATH.....	45
ADDITIONAL LONG TERM BENEFIT: BENEFIT(S) IN THE EVENT OF YOUR TERMINAL ILLNESS	46
DISABILITY INCOME INSURANCE: LONG TERM BENEFITS PRE-EXISTING CONDITIONS	47
DISABILITY INCOME INSURANCE: LONG TERM BENEFITS LIMITED DISABILITY BENEFITS	48
DISABILITY INCOME INSURANCE: SHORT TERM BENEFITS LIMITED DISABILITY BENEFITS.....	50
DISABILITY INCOME INSURANCE: EXCLUSIONS.....	51
FILING A CLAIM	52
GENERAL PROVISIONS.....	54
Assignment.....	54
Disability Income Benefit Payments: Who We Will Pay.....	54
Entire Contract.....	54
Incontestability: Statements Made by You.....	54
Misstatement of Age.....	54
Conformity with Law	55
Physical Exams	55
Autopsy.....	55
Overpayments for Disability Income Insurance.....	55

Sample

SCHEDULE OF BENEFITS

This schedule shows the benefits that are available under the Group Policy. You will only be insured for the benefits:

- for which You become and remain eligible;
- which You elect, if subject to election; and
- which are in effect.

BENEFIT

BENEFIT AMOUNT AND HIGHLIGHTS

Disability Income Insurance For You: Short Term Benefits

Weekly Benefit.....	60% of the first \$2,000 of Your Predisability Earnings, subject to the INCOME WHICH WILL REDUCE YOUR DISABILITY BENEFIT section.
Maximum Weekly Benefit.....	\$1,200
Minimum Weekly Benefit.....	\$20, subject to the Overpayments and Rehabilitation Incentive subsections of this certificate
Elimination Period.....	<p>For Injury</p> <ul style="list-style-type: none"> • 7 days of Disability <p>For Sickness</p> <ul style="list-style-type: none"> • 7 days of Disability
Maximum Benefit Period.....	26 weeks
Rehabilitation Incentives.....	Yes
Additional Benefits:	
Organ Donor Benefit.....	Yes

SCHEDULE OF BENEFITS
(continued)

BENEFIT AMOUNT AND HIGHLIGHTS

BENEFIT

Disability Income Insurance For You: Long Term Benefits

Monthly Benefit..... 60.00% of the first \$10,000 of Your Predisability Earnings, subject to the INCOME WHICH WILL REDUCE YOUR DISABILITY BENEFIT section

Maximum Monthly Benefit..... \$6,000

Minimum Monthly Benefit..... \$100 subject to the Overpayments and Rehabilitation Incentive subsections of this certificate.

Elimination Period..... 180 Days

Maximum Benefit Period*

the later of:

- * Your Normal Retirement Age;
- or
- * the period shown below:

Age on Date of Your Disability	Benefit Period
Less than 60	To age 65
60	60 months
61	48 months
62	42 months
63	36 months
64	30 months
65	24 months
66	21 months
67	18 months
68	15 months
69 and over	12 months

*The Maximum Benefit Period is subject to the LIMITED DISABILITY BENEFITS and DATE BENEFIT PAYMENTS END sections.

**SCHEDULE OF BENEFITS
(continued)**

Rehabilitation Incentives..... Yes

Additional Benefits:

Single Sum Payment in
the Event of Your Death..... Yes

Benefit(s) in the Event of
Your Terminal Illness..... Yes

Portability..... Yes

Sample

DEFINITIONS

As used in this certificate, the terms listed below will have the meanings set forth below. When defined terms are used in this certificate, they will appear with initial capitalization. The plural use of a term defined in the singular will share the same meaning.

Actively at Work or Active Work means that You are performing all of the usual and customary duties of Your job on a Full-Time basis. This must be done at:

- the Policyholder's place of business;
- an alternate place approved by the Policyholder; or
- a place to which the Policyholder's business requires You to travel.

You will be deemed to be Actively at Work during weekends or Policyholder approved vacations, holidays or business closures if You were Actively at Work on the last scheduled work day preceding such time off.

Appropriate Care and Treatment means medical care and treatment that is:

- given by a Physician whose medical training and clinical specialty are appropriate for treating Your Disability;
- consistent in type, frequency and duration of treatment with relevant guidelines of national medical research, health care coverage organizations and governmental agencies;
- consistent with a Physician's diagnosis of Your Disability; and
- intended to maximize Your medical and functional improvement.

Beneficiary means the person(s) to whom We will pay insurance as determined in accordance with the GENERAL PROVISIONS section.

Consumer Price Index means the CPI-W, the Consumer Price Index for Urban Wage Earners and Clerical Workers published by the U.S. Department of Labor. If the CPI-W is discontinued or replaced, We reserve the right to substitute any other comparable index.

Contributory Insurance means insurance for which the Policyholder requires You to pay any part of the premium.

Contributory Insurance includes Disability Income Insurance; Long Term Benefits.

Disabled or Disability means that, due to Sickness or as a direct result of accidental injury:

- You are receiving Appropriate Care and Treatment and complying with the requirements of such treatment; and
- You are unable to earn:
 - For Short Term Benefits,
 - more than 80% of Your Predisability Earnings at Your Own Occupation.
 - For Long Term Benefits,
 - during the Elimination Period and the next 24 months of Sickness or accidental injury, more than 80% of Your Predisability Earnings at Your Own Occupation from any employer in Your Local Economy; and
 - after such period, more than 60% of your Predisability Earnings from any employer in Your Local Economy at any gainful occupation for which You are reasonably qualified taking into account Your training, education and experience.

DEFINITIONS (continued)

For purposes of determining whether a Disability is the direct result of an accidental injury, the Disability must have occurred within 90 days of the accidental injury and resulted from such injury independent of other causes.

If You are Disabled and have received a Monthly Benefit for 12 months, We will adjust Your Predisability Earnings only for the purposes of determining whether You continue to be Disabled and for calculating the Return to Work Incentive, if any. We will make the initial adjustment as follows:

We will add to Your Predisability Earnings an amount equal to the product of:

- Your Predisability Earnings times the lesser of:
 - 7%; or
 - the annual rate of increase in the Consumer Price Index for the prior calendar year.

Annually thereafter, We will add an amount to Your adjusted Predisability Earnings calculated by the method set forth above but substituting Your adjusted Predisability Earnings from the prior year for Your Predisability Earnings. **This adjustment is not a cost of living benefit.**

If Your occupation requires a license, the fact that You lose Your license for any reason will not, in itself, constitute Disability.

Elimination Period means the period of Your Disability during which We do not pay benefits. The Elimination Period begins on the day You become Disabled and continues for the period shown in the SCHEDULE OF BENEFITS.

Full-Time means Active Work on the Policyholder's regular work schedule for the eligible class of employees to which You belong. The work schedule must be at least 30 hours a week.

Local Economy means the geographic area:

- within which You reside; and
- which offers suitable employment opportunities within a reasonable travel distance.

If You move on or after the date You become Disabled, We may consider both Your former and current residence to be Your Local Economy.

Noncontributory Insurance means insurance for which the Policyholder does not require You to pay any part of the premium.

Normal Retirement Age means that as defined by the federal Social Security Administration on the date Your Disability starts.

Organ Transplant Procedure means the surgical removal of any one or more of Your organs for the purpose of transplanting to another person.

Own Occupation means the essential functions You regularly perform that provide Your primary source of earned income.

DEFINITIONS (continued)

Physician means:

- a person licensed to practice medicine in the jurisdiction where such services are performed; or
- any other person whose services, according to applicable law, must be treated as Physician's services for purposes of the Group Policy. Each such person must be licensed in the jurisdiction where he performs the service and must act within the scope of that license. He must also be certified and/or registered if required by such jurisdiction.

The term does not include:

- You;
- Your Spouse; or
- any member of Your immediate family including Your and/or Your Spouse's:
 - parents;
 - children (natural, step or adopted);
 - siblings;
 - grandparents; or
 - grandchildren.

Policyholder's Retirement Plan means a plan which:

- provides retirement benefits to employees; and
- is funded in whole or in part by Policyholder contributions.

The term does not include:

- profit sharing plans;
- thrift or savings plans;
- non-qualified plans of deferred compensation;
- plans under IRC Section 401(k) or 457;
- individual retirement accounts (IRA);
- tax sheltered annuities (TSA) under IRC Section 403(b);
- stock ownership plans; or
- Keogh (HR-10) plans.

Predisability Earnings means gross salary or wages You were earning from the Policyholder as of Your last day of Active Work before Your Disability began. We calculate this amount on a monthly basis for Long Term Benefits and on a weekly basis for Short Term Benefits.

The term includes:

- contributions You were making through a salary reduction agreement with the Policyholder to any of the following:
 - an Internal Revenue Code (IRC) Section 401(k), 403(b) or 457 deferred compensation arrangement;
 - an executive non-qualified deferred compensation arrangement; and
 - Your fringe benefits under an IRC Section 125 plan.

DEFINITIONS (continued)

The term does not include:

- commissions;
- awards and bonuses;
- overtime pay;
- the grant, award, sale, conversion and/or exercise of shares of stock or stock options;
- the Policyholder's contributions on Your behalf to any deferred compensation arrangement or pension plan; or
- any other compensation from the Policyholder.

Proof means Written evidence satisfactory to Us that a person has satisfied the conditions and requirements for any benefit described in this certificate. When a claim is made for any benefit described in this certificate, Proof must establish:

- the nature and extent of the loss or condition;
- Our obligation to pay the claim; and
- the claimant's right to receive payment.

Proof must be provided at the claimant's expense.

Rehabilitation Program means a program that has been approved by us for the purpose of helping You return to work. It may include, but is not limited to, Your participation in one or more of the following activities:

- return to work on a modified basis with a goal of resuming employment for which You are reasonably qualified by training, education, experience and past earnings;
- on-site job analysis;
- job modification/accommodation;
- training to improve job-seeking skills;
- vocational assessment;
- short-term skills enhancement;
- vocational training; or
- restorative therapies to improve functional capacity to return to work.

Sickness means illness, disease or pregnancy, including complications of pregnancy.

Signed means any symbol or method executed or adopted by a person with the present intention to authenticate a record, which is on or transmitted by paper or electronic media which is acceptable to Us and consistent with applicable law.

Spouse means Your lawful spouse.

We, Us and Our mean MetLife.

Written or Writing means a record which is on or transmitted by paper or electronic media which is acceptable to Us and consistent with applicable law.

You and Your mean an employee who is insured under the Group Policy for the insurance described in this certificate.

ELIGIBILITY PROVISIONS: INSURANCE FOR YOU

ELIGIBLE CLASS(ES)

All Full-Time employees of the Policyholder, but not temporary or seasonal employees.

DATE YOU ARE ELIGIBLE FOR INSURANCE

You may only become eligible for the insurance available for Your eligible class as shown in the SCHEDULE OF BENEFITS.

You will be eligible for insurance described in this certificate on the later of:

1. January 1, 2010; and
2. the first day of the calendar month following the date You complete the Waiting Period of 30 days.

Waiting Period means the period of continuous membership in an eligible class that You must wait before You become eligible for insurance. This period begins on the date You enter an eligible class and ends on the date You complete the period(s) specified.

ENROLLMENT PROCESS

If You are eligible for insurance, You may enroll for such insurance by completing the required form. If You enroll for Contributory Insurance, You must also give the Policyholder Written permission to deduct premiums from Your pay for such insurance. You will be notified by the Policyholder how much You will be required to contribute.

DATE YOUR INSURANCE TAKES EFFECT

Rules for Noncontributory Insurance

When You complete the enrollment process for Noncontributory Insurance, such insurance will take effect on the date You become eligible, provided You are Actively at Work on that date.

If You are not Actively at Work on the date the Noncontributory Insurance would otherwise take effect, insurance will take effect on the day You resume Active Work.

Rules for Contributory Insurance

If You request Contributory insurance before the date You become eligible for such insurance, such insurance will take effect as follows:

- if You are **not required** to give evidence of Your insurability, such insurance will take effect on the date You become eligible, provided You are Actively at Work on that date.
- if You are **required** to give evidence of Your insurability and We determine that You are insurable, such insurance will take effect on the date We state in Writing, provided You are Actively at Work on that date.

ELIGIBILITY PROVISIONS: INSURANCE FOR YOU (continued)

If You request Contributory Insurance **within 31 days of** the date You become eligible for such insurance, such insurance will take effect as follows:

- if You are **not required** to give evidence of Your insurability, such benefit will take effect on the later of:
 - the date You become eligible for such benefit; and
 - the date You enroll provided You are Actively at Work on that date.
- if You are **required** to give evidence of Your insurability and We determine that You are insurable, such insurance will take effect on the date We state in Writing, provided You are Actively at Work on that date.

If You request Contributory Insurance **more than 31 days after** the date You become eligible for such insurance, You must give evidence of Your insurability satisfactory to us. You must give such evidence at Your expense. If We determine that You are insurable, such insurance will take effect on the date We state in Writing, if You are Actively at Work on that date.

Increase in Insurance

An increase in insurance due to a change in class of employee, an increase in Your earnings, or a requested increase in insurance will take effect as follows:

- if You are **required** to give evidence of insurability for the entire increase in insurance and We approve Your evidence of insurability, the increase will take effect on the date We state in Writing. If We do not approve Your evidence of insurability, or You do not submit evidence of insurability, the increase in insurance will not take effect.
- if You are **required** to give evidence of insurability for a portion of the increase in insurance:
 - the portion of the increase in insurance that is **not** subject to evidence of insurability will take effect on the date of Your request or the date of the increase in Your earnings.
 - if We approve Your evidence of insurability, the portion of the increase in insurance that is subject to evidence of insurability will take effect on the date We state in writing. If We do not approve Your evidence of insurability or You do not submit evidence of insurability, the increase in insurance will not take effect.
- if You are **not required** to give evidence of insurability, the increase will take effect on the date of Your request or the date of the increase in Your earnings.

If You are not Actively at Work on the date insurance would otherwise take effect, insurance will take effect on the day You resume Active Work.

Decrease in Insurance

A decrease in insurance due to a change in class of employee or a decrease in Your earnings will take effect on the date of change.

If You make a Written request to decrease Your insurance, that decrease will take effect as of the date of Your Written request.

Changes in Your Disability Income Insurance will only apply to Disabilities commencing on or after the date of the change.

ELIGIBILITY PROVISIONS: INSURANCE FOR YOU (continued)

DATE YOUR INSURANCE ENDS

Your insurance will end on the earliest of:

for all coverages

1. the date the Group Policy ends; or
2. the date insurance ends for Your class; or
3. the end of the period for which the last premium has been paid for You; or

for Disability Income Insurance: Short Term Benefits

4. the date You cease to be in an eligible class. You will cease to be in an eligible class on the date You cease Active Work in an eligible class, if You are not disabled on that date; or
5. the date Your employment ends; or
6. the date You retire in accordance with the date Your employment ends; or

for Disability Income Insurance: Long Term Benefits

7. the date You cease to be in an eligible class. You will cease to be in an eligible class on the date You cease Active Work in an eligible class, if You are not disabled on that date; or
8. the date Your employment ends; or
9. the date You retire in accordance with the date Your employment ends.

In certain cases insurance may be continued as stated in the section entitled CONTINUATION OF INSURANCE WITH PREMIUM PAYMENT.

Reinstatement of Disability Income Insurance

If Your insurance ends, You may become insured again as follows:

1. If Your insurance ends because:

- You cease to be in an eligible class; or
- Your employment ends; and

You become a member of an eligible class again within 3 months of the date Your insurance ended, You will not have to complete a new Waiting Period or provide evidence of Your insurability.

2. If Your insurance ends because the required premium for Your insurance has ceased to be paid due to Your being on an approved Family Medical Leave Act (FMLA) leave of absence, and You become a member of an eligible class within 31 days of the earlier of:

- The end of the period of leave You and the Policyholder agreed upon; or
- The end of the 12 week period following the date Your leave began,

You will not have to complete a new Waiting Period or provide evidence of Your insurability.

3. In all other cases where Your insurance ends because the required premium for Your insurance has ceased to be paid, You will be required to provide evidence of Your insurability.

If You become insured again as described in either item 1 or 2 above, the limitation for Pre-existing Conditions will be applied as if Your insurance had remained in effect with no interruption.

SPECIAL RULES FOR GROUPS PREVIOUSLY INSURED UNDER A PLAN OF DISABILITY INCOME INSURANCE

To prevent a loss of insurance because of a change in insurance carriers, the following rules will apply if this Disability Income Insurance replaces a plan of group disability income insurance provided to You by the Policyholder:

Prior Plan means the plan of group disability income insurance provided to You by the Policyholder through another carrier on the day before the Replacement Date.

Replacement Date means the effective date of the Disability Income Insurance under the Group Policy.

Rules for When Insurance Takes Effect if You were Insured Under the Prior Plan on the Day Before the Replacement Date:

- **If You are Actively at Work on the day before the Replacement Date**, You will become insured for Disability Income Insurance under this certificate on the Replacement Date.
- **If You are not Actively at Work on such date because you are Disabled**, You will become insured for Disability Income Insurance under this certificate on the Replacement Date.

We will credit any time You accumulated toward the Elimination Period under the Prior Plan to the satisfaction of the Elimination Period required to be met under this certificate.

Any benefits paid for such Disability will be equal to those that would have been payable to You under the Prior Plan less any amount for which the prior carrier is liable.

Benefit payments for such Disability will end on the earliest of:

- the date that payments end under the subsection DATE BENEFIT PAYMENTS END in this certificate; or
- the date that payments would have ended under the provisions of the Prior Plan of Insurance.
- **If You are not Actively at Work on such date for any other reason**, You will become insured for Disability Income Insurance under this certificate on the date you return to Active Work.

Rules for When Insurance Takes Effect if You were Not Insured Under the Prior Plan on the Day Before the Replacement Date:

- You will be eligible for Disability Income Insurance under this certificate when you meet the eligibility requirements for such insurance as described in ELIGIBILITY PROVISIONS: INSURANCE FOR YOU; and
- We will credit any time You accumulated under the Prior Plan toward the eligibility waiting period under the Prior Plan to the satisfaction of the eligibility waiting period required to be met under this certificate.

Rules for Pre-existing Conditions

In determining whether a Disability is due to a Pre-existing Condition, We will credit You for any time You were insured under the Prior Plan. If Your Disability is due to a Pre-existing Condition as described in this certificate, but would not have been due to a pre-existing condition under the Prior Plan, We will pay a benefit equal to the lesser of:

- the benefit amount under this certificate; or
- the disability income insurance benefit that would have been payable to You under the Prior Plan.

If Your Disability would have been due to a pre-existing condition under the Prior Plan, it will be treated as having been caused by a Pre-Existing Condition under this certificate.

SPECIAL RULES FOR GROUPS PREVIOUSLY INSURED UNDER A PLAN OF DISABILITY INCOME INSURANCE (continued)

Rules for Temporary Recovery from a Disability under the Prior Plan

We will waive the Elimination Period that would otherwise apply to a Disability under this certificate if You:

- received benefits for a disability that began under the Prior Plan ("Prior Plan's disability");
- returned to work as an active Full-Time employee prior to the Replacement Date;
- become Disabled, as defined in this certificate, after the Replacement Date and within 90 days of Your return to work due to a sickness or accidental injury that is the same as or related to the Prior Plan's disability;
- are no longer entitled to benefit payments for the Prior Plan's disability since You are no longer insured under such Plan; and
- would have been entitled to benefit payments with no further elimination period under the Prior Plan, had it remained in force.

Sample

CONTINUATION OF INSURANCE WITH PREMIUM PAYMENT

FOR FAMILY AND MEDICAL LEAVE

Certain leaves of absence may qualify under the Family and Medical Leave Act of 1993 (FMLA) for continuation of insurance. Please contact the Policyholder for information regarding the FMLA.

AT YOUR OPTION: PORTABILITY

For Disability Income Insurance

For purposes of this subsection the term "Portability Eligible Disability Income Insurance" refers to Disability Income Insurance: Long Term Benefits.

You may request in Writing during the Request Period specified below to continue Your Portability Eligible Disability Income Insurance under another group policy issued by MetLife if such insurance ends because You cease to be in an eligible class or Your employment ends.

If You make a request under this subsection, evidence of Your insurability will not be required. We will issue a new certificate of insurance which will explain Your new insurance benefits. Your insurance benefits under the new certificate may not be the same as those that ended under the Group Policy.

A request under this subsection may be made, if, on the date of Your request, the following requirements are met:

- the Group Policy is in effect;
- We have not received notice from the Policyholder of its intent to end the Group Policy;
- You reside in a jurisdiction that permits portability;
- You have been insured for at least 12 months prior to the date that Your employment ends;
- Your employment did not end as a result of Your retirement;
- You are not Disabled; and
- You have not become insured under any other disability insurance plan within 31 days after the date Your Portability Eligible Disability Income Insurance ends under the Group Policy.

Request Period

To continue Your Portability Eligible Disability Income Insurance under a different group policy, We must receive a completed request form from You within 31 days after the date such insurance ends under this certificate.

Your new certificate will take effect on the day after Your Portability Eligible Disability Income Insurance ends under this Certificate.

Premiums for the New Certificate

When You request to continue Portability Eligible Disability Income Insurance under this subsection, the first premium must be paid within 31 days after Your insurance ends under this certificate. All premiums must be paid directly to Us. When We issue the new certificate, We will also provide You with a schedule of premiums and payment instructions.

CONTINUATION OF INSURANCE WITH PREMIUM PAYMENT (continued)

AT THE POLICYHOLDER'S OPTION

The Policyholder has elected to continue insurance by paying premiums for employees who are not Disabled and cease Active Work in an eligible class for any of the reasons specified below.

Disability Income Insurance will continue for the following periods:

1. for the period You cease Active Work in an eligible class due to accidental injury or Sickness, up to 3 months;
2. for Disability Income Insurance: Long Term Benefits, for the period You cease Active Work in an eligible class due to any other Policyholder approved leave of absence up to the end of the month You cease Active Work;
3. for Disability Income Insurance: Short Term Benefits, for the period You cease Active Work in an eligible class due to any other Policyholder approved leave of absence up to the end of the month You cease Active Work.

At the end of any of the continuation periods listed above, Your insurance will be affected as follows:

- if You resume Active Work in an eligible class at this time, You will continue to be insured under the Group Policy;
- if You do not resume Active Work in an eligible class at this time, Your employment will be considered to end and Your insurance will end in accordance with the DATE YOUR INSURANCE ENDS subsection of the section entitled ELIGIBILITY PROVISIONS: INSURANCE FOR YOU.

EVIDENCE OF INSURABILITY

We require evidence of insurability satisfactory to Us as follows:

If you make a late request for Disability Income Insurance: Long Term Benefits. A late request is one made more than 31 days after You become eligible.

If You do not give Us evidence of insurability or the evidence of insurability is not accepted by Us as satisfactory, You will not be covered for Disability Income Insurance: Long Term Benefits.

The evidence of insurability is to be given at Your expense.

Sample

DISABILITY INCOME INSURANCE: SHORT TERM BENEFITS

If You become Disabled while insured, Proof of Disability must be sent to Us. When We receive such Proof, We will review the claim. If We approve the claim, We will pay the Weekly Benefit up to the Maximum Benefit Period shown in the SCHEDULE OF BENEFITS, subject to the Date Benefit Payments End section.

To verify that You continue to be Disabled without interruption after Our initial approval of the Disability claim, We may periodically request that You send Us Proof that You continue to be Disabled. Such Proof may include physical exams, exams by independent medical examiners, in-home interviews, or functional capacity exams, as needed.

While You are Disabled, the Weekly Benefits described in this certificate will not be affected if:

- Your insurance ends; or
- the Group Policy is amended to change the plan of benefits for Your class.

BENEFIT PAYMENT

If We approve Your claim, benefits will begin to accrue on the day after the day You complete Your Elimination Period. We will pay the first Weekly Benefit one week after the date benefits begin to accrue. We will make subsequent payments weekly thereafter so long as You remain Disabled. Payment will be based on the number of days You are Disabled during each week. For any partial week of Disability, payment will be made at the daily rate of 1/7th of the Weekly Benefit payable.

We will pay Weekly Benefits to You. If You die, We will pay the amount of any due and unpaid benefits as described in the GENERAL PROVISIONS subsection entitled Disability Income Benefit Payments: Who We Will Pay.

RECOVERY FROM A DISABILITY

For purposes of this subsection, the term Active Work only includes those days You actually work.

The provisions of this subsection will not apply if Your insurance has ended and You are eligible for coverage under another group short term disability plan.

If You Return to Active Work Before Completing Your Elimination Period

If You return to Active Work before completing Your Elimination Period and then become Disabled, You will have to complete a new Elimination Period.

If You Return to Active Work After Completing Your Elimination Period

If You return to Active Work after You begin to receive Weekly Benefits, We will consider You to have recovered from Your Disability.

If You return to Active Work for a period of 90 days or less, and then become Disabled again due to the same or related Sickness or accidental injury, We will not require You to complete a new Elimination Period. For the purpose of determining Your benefits, We will consider such Disability to be a part of the original Disability and will use the same Predisability Earnings and apply the same terms, provisions and conditions that were used for the original Disability.

REHABILITATION INCENTIVES

Rehabilitation Program Incentive

If You participate in a Rehabilitation Program, We will increase Your Weekly Benefit by an amount equal to 10% of the Weekly Benefit. We will do so before We reduce Your Weekly Benefit by any Other Income.

DISABILITY INCOME INSURANCE: SHORT TERM BENEFITS (continued)

Work Incentive

If You work while You are Disabled and receiving Weekly Benefits, Your Weekly Benefit will be adjusted as follows:

- Your Weekly Benefit will be increased by Your Rehabilitation Program Incentive, if any; and
- reduced by Other Income as defined in the DISABILITY INCOME INSURANCE: INCOME WHICH WILL REDUCE YOUR DISABILITY BENEFIT section.

Your Weekly Benefit as adjusted above will not be reduced by the amount You earn from working, except to the extent that such adjusted Weekly Benefit plus the amount You earn from working and the income You receive from Other Income exceeds 100% of Your Predisability Earnings as calculated in the definition of Disability.

In addition, the Minimum Weekly Benefit will not apply.

Family Care Incentive

If You work or participate in a Rehabilitation Program while You are Disabled, We will reimburse You for up to \$100 for weekly expenses You incur for each family member to provide:

- care for Your or Your spouse's child, legally adopted child, or child for whom You or Your Spouse are legal guardian and who is:
 - living with You as part of Your household;
 - dependent on You for support; and
 - under age 13.

The child care must be provided by a licensed child care provider who may not be a member of Your immediate family or living in Your residence.

- care to Your family member who is:
 - living with You as part of Your household;
 - chiefly dependent on You for support; and
 - incapable of independent living, regardless of age, due to mental or physical handicap as defined by applicable law.

Care to Your family member may not be provided by a member of Your immediate family.

We will make reimbursement payments to You on a weekly basis starting with the 4th Weekly Benefit payment. Payments will not be made beyond the Maximum Benefit Period. We will not reimburse You for any expenses for which You are eligible for payment from any other source. You must send Proof that You have incurred such expenses.

Moving Expense Incentive

If You participate in a Rehabilitation Program while You are Disabled, We may reimburse You for expenses You incur in order to move to a new residence recommended as part of such Rehabilitation Program. Such expenses must be approved by Us in advance.

You must send Proof that You have incurred such expenses for moving.

We will not reimburse You for such expenses if they were incurred for services provided by a member of Your immediate family or someone who is living in Your residence.

DISABILITY INCOME INSURANCE: LONG TERM BENEFITS

If You become Disabled while insured, Proof of Disability must be sent to Us. When We receive such Proof, We will review the claim. If We approve the claim, We will pay the Monthly Benefit up to the Maximum Benefit Period shown in the SCHEDULE OF BENEFITS, subject to the DATE BENEFIT PAYMENTS END section.

To verify that You continue to be Disabled without interruption after Our initial approval, We may periodically request that You send Us Proof that You continue to be Disabled. Such Proof may include physical exams, exams by independent medical examiners, in-home interviews or functional capacity exams, as needed.

While You are Disabled, the Monthly Benefit described in this certificate will not be affected if:

- Your insurance ends; or
- the Group Policy is amended to change the plan of benefits for Your class.

BENEFIT PAYMENT

If We approve Your claim, benefits will begin to accrue on the day after the day You complete Your Elimination Period. We will pay the first Monthly Benefit one month after the date benefits begin to accrue. We will make subsequent payments monthly thereafter so long as You remain Disabled. Payment will be based on the number of days You are Disabled during each month and will be prorated for any partial month of Disability.

We will pay Monthly Benefits to You. If You die, We will pay the amount of any due and unpaid benefits as described in the GENERAL PROVISIONS subsection entitled Disability Income Benefit Payments: Who We Will Pay.

While You are receiving Monthly Benefits, You will not be required to pay premiums for the cost any disability income insurance defined as Contributory Insurance.

RECOVERY FROM A DISABILITY

If You return to Active Work, We will consider You to have recovered from Your Disability.

The provisions of this subsection will not apply if Your insurance has ended and You are eligible for coverage under another group long term disability plan.

If You Return to Active Work Before Completing Your Elimination Period

If You return to Active Work before completing Your Elimination Period for a period of 30 days or less, and then become Disabled again due to the same or related Sickness or accidental injury, We will not require You to complete a new Elimination Period. We will count those days towards the completion of Your Elimination Period.

If You return to Active Work for a period of more than 30 days, and then become Disabled again, You will have to complete a new Elimination Period.

For purposes of this provision, the term Active Work only includes those days You actually work.

If You Return to Active Work After Completing Your Elimination Period

If You return to Active Work after completing Your Elimination Period for a period of 180 days or less, and then become Disabled again due to the same or related Sickness or accidental injury, We will not require You to complete a new Elimination Period. For the purpose of determining Your benefits, We will consider such Disability to be a part of the original Disability and will use the same Predisability Earnings and apply the same terms, provisions and conditions that were used for the original Disability.

DISABILITY INCOME INSURANCE: LONG TERM BENEFITS (continued)

If You return to Active Work for a period of more than 180 days and then become Disabled again, You will have to complete a new Elimination Period.

For purposes of this provision, the term Active Work includes all of the continuous days which follow Your return to work for which You are not Disabled.

REHABILITATION INCENTIVES

Rehabilitation Program Incentive

If You participate in a Rehabilitation Program, We will increase Your Monthly Benefit by an amount equal to 10% of the Monthly Benefit. We will do so before We reduce Your Monthly Benefit by any other income.

Work Incentive

While You are Disabled, We encourage You to work. If You work while You are Disabled and receiving Monthly Benefits, Your Monthly Benefit will be adjusted as follows:

- Your Monthly Benefit will be increased by Your Rehabilitation Program Incentive, if any, and
- reduced by Other Income as defined in the DISABILITY INCOME INSURANCE INCOME WHICH WILL REDUCE YOUR DISABILITY BENEFIT section.

Your Monthly Benefit as adjusted above will not be reduced by the amount You earn from working, except to the extent that such adjusted Monthly Benefit plus the amount You earn from working and the income You receive from Other Income exceeds 100% of Your Predisability Earnings as calculated in the definition of Disability.

In addition, the Minimum Monthly Benefit will not apply.

Limit on Work Incentive

After the first 24 months following Your Elimination Period, We will reduce Your Monthly Benefit by 50% of the amount You earn from working while Disabled.

Family Care Incentive

If You work or participate in a Rehabilitation Program while You are Disabled, We will reimburse You for up to \$400 for monthly expenses You incur for each family member to provide:

- care for Your or Your Spouse's child, legally adopted child, or child for whom You or Your Spouse are legal guardian and who is:
 - living with You as part of Your household;
 - dependent on You for support; and
 - under age 13.

The child care must be provided by a licensed child care provider who may not be a member of Your immediate family or living in Your residence.

- care to Your family member who is:
 - living with You as part of Your household;
 - chiefly dependent on You for support; and
 - incapable of independent living, regardless of age, due to mental or physical handicap as defined by applicable law.

Care to Your family member may not be provided by a member of Your immediate family.

DISABILITY INCOME INSURANCE: LONG TERM BENEFITS (continued)

We will make reimbursement payments to You on a monthly basis starting with the first Monthly Benefit payment until You have received 24 Monthly Benefit Payments. Payments will not be made beyond the Maximum Benefit Period. We will not reimburse You for any expenses for which You are eligible for payment from any other source. You must send Proof that You have incurred such expenses.

Moving Expense Incentive

If You participate in a Rehabilitation Program while You are Disabled, We may reimburse You for expenses You incur in order to move to a new residence recommended as part of such Rehabilitation Program. Such expenses must be approved by Us in advance.

You must send Proof that You have incurred such expenses for moving.

We will not reimburse You for such expenses if they were incurred for services provided by a member of Your immediate family or someone who is living in Your residence.

Sample

DISABILITY INCOME INSURANCE: SHORT TERM BENEFITS INCOME WHICH WILL REDUCE YOUR DISABILITY BENEFIT

We will reduce Your Disability benefit by the amount of all Other Income. Other Income includes the following:

1. any disability or retirement benefits which You receive because of Your disability or retirement under:
 - Railroad Retirement Act;
 - any state or public employee retirement or disability plan; or
 - any pension or disability plan of any other nation or political subdivision thereof.
2. any income received for disability or retirement under the Policyholder's Retirement Plan, to the extent that it can be attributed to the Policyholder's contributions;
3. any income received for disability under:
 - a group insurance policy to which the Policyholder has made a contribution, such as:
 - benefits for loss of time from work due to disability;
 - installment payments for permanent total disability;
 - a no-fault auto law for loss of income, excluding supplemental disability benefits;
 - a government compulsory benefit plan or program which provides payment for loss of time from Your job due to Your disability, whether such payment is made directly by the plan or program, or through a third party;
 - a self-funded plan, or other arrangement if the Policyholder contributes toward it or makes payroll deductions for it;
 - any sick pay, vacation pay or other salary continuation that the Policyholder pays to You;
 - unemployment insurance law or program.
4. any income that You receive from working while Disabled to the extent that such income reduces the amount of Your Weekly Benefit as described in REHABILITATION INCENTIVES. This includes but is not limited to salary, commissions, overtime pay, bonus or other extra pay arrangements from any source.
5. recovery amounts that You receive for loss of income as a result of claims against a third party by judgement, settlement or otherwise including future earnings.

SINGLE SUM PAYMENT

If You receive Other Income in the form of a single sum payment, You must, within 10 days after receipt of such payment, give Written Proof satisfactory to Us of:

- the amount of the single sum payment;
- the amount to be attributed to income replacement; and
- the time period for which the payment applies.

When We receive such Proof, We will adjust the amount of Your Disability benefit.

If We do not receive the Written Proof described above, and We know the amount of the single sum payment, We may reduce Your Disability benefit by an amount equal to such benefit until the single sum has been exhausted.

If We adjust the amount of Your Disability benefit due to a single sum payment, the amount of the adjustment will not result in a benefit amount less than the minimum amount, except in the case of an Overpayment.

If You receive Other Income in the form of a single sum payment and We do not receive the Written Proof described above within 10 days after You receive the single sum payment, We will adjust the amount of Your Disability Benefit by the amount of such payment.

DISABILITY INCOME INSURANCE: LONG TERM BENEFITS INCOME WHICH WILL REDUCE YOUR DISABILITY BENEFIT

We will reduce Your Disability benefit by the amount of all Other Income. Other Income includes the following:

1. any disability or retirement benefits which You, Your Spouse or child(ren) receive or are eligible to receive because of Your disability or retirement under:
 - Federal Social Security Act;
 - Railroad Retirement Act;
 - any state or public employee retirement or disability plan; or
 - any pension or disability plan of any other nation or political subdivision thereof.
2. any income received for disability or retirement under the Policyholder's Retirement Plan, to the extent that it can be attributed to the Policyholder's contributions.
3. any income received for disability under:
 - a group insurance policy to which the Policyholder has made a contribution, such as:
 - benefits for loss of time from work due to disability;
 - installment payments for permanent total disability;
 - a no-fault auto law for loss of income, excluding supplemental disability benefits;
 - a government compulsory benefit plan or program which provides payment for loss of time from Your job due to Your disability, whether such payment is made directly by the plan or program, or through a third party;
 - a self-funded plan, or other arrangement if the Policyholder contributes toward it or makes payroll deductions for it;
 - any sick pay, vacation pay or other salary continuation that the Policyholder pays to You;
 - workers' compensation or a similar law which provides periodic benefits;
 - occupational disease laws;
 - laws providing for maritime maintenance and cure;
 - unemployment insurance law or program.
4. any income that You receive from working while Disabled to the extent that such income reduces the amount of Your Monthly Benefits described in REHABILITATION INCENTIVES. This includes but is not limited to salary, commissions, overtime pay, bonus or other extra pay arrangements from any source.
5. recovery amounts that You receive for loss of income as a result of claims against a third party by judgement, settlement or otherwise including future earnings.

REDUCING YOUR DISABILITY BENEFIT BY THE ESTIMATED AMOUNT OF YOUR SOCIAL SECURITY BENEFITS

If there is a reasonable basis for You to apply for benefits under the Federal Social Security Act, We expect You to apply for them. To apply for Social Security benefits means to pursue such benefits until You receive approval from the Social Security Administration, or a notice of denial of benefits from an administrative law judge.

We will reduce the amount of Your Disability benefit by the amount of Social Security benefits We estimate that You, Your Spouse or child(ren) are eligible to receive because of Your Disability or retirement. We will start to do this after You have received 24 months of Disability benefit payments, unless We have received:

- approval of Your claim for Social Security benefits; or
- a notice of denial of such benefits indicating that all levels of appeal have been exhausted.

DISABILITY INCOME INSURANCE: LONG TERM BENEFITS INCOME WHICH WILL REDUCE YOUR DISABILITY BENEFIT (continued)

However, within 6 months following the date You became Disabled, You must:

- send Us Proof that You have applied for Social Security benefits;
- sign a reimbursement agreement in which You agree to repay Us for any overpayments We may make to You under this insurance; and
- sign a release that authorizes the Social Security Administration to provide information directly to Us concerning Your Social Security benefits eligibility.

If You do not satisfy the above requirements, We will reduce Your Disability benefits by such estimated Social Security benefits starting with the first Disability benefit payment coincident with the date You were eligible to receive Social Security benefits.

In either case, when You do receive approval or final denial of Your claim for Social Security benefits as described above, You must notify Us immediately. We will adjust the amount of Your Disability benefit. You must promptly repay Us for any overpayment.

SINGLE SUM PAYMENT

If You receive Other Income in the form of a single sum payment, You must, within 10 days after receipt of such payment, give Written Proof satisfactory to Us of:

- the amount of the single sum payment;
- the amount to be attributed to income replacement; and
- the time period for which the payment applies.

When We receive such Proof, We will adjust the amount of Your Disability benefit.

If We do not receive the Written Proof described above, and We know the amount of the single sum payment, We may reduce Your Disability benefit by an amount equal to such benefit until the single sum has been exhausted.

If We adjust the amount of Your Disability benefit due to a single sum payment, the amount of the adjustment will not result in a benefit amount less than the minimum amount, except in the case of an Overpayment.

If You receive Other Income in the form of a single sum payment and We do not receive the Written Proof described above within 10 days after You receive the single sum payment, We will adjust the amount of Your Disability Benefit by the amount of such payment.

DISABILITY INCOME INSURANCE: INCOME WHICH WILL NOT REDUCE YOUR DISABILITY BENEFIT

We will not reduce Your Disability benefit to less than the Minimum Benefit shown in the SCHEDULE OF BENEFITS, or by:

- cost of living adjustments that are paid under any of the above sources of Other Income;
- reasonable attorney fees included in any award or settlement. If the attorney fees are incurred because of Your successful pursuit of Social Security disability benefits, such fees are limited to those approved by the Social Security Administration;
- group credit insurance;
- mortgage disability insurance benefits;
- early retirement benefits that have not been voluntarily taken by You;
- veteran's benefits;
- individual disability income insurance policies;
- benefits received from an accelerated death benefit payment; or
- amounts rolled over to a tax qualified plan unless subsequently received by You while You are receiving benefit payments.

Sample

DISABILITY INCOME INSURANCE: DATE BENEFIT PAYMENTS END

Your Disability benefit payments will end on the earliest of:

- the end of the Maximum Benefit Period;
- the date benefits end as specified in the section entitled LIMITED DISABILITY BENEFITS;
- the date You are no longer Disabled;
- the date You die except for benefits paid under sections entitled ADDITIONAL LONG TERM BENEFIT: SINGLE SUM PAYMENT IN THE EVENT OF YOUR DEATH and ADDITIONAL LONG TERM BENEFIT: BENEFIT(S) IN THE EVENT OF YOUR TERMINAL ILLNESS;
- the date You cease or refuse to participate in a Rehabilitation Program that We require;
- the date You fail to have a medical exam requested by Us as described in the Physical Exams subsection of the GENERAL PROVISIONS section;
- the date You fail to provide required Proof of continuing Disability.

While You are Disabled, the benefits described in this certificate will not be affected if:

- Your insurance ends; or
- the Group Policy is amended to change the plan of benefits for Your class.

Sample

DISABILITY INCOME INSURANCE

ADDITIONAL SHORT TERM BENEFIT: ORGAN DONOR

If You become Disabled as a result of an Organ Transplant Procedure while insured, Proof of the Disability must be sent to Us. When We receive such Proof, We will review the claim. If We approve the claim, We will pay the Organ Donor benefit shown below.

If We pay this benefit, You will not have to complete an Elimination Period.

BENEFIT AMOUNT

We will increase Your Weekly Benefit by an additional amount equal to 10% of Your Weekly Benefit. This increase will be applied to the first Weekly Benefit payment and continue while You remain Disabled, up to the Maximum Benefit Period.

Sample

DISABILITY INCOME INSURANCE

ADDITIONAL LONG TERM BENEFIT: SINGLE SUM PAYMENT IN THE EVENT OF YOUR DEATH

If You die while You are Disabled and You were entitled to receive Monthly Benefits under this certificate, Proof of Your death must be sent to Us. When We receive such Proof, We will pay the benefit described in this section.

BENEFIT AMOUNT

The benefit will be equal to 3 times the lesser of:

- the Monthly Benefit You receive for the calendar month immediately preceding Your death;
- the Monthly Benefit You receive for the calendar month immediately preceding Your Terminal Illness if Your Monthly Benefit amount was increased due to Your Terminal Illness; or
- the Monthly Benefit You were entitled to receive for the month You die, if You die during the first month that Disability benefits are payable.

We will reduce the benefit amount by any overpayment We are entitled to recover.

BENEFIT PAYMENT

Benefit payments will be made as described in the GENERAL PROVISIONS subsection entitled Disability Income Benefit Payments: Who We Will Pay.

This benefit will not be paid if You elect to receive a single sum payment under the Single Sum Payment in the Event of Your Terminal Illness subsection of the section entitled ADDITIONAL LONG TERM DISABILITY BENEFIT: BENEFIT(S) IN THE EVENT OF YOUR TERMINAL ILLNESS.

DISABILITY INCOME INSURANCE

ADDITIONAL LONG TERM BENEFIT: BENEFIT(S) IN THE EVENT OF YOUR TERMINAL ILLNESS

If You become Terminally Ill while You are Disabled and You are entitled to receive Monthly Benefits under this certificate, You or Your legal representative must send Proof of Your Terminal Illness to Us. When We receive such Proof, We will pay the benefit(s) described in this section.

Terminally Ill or **Terminal Illness** means for purposes of this and the section(s) entitled: ADDITIONAL LONG TERM BENEFIT: SINGLE SUM PAYMENT IN THE EVENT OF YOUR DEATH that due to injury or Sickness You are expected to die within 12 months.

Proof of Your Terminal Illness

You or Your legal representative must send Us a signed Physician's certification that You are Terminally Ill. We may also request an exam by a Physician of Our choice, at Our expense.

INCREASE IN YOUR MONTHLY BENEFIT

We will increase Your Monthly Benefit amount beginning with the next payment due following receipt of Proof of Your Terminal Illness.

BENEFIT AMOUNT

We will increase Your Monthly Benefit percentage to 100% of Your Pre-disability Earnings for a maximum period of 12 consecutive monthly payments.

SINGLE SUM PAYMENT IN THE EVENT OF YOUR TERMINAL ILLNESS

You may elect to receive the additional benefit described in this subsection. This benefit will be paid in a single sum. We will pay such benefit in addition to any other benefits We pay under this certificate.

BENEFIT AMOUNT

The additional benefit will be equal to 3 times the Monthly Benefit You receive for the calendar month immediately preceding the month You are diagnosed as Terminally Ill.

We will reduce the benefit amount by any overpayment We are entitled to recover.

If You elect to receive the additional benefit described here, no benefit will be paid under the ADDITIONAL LONG TERM BENEFIT: SINGLE SUM PAYMENT IN THE EVENT OF YOUR DEATH section.

DISABILITY INCOME INSURANCE: LONG TERM BENEFITS PRE-EXISTING CONDITIONS

Pre-existing Condition means a Sickness or accidental injury for which You:

- received medical treatment, consultation, care, or services;
- took prescription medication or had medications prescribed; or
- had symptoms or conditions that would cause a reasonably prudent person to seek diagnosis, care or treatment;

in the 3 months before Your insurance under this certificate takes effect.

We will not pay benefits for a Disability that results from a Pre-existing Condition, if You have been Actively at Work for less than 12 consecutive months after the date Your Disability insurance takes effect under this certificate.

Sample

DISABILITY INCOME INSURANCE: LONG TERM BENEFITS LIMITED DISABILITY BENEFITS

For Disability Due to Alcohol, Drug or Substance Abuse or Addiction

If You are Disabled due to alcohol, drug or substance abuse or addiction, We will limit Your Disability benefits to one period of Disability during your lifetime. During Your Disability, We require You to participate in an alcohol, drug or substance abuse or addiction recovery program recommended by a Physician.

We will end Disability benefit payments at the earliest of:

- the date You receive 24 months of Disability benefit payments;
- the date You cease or refuse to participate in the recovery program referred to above; or
- the date You complete such recovery program.

For Disability Due to Mental or Nervous Disorders or Diseases, Neuromuscular, Musculoskeletal or Soft Tissue Disorder, Chronic Fatigue Syndrome and related conditions

If You are Disabled due to one or more of the following, We will limit Your Disability benefits to a lifetime maximum equal to the lesser of:

- 24 months; or
- the Maximum Benefit Period.

Your Disability benefits will be limited as stated above for:

1. a Mental or Nervous Disorder or Disease except for:
 - schizophrenia;
 - dementia; or
 - organic brain disease;
2. Neuromuscular, musculoskeletal or soft tissue disorder including, but not limited to, any disease or disorder of the spine or extremities and their surrounding soft tissue; including sprains and strains of joints and adjacent muscles, unless the Disability has objective evidence of:
 - Seropositive Arthritis;
 - Spinal Tumors, malignancy or Vascular Malformations;
 - Radiculopathies;
 - Myelopathies;
 - Traumatic Spinal Cord Necrosis; or
 - Myopathies; or
3. Chronic fatigue syndrome and related conditions.

Mental or Nervous Disorder or Disease means a medical condition which meets the diagnostic criteria set forth in the most recent edition of the Diagnostic And Statistical Manual Of Mental Disorders as of the date of Your Disability. A condition may be classified as a Mental or Nervous Disorder or Disease regardless of its cause.

Seropositive Arthritis means an inflammatory disease of the joints supported by clinical findings of arthritis plus positive serological tests for connective tissue disease.

Spinal means components of the bony spine or spinal cord.

Tumor(s) means abnormal growths which may be malignant or benign.

DISABILITY INCOME INSURANCE: LONG TERM BENEFITS LIMITED DISABILITY BENEFITS (continued)

Vascular Malformations means abnormal development of blood vessels.

Radiculopathies means disease of the peripheral nerve roots supported by objective clinical findings of nerve pathology.

Myelopathies means disease of the spinal cord supported by objective clinical findings of spinal cord pathology.

Traumatic Spinal Cord Necrosis means injury or disease of the spinal cord resulting from traumatic injury with resultant paralysis.

Myopathies means disease of skeletal muscle supported by clinical, histological, biochemical and/or electrodiagnostic findings.

Sample

DISABILITY INCOME INSURANCE: SHORT TERM BENEFITS LIMITED DISABILITY BENEFITS

For Occupational Disabilities

We will not pay benefits for any Disability:

- which happens in the course of any work performed by You for wage or profit; or
- for which You are eligible to receive under workers' compensation or a similar law.

Sample

DISABILITY INCOME INSURANCE: EXCLUSIONS

We will not pay for any Disability caused or contributed to by:

1. war, whether declared or undeclared, or act of war, insurrection, rebellion or terrorist act;
2. Your active participation in a riot;
3. intentionally self-inflicted injury;
4. attempted suicide; or
5. commission of or attempt to commit a felony.

We will not pay Short Term Benefits for any Disability caused or contributed to by elective treatment or procedures, such as:

1. cosmetic surgery or treatment primarily to change appearance;
2. sex-change surgery;
3. reversal of sterilization;
4. liposuction;
5. visual correction surgery; and
6. in vitro fertilization; embryo transfer procedure; or artificial insemination.

However, pregnancies and complications from any of these procedures will be treated as a Sickness

FILING A CLAIM

The Policyholder should have a supply of claim forms. Obtain a claim form from the Policyholder and fill it out carefully. Return the completed claim form with the required Proof to the Policyholder. The Policyholder will certify Your insurance under the Group Policy and send the certified claim form and Proof to Us.

When We receive the claim form and Proof, We will review the claim and, if We approve it, We will pay benefits subject to the terms and provisions of this certificate and the Group Policy.

CLAIMS FOR INSURANCE BENEFITS

When a claimant files an initial claim for Disability Income Insurance benefits described in this certificate, both the notice of claim and the required Proof should be sent to Us within 90 days of the date of a loss.

Notice of claim and Proof may also be given to Us by following the steps set forth below:

Step 1

A claimant may give Us notice by calling Us at the toll free number shown in the Certificate Face Page within 20 days of the date of a loss.

Step 2

We will send a claim form to the claimant and explain how to complete it. The claimant should receive the claim form within 15 days of giving Us notice of claim.

Step 3

When the claimant receives the claim form, the claimant should fill it out as instructed and return it with the required Proof described in the claim form.

If the claimant does not receive a claim form within 15 days after giving Us notice of claim, Proof may be sent using any form sufficient to provide Us with the required Proof.

Step 4

The claimant must give Us Proof not later than 90 days after the date of the loss.

If notice of claim or Proof is not given within the time limits described in this section, the delay will not cause a claim to be denied or reduced if such notice and Proof are given as soon as is reasonably possible.

Items to be Submitted for a Disability Income Insurance Claim

When submitting Proof on an initial or continuing claim for Disability Income insurance, the following items may be required:

- documentation which must include, but is not limited to, the following information:
 - the date Your Disability started;
 - the cause of Your Disability;
 - the prognosis of Your Disability;
 - the continuity of Your Disability; and
- Your application for:
 - Other Income;
 - Social Security disability benefits; and
 - Workers compensation benefits or benefits under a similar law.

FILING A CLAIM (continued)

- Written authorization for Us to obtain and release medical, employment and financial information and any other items We may reasonably require to document Your Disability or to determine Your receipt of or eligibility for Other Income;
- any and all medical information, including but not limited to:
 - x-ray films; and
 - photocopies of medical records, including:
 - histories,
 - physical, mental or diagnostic examinations; and
 - treatment notes; and
- the names and addresses of all:
 - physicians and medical practitioners who have provided You with diagnosis, treatment or consultation;
 - hospitals or other medical facilities which have provided You with diagnosis, treatment or consultation; and
 - pharmacies which have filled Your prescriptions within the past three years.

Time Limit on Legal Actions Disability Income Insurance. A legal action on a claim may only be brought against Us during a certain period. This period begins 60 days after the date Proof is filed and ends 3 years after the date such Proof is required.

GENERAL PROVISIONS

Assignment

The rights and benefits under the Group Policy are not assignable prior to a claim for benefits, except as required by law. We are not responsible for the validity of an assignment.

Disability Income Benefit Payments: Who We Will Pay

We will make any benefit payments during Your lifetime to You or Your legal representative. Any payment made in good faith will discharge Us from liability to the extent of such payment.

Upon Your death, We will pay any amount that is or becomes due to Your designated Beneficiary. If there is no Beneficiary designated or no surviving Beneficiary at Your death, We will pay any benefit that is or becomes due, according to the following order:

1. Your Spouse, if alive;
2. Your unmarried child(ren) under age 25; if there is no surviving Spouse; or
3. Your estate, if there is no such surviving child.

If more than one person is eligible to receive payment, We will divide the benefit amount in equal shares.

Payment to a minor or incompetent will be made to such person's guardian. The term "children" or "child" includes natural and adopted children.

Any periodic payments owed to Your estate may be paid in a single sum. Any payment made in good faith will discharge Us from liability to the extent of such payment.

Entire Contract

Your insurance is provided under a contract of group insurance with the Policyholder. The entire contract with the Policyholder is made up of the following:

1. the Group Policy and its Exhibits, which include the certificate(s);
2. the Policyholder's application; and
3. any amendments and/or endorsements to the Group Policy.

Incontestability: Statements Made by You

Any statement made by You will be considered a representation and not a warranty. We will not use such statement to avoid insurance, reduce benefits or defend a claim unless the following requirements are met:

1. the statement is in a Written application or enrollment form;
2. You have Signed the application or enrollment form; and
3. a copy of the application or enrollment form has been given to You or Your Beneficiary.

We will not use Your statements which relate to insurability to contest Disability Insurance after it has been in force for 2 years during Your life, unless the statement is fraudulent. In addition, We will not use such statements to contest an increase or benefit addition to such insurance after the increase or benefit has been in force for 2 years during Your life, unless the statement is fraudulent.

Misstatement of Age

If Your age is misstated, the correct age will be used to determine if insurance is in effect and, as appropriate, We will adjust the benefits and/or premiums.

GENERAL PROVISIONS (continued)

Conformity with Law

If the terms and provisions of this certificate do not conform to any applicable law, this certificate shall be interpreted to so conform.

Physical Exams

If a claim is submitted for insurance benefits, We have the right to ask the insured to be examined by a Physician(s) of Our choice as often as is reasonably necessary to process the claim. We will pay the cost of such exam.

Autopsy

We have the right to make a reasonable request for an autopsy where permitted by law. Any such request will set forth the reasons We are requesting the autopsy.

Overpayments for Disability Income Insurance

Recovery of Overpayments

We have the right to recover any amount that We determine to be an overpayment.

An overpayment occurs if We determine that:

- the total amount paid by Us on Your claim is more than the total of the benefits due to You under this certificate; or
- payment We made should have been made by another group plan.

If such overpayment occurs, You have an obligation to reimburse Us. Our rights and Your obligations in this regard are described in the reimbursement agreement that You are required to sign when You submit a claim for benefits under this certificate. This agreement:

- confirms that You will reimburse Us for all overpayments; and
- authorizes Us to obtain any information relating to sources of Other Income.

How We Recover Overpayments

We may recover the overpayment from You by:

- stopping or reducing any future Disability benefits, including the Minimum Benefit, payable to You or any other payee under the Disability sections of this certificate;
- demanding an immediate refund of the overpayment from You; and
- taking legal action.

If the overpayment results from Our having made a payment to You that should have been made under another group plan, We may recover such overpayment from one or more of the following:

- any other insurance company;
- any other organization; or
- any person to or for whom payment was made.

**THIS IS THE END OF THE CERTIFICATE.
THE FOLLOWING IS ADDITIONAL INFORMATION.**

Sample

SPECIAL SERVICES

Social Security Assistance Program

If your claim for Disability benefits under this plan is approved, MetLife provides you with assistance in applying for Social Security disability benefits. Before outlining the details of this assistance, you should understand why applying for Social Security disability benefits is important.

Why You Should Apply For Social Security Disability Benefits

Both you and your employer contribute payroll taxes to Social Security. A portion of those tax dollars are used to finance Social Security's program of disability protection. Since your tax dollars help fund this program, it is in your best interest to apply for any benefits to which you may be entitled. Your spouse and children may also be eligible to receive Social Security disability benefits due to your Disability.

There are several reasons why it may be to your financial advantage to receive Social Security disability benefits. Some of them are:

1. Avoids Reduced Retirement Benefits

Should you become disabled and approved for Social Security disability benefits, Social Security will freeze your earnings record as of the date Social Security determines that your disability has begun. This means that the months/years that you are unable to work because of your disability will not be counted against you in figuring your average earnings for retirement and survivors benefit.

2. Medicare Protection

Once you have received 24 months of Social Security disability benefits, you will have Medicare protection for hospital expenses. You will also be eligible to apply for the medical insurance portion of Medicare.

3. Trial Work Period

Social Security provides a trial work period for the rehabilitation efforts of disabled workers who return to work while still disabled. Full benefit checks can continue for up to 9 months during the trial work period.

4. Cost-of-Living Increases Awarded by Social Security Will Not Reduce Your Disability Benefits

MetLife will not decrease your Disability benefit by the periodic cost-of-living increases awarded by Social Security. This is also true for any cost-of-living increases awarded by Social Security to your spouse and children.

This is called a Social Security "freeze." It means that only the Social Security benefit awarded to you and your dependents will be used by MetLife to reduce your Disability benefit, with the following exceptions:

- a) an error by Social Security in computing the initial amount;
- b) a change in dependent status; or
- c) your Employer submitting updated earnings records to Social Security for earnings received prior to your Disability.

Over a period of years, the net effect of these cost-of-living increases can be substantial.

SPECIAL SERVICES

How MetLife Assists You in the Social Security Approval Process

As soon as you are approved for Disability benefits, MetLife begins assisting you with the Social Security approval process.

1. Assistance Throughout the Application Process

MetLife has a dedicated team of Social Security Specialists. These Specialists, many of whom have worked for the Social Security Administration, are also located within our Claim Department. They provide expert assistance up front, offer support while you are completing the Social Security forms, and help guide you through the application process.

2. Guidance Through Appeal Process by Social Security Specialists

Social Security disability benefits may be initially denied, but are often approved following an appeal. If your benefits are denied, our dedicated team of Social Security Specialists provides expert assistance on an appeal if your situation warrants continuing the appeal process. They guide you through each stage of the appeal process. These stages may include:

- a) Reconsideration by the Social Security Administration
- b) Hearing before an Administrative Law Judge
- c) Review by an Appeals Council established within the Social Security Administration in Washington, D.C.
- d) A civil suit in Federal Court

3. Social Security Attorneys

Depending on your individual needs, MetLife may provide a referral to an attorney who specializes in Social Security law. The Social Security approved attorney's fee is credited to the Long Term Disability overpayment, which results upon your receipt of the retroactive Social Security benefits. The attorney's fee, which is capped by Social Security law, will be deducted from the lump sum Social Security Disability benefits award and will not be used to further reduce your Long Term Disability benefit.

Early Intervention Program

The MetLife Early Intervention Program is offered to all covered employees, and your participation is voluntary*. The program helps identify early those employees who might benefit from vocational analyses and rehabilitation services before they are eligible for Long Term Disability benefits. Early rehabilitation efforts are more likely to reduce the length of your Long Term Disability and help you return to work sooner than expected.

If you cannot work, or can only work part-time due to a disability, your employer will notify MetLife. Our Clinical Specialists may be able to assist you by:

1. Reviewing and evaluating your disabling condition, even before a claim for Long Term Disability benefits is submitted (with your consent);
2. Designing individualized return to work plans that focus on your abilities, with the goal of return to work;
3. Identifying local community resources;
4. Coordinating services with other benefit providers, including: medical carrier, short term disability carrier,* workers' compensation carrier, and state disability plans;
5. Monitoring return to work plans in progress and modifying them as recommended by the attending physician (with your consent).

Our assistance is offered at no cost to either you or your employer.

SPECIAL SERVICES

* If you also have MetLife Short Term Disability coverage or Salary Continuance Plan Management, these services are provided automatically. Notification by your employer is not necessary.

Return To Work Program

Goal of Rehabilitation

The goal of MetLife is to focus on employees' abilities, instead of disabilities. This "abilities" philosophy is the foundation of our Return to Work Program. By focusing on what employees can do versus what they can't, we can assist you in returning to work sooner than expected.

Incentives For Returning To Work

Your Disability plan is designed to provide clear advantages and financial incentives for returning to work either full-time or part-time, while still receiving a Disability benefit. In addition to financial incentives, there may be personal benefits resulting from returning to work. Many employees experience higher self-esteem and the personal satisfaction of being self-sufficient and productive once again. If it is determined that you are capable, but you do not participate in the Return to Work Program, your Disability benefits may cease.

Return-to-Work Services

As a covered employee you are automatically eligible to participate in our Return-to-Work Program. The program aims to identify the necessary training and therapy that can help you return to work. In many cases, this means helping you return to your former occupation, although rehabilitation can also lead to a new occupation which is better suited to your condition and makes the most of your abilities. There is no additional cost to you for the services we provide, and they are tailored to meet your individual needs. These services include, but are not limited to, the following:

1. Vocational Analyses

Assessment and counseling to help determine how your skills and abilities can be applied to a new or a modified job with your employer.

2. Labor Market Surveys

Studies to find jobs available in your locale that would utilize your abilities and skills. Also identify one's earning potential for a specific occupation.

3. Retraining Programs

Programs to facilitate return to your previous job, or to train you for a new job.

4. Job Modifications/Accommodations

Analyses of job demands and functions to determine what modifications may be made to maximize your employment opportunities.

This also includes changes in your job or accommodations to help you perform the previous job or a similar vocation, as required of your employer under the Americans With Disabilities Act (ADA).

5. Job Seeking Skills and Job Placement Assistance

Special training to identify abilities, set goals, develop resumes, polish interviewing techniques, and provide other career search assistance.

SPECIAL SERVICES

Return-to-Work Program Staff

The Case Manager handling your claim will coordinate return-to-work services. You may be referred to a clinical specialist, such as a Nurse Consultant, Psychiatric Clinical Specialist, or Vocational Rehabilitation Consultant, who has advanced training and education to help people with disabilities return to work. One of our clinical specialists will work with you directly, as well as with local support services and resources. They have returned hundreds of individuals to meaningful, gainful employment.

Rehabilitation Vendor Specialists

In many situations, the services of independent vocational rehabilitation specialists may be utilized. Services are obtained at no additional cost to you; MetLife pays for all vendor services. Selecting a rehabilitation vendor is based on:

1. attending physician's evaluation and recommendations;
2. your individual vocational needs; and
3. vendor's credentials, specialty, reputation and experience.

When working with vendors, we continue to collaborate with you and your doctor to develop an appropriate return-to-work plan.

Sample

THE FOLLOWING IS ADDITIONAL INFORMATION.

Sample

ERISA INFORMATION

NAME AND ADDRESS OF EMPLOYER AND PLAN ADMINISTRATOR

Sample Group
123 Main Street
Anytown, OH 12345

EMPLOYER IDENTIFICATION NUMBER: 00-0000000

PLAN NUMBER	COVERAGE	PLAN NAME
503	All Coverages	Sample Group Welfare Benefit Plan

TYPE OF ADMINISTRATION

The above listed benefits are insured by Metropolitan Life Insurance Company ("MetLife").

MetLife is liable for any benefits under the Plan. The group policy specifies the time when and the circumstances under which MetLife is liable for Disability Income Insurance, Long Term Benefits and Short Term Benefits.

AGENT FOR SERVICE OF LEGAL PROCESS

For disputes arising under the Plan, service of legal process may be made upon the Plan administrator at the above address. For disputes seeking payment of benefits, service of legal process may be made upon MetLife by serving MetLife's designated agent to accept service of process.

ELIGIBILITY FOR INSURANCE; DESCRIPTION OR SUMMARY OF BENEFITS

Your MetLife certificate describes the eligibility requirements for insurance provided by MetLife under the Plan. It also includes a detailed description of the insurance provided by MetLife under the Plan.

PLAN TERMINATION OR CHANGES

The group policy sets forth those situations in which the Employer and/or MetLife have the rights to end the policy.

The Employer reserves the right to change or terminate the Plan at any time. Therefore, there is no guarantee that you will be eligible for the insurance described herein for the duration of your employment. Any such action will be taken only after careful consideration.

Your consent or the consent of your beneficiary is not required to terminate, modify, amend, or change the Plan.

In the event Your insurance ends in accordance with the DATE YOUR INSURANCE ENDS subsection of Your certificate, you may still be eligible to receive benefits. The circumstances under which benefits are available are described in Your MetLife certificate.

CONTRIBUTIONS

No contribution is required for Disability Income Insurance: Short Term Benefits.

You must make a contribution to the cost of Disability Income Insurance: Long Term Benefits.

The total premium rate for insurance provided under the Plan by MetLife is set by MetLife.

PLAN YEAR

The Plan's fiscal records are kept on a Plan year basis beginning each January 1st and ending on the following December 31st.

Qualified Domestic Relations Orders/Qualified Medical Child Support Orders

You and your beneficiaries can obtain, without charge, from the Plan Administrator a copy of any procedures governing Qualified Domestic Relations Orders (QDRO) and Qualified Medical Child Support Orders (QMCSO).

CLAIMS INFORMATION

Disability Benefits Claims

Routine Questions

If there is any question about a claim payment, an explanation may be requested from the Employer who is usually able to provide the necessary information.

Claim Submission

For claims for disability benefits, the claimant must report the claim to MetLife and, if requested, complete the appropriate claim form. The claimant must also submit the required proof as described in the "Filing A Claim" section of the certificate.

Claim forms requested by MetLife must be submitted in accordance with the instructions on the claim form.

Initial Determination

After you submit a claim for disability benefits to MetLife, MetLife will review your claim and notify you of its decision to approve or deny your claim.

Such notification will be provided to you within a reasonable period, not to exceed 45 days from the date you submitted your claim; except for situations requiring an extension of time because of matters beyond the control of the Plan, in which case MetLife may have up to two (2) additional extensions of 30 days each to provide you such notification. If MetLife needs an extension, it will notify you prior to the expiration of the initial 45 day period (or prior to the expiration of the first 30 day extension period if a second 30 day extension period is needed), state the reason why the extension is needed, and state when it will make its determination. If an extension is needed because you did not provide sufficient information or filed an incomplete claim, the time from the date of MetLife's notice requesting further information and an extension until MetLife receives the requested information does not count toward the time period MetLife is allowed to notify you as to its claim decision. You will have 45 days to provide the requested information from the date you receive the extension notice requesting further information from MetLife.

If MetLife denies your claim in whole or in part, the notification of the claims decision will state the reason why your claim was denied and reference the specific Plan provision(s) on which the denial is based. If the claim is denied because MetLife did not receive sufficient information, the claims decision will describe the additional information needed and explain why such information is needed. Further, if an internal rule, protocol, guideline or other criteria was relied upon in making the denial, the claims decision will state the rule, protocol, guideline or other criteria or indicate that such rule, protocol, guideline or other criteria was relied upon and that you may request a copy free of charge.

Appealing the Initial Determination

If MetLife denies your claim, you may appeal the decision. Upon your written request, MetLife will provide you free of charge with copies of documents, records and other information relevant to your claim. You must submit your appeal to MetLife at the address indicated on the claim form within 180 days of receiving MetLife's decision. Appeals must be in writing and must include at least the following information:

- Name of Employee
- Name of the Plan
- Reference to the initial decision
- An explanation why you are appealing the initial determination

As part of your appeal, you may submit any written comments, documents, records, or other information relating to your claim.

After MetLife receives your written request appealing the initial determination, MetLife will conduct a full and fair review of your claim. Deference will not be given to the initial denial, and MetLife's review will look at the claim anew. The review on appeal will take into account all comments, documents, records, and other information that you submit relating to your claim without regard to whether such information was submitted or considered in the initial determination. The person who will review your appeal will not be the same person as the person who made the initial decision to deny your claim. In addition, the person who is reviewing the appeal will not be a subordinate of the person who made the initial decision to deny your claim. If the initial denial is based in whole or in part on a medical judgment, MetLife will consult with a health care professional with appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will not have consulted on the initial determination, and will not be a subordinate of any person who was consulted on the initial determination.

MetLife will notify you in writing of its final decision within a reasonable period of time, but no later than 45 days after MetLife's receipt of your written request for review, except that under special circumstances MetLife may have up to an additional 45 days to provide written notification of the final decision. If such an extension is required, MetLife will notify you prior to the expiration of the initial 45 day period, state the reason(s) why such an extension is needed, and state when it will make its determination. If an extension is needed because you did not provide sufficient information, the time period from MetLife's notice to you of the need for an extension to when MetLife receives the requested information does not count toward the time MetLife is allowed to notify you of its final decision. You will have 45 days to provide the requested information from the date you receive the notice from MetLife.

If MetLife denies the claim on appeal, MetLife will send you a final written decision that states the reason(s) why the claim you appealed is being denied and references any specific Plan provision(s) on which the denial is based. If an internal rule, protocol, guideline or other criteria was relied upon in denying the claim on appeal, the final written decision will state the rule, protocol, guideline or other criteria or indicate that such rule, protocol, guideline or other criteria was relied upon and that you may request a copy free of charge. Upon written request, MetLife will provide you free of charge with copies of documents, records and other information relevant to your claim.

Discretionary Authority of Plan Administrator and Other Plan Fiduciaries

In carrying out their respective responsibilities under the Plan, the Plan administrator and other Plan fiduciaries shall have discretionary authority to interpret the terms of the Plan and to determine eligibility for and entitlement to Plan benefits in accordance with the terms of the Plan. Any interpretation or determination made pursuant to such discretionary authority shall be given full force and effect, unless it can be shown that the interpretation or determination was arbitrary and capricious.

STATEMENT OF ERISA RIGHTS

The following statement is required by federal law and regulation.

As a participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all participants shall be entitled to:

Receive Information About Your Plan and Benefits

Examine, without charge, at the Plan administrator's office and at other specified locations, all Plan documents, including insurance contracts and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts and copies of the latest annual report (Form 5500 Series) and updated summary plan descriptions. The administrator may make a reasonable charge for the copies.

Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries.

No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan administrator to provide the materials and pay you up to \$100 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court.

In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in a Federal court.

If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees.

If you lose, the court may order you to pay these costs and fees; for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about your Plan, you should contact the Plan administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

FUTURE OF THE PLAN

It is hoped that the Plan will be continued indefinitely, but Sample Group reserves the right to change or terminate the Plan in the future. Any such action would be taken only after careful consideration.

The Board of Directors of Sample Group shall be empowered to amend or terminate the Plan or any benefit under the Plan at any time.

Sample

Sample Short Term and Long Term Disability Booklet Certificate

The material that follows is being furnished for illustrative purposes only. Actual contractual material used in administering the plan may be adjusted to reflect specific plan requirements.



Sample Group
123 Main Street
Anytown, OH 12345

TO OUR EMPLOYEES:

All of us appreciate the protection and security insurance provides.

This certificate describes the benefits that are available to you. We urge you to read it carefully.

Sample Group
123 Main Street
Anytown, OH 12345

Sample

Metropolitan Life Insurance Company
200 Park Avenue, New York, New York 10166

CERTIFICATE OF INSURANCE

Metropolitan Life Insurance Company ("MetLife"), a stock company, certifies that You are insured for the benefits described in this certificate, subject to the provisions of this certificate. This certificate is issued to You under the Group Policy and it includes the terms and provisions of the Group Policy that describe Your insurance. **PLEASE READ THIS CERTIFICATE CAREFULLY.**

This certificate is part of the Group Policy. The Group Policy is a contract between MetLife and the Policyholder and may be changed or ended without Your consent or notice to You.

Policyholder: Sample Group
Group Policy Number: 00000-1-G
Type of Insurance: Disability Income Insurance - Short Term Benefits and Long Term Benefits
MetLife Toll Free Number(s):
For Claim Information FOR DISABILITY INCOME CLAIMS: 1-800-243-8786

THIS CERTIFICATE ONLY DESCRIBES DISABILITY INSURANCE.

THE BENEFITS OF THE POLICY PROVIDING YOU COVERAGE ARE GOVERNED PRIMARILY BY THE LAWS OF A STATE OTHER THAN FLORIDA.

THE GROUP INSURANCE POLICY PROVIDING COVERAGE UNDER THIS CERTIFICATE WAS ISSUED IN A JURISDICTION OTHER THAN MARYLAND AND MAY NOT PROVIDE ALL THE BENEFITS REQUIRED BY MARYLAND LAW.

WE ARE REQUIRED BY STATE LAW TO INCLUDE THE NOTICE(S) WHICH APPEAR ON THIS PAGE AND IN THE NOTICE(S) SECTION WHICH FOLLOWS THIS PAGE. PLEASE READ THE(SE) NOTICE(S) CAREFULLY.

For Texas Residents:

Para Residentes de Texas:

IMPORTANT NOTICE

AVISO IMPORTANTE

To obtain information or make a complaint:

Para obtener informacion o para someter una queja:

You may call MetLife's toll free telephone number for information or to make a complaint at

Usted puede llamar al numero de telefono gratis de MetLife para informacion o para someter una queja al

1-800-243-8786

1-800-243-8786

You may contact the Texas Department of Insurance to obtain information on companies, coverages, rights or complaints at

Puede comunicarse con el Departamento de Seguros de Texas para obtener informacion acerca de companias, coberturas, derechos o quejas al

1-800-252-3439

1-800-252-3439

You may write the Texas Department of Insurance

Puede escribir al Departamento de Seguros de Texas

P.O. Box 149104
Austin, TX 78714-9104
Fax # (512) 475-1771

P.O. Box 149104
Austin, TX 78714-9104
Fax # (512) 475-1771

Web: <http://www.tdi.state.tx.us>

Web: <http://www.tdi.state.tx.us>

Email: ConsumerProtection@tdi.state.tx.us

Email: ConsumerProtection@tdi.state.tx.us

PREMIUM OR CLAIM DISPUTES: Should You have a dispute concerning Your premium or about a claim, You should contact MetLife first. If the dispute is not resolved, You may contact the Texas Department of Insurance.

DISPUTAS SOBRE PRIMAS O RECLAMOS: Si tiene una disputa concierne a su prima o a un reclamo, debe comunicarse con MetLife primero. Si no se resuelve la disputa, puede entonces comunicarse con el departamento (TDI).

ATTACH THIS NOTICE TO YOUR CERTIFICATE:

This notice is for information only and does not become a part or condition of the attached document.

UNA ESTE AVISO A SU CERTIFICADO:

Este aviso es solo para proposito de informacion y no se convierte en parte o condicion del documento adjunto.

NOTICE FOR RESIDENTS OF ARKANSAS

If You have a question concerning Your coverage or a claim, first contact the Policyholder or group account administrator. If, after doing so, You still have a concern, You may call the toll free telephone number shown on the Certificate Face Page.

If You are still concerned after contacting both the Policyholder and MetLife, You should feel free to contact:

Arkansas Insurance Department
Consumer Services Division
1200 West Third Street
Little Rock, Arkansas 72201
(501) 371-2640 or (800) 852-5494

Sample

NOTICE FOR RESIDENTS OF CALIFORNIA

IMPORTANT NOTICE

TO OBTAIN ADDITIONAL INFORMATION, OR TO MAKE A COMPLAINT, CONTACT THE POLICYHOLDER OR THE METLIFE CLAIM OFFICE SHOWN ON THE EXPLANATION OF BENEFITS YOU RECEIVE AFTER FILING A CLAIM.

IF, AFTER CONTACTING THE POLICYHOLDER AND/OR METLIFE, YOU FEEL THAT A SATISFACTORY SOLUTION HAS NOT BEEN REACHED, YOU MAY FILE A COMPLAINT WITH THE CALIFORNIA INSURANCE DEPARTMENT AT:

**DEPARTMENT OF INSURANCE
300 SOUTH SPRING STREET
LOS ANGELES, CA 90013
1 (800) 927-4357**

Sample

NOTICE FOR RESIDENTS OF CONNECTICUT

MANDATORY REHABILITATION

This certificate contains a mandatory rehabilitation provision, which may require you to participate in vocational training or physical therapy when appropriate.

Sample

NOTICE FOR RESIDENTS OF GEORGIA

IMPORTANT NOTICE

The laws of the state of Georgia prohibit insurers from unfairly discriminating against any person based upon his or her status as a victim of family violence.

Sample

NOTICE FOR RESIDENTS OF IDAHO

If You have a question concerning Your coverage or a claim, first contact the Policyholder. If, after doing so, You still have a concern, You may call the toll free telephone number shown on the Certificate Face Page.

If You are still concerned after contacting both the Policyholder and MetLife, You should feel free to contact:

Idaho Department of Insurance
Consumer Affairs
700 West State Street, 3rd Floor
PO Box 83720
Boise, Idaho 83720-0043
1-800-721-3272 or www.DOI.Idaho.gov

Sample

NOTICE FOR RESIDENTS OF ILLINOIS

IMPORTANT NOTICE

To make a complaint to MetLife, You may write to:

MetLife
200 Park Avenue
New York, New York 10166

The address of the Illinois Department of Insurance is:

Illinois Department of Insurance
Public Services Division
Springfield, Illinois 62767

Sample

NOTICE FOR MASSACHUSETTS RESIDENTS

CONTINUATION OF DISABILITY INCOME INSURANCE

1. If Your Disability Income Insurance ends due to a Plant Closing or Covered Partial Closing, such insurance will be continued for 90 days after the date it ends.
2. If Your Disability Income Insurance ends because:
 - You cease to be in an Eligible Class; or
 - Your employment terminates;

for any reason other than a Plant Closing or Covered Partial Closing, such insurance will continue for 31 days after the date it ends.

Continuation of Your Disability Income Insurance under the CONTINUATION WITH PREMIUM PAYMENT subsection will end before the end of continuation periods shown above if You become covered for similar benefits under another plan.

Plant Closing and **Covered Partial Closing** have the meaning set forth in Massachusetts Annotated Laws, Chapter 151A, Section 71A.

Sample

NOTICE FOR RESIDENTS OF NORTH CAROLINA

Read your Certificate Carefully.

This Certificate Contains a Pre-existing Condition Limitation.

IMPORTANT CANCELLATION INFORMATION

Please Read The Provision Entitled

DATE YOUR INSURANCE ENDS

Found on Pages e/ee

Sample

NOTICE FOR RESIDENTS OF NORTH CAROLINA

UNDER NORTH CAROLINA GENERAL STATUTE SECTION 58-50-40, NO PERSON, EMPLOYER, PRINCIPAL, AGENT, TRUSTEE, OR THIRD PARTY ADMINISTRATOR, WHO IS RESPONSIBLE FOR THE PAYMENT OF GROUP HEALTH OR LIFE INSURANCE OR GROUP HEALTH PLAN PREMIUMS, SHALL:

- (1) CAUSE THE CANCELLATION OR NONRENEWAL OF GROUP HEALTH OR LIFE INSURANCE, HOSPITAL, MEDICAL, OR DENTAL SERVICE CORPORATION PLAN, MULTIPLE EMPLOYER WELFARE ARRANGEMENT, OR GROUP HEALTH PLAN COVERAGES AND THE CONSEQUENTIAL LOSS OF THE COVERAGES OF THE PERSONS INSURED, BY WILLFULLY FAILING TO PAY THOSE PREMIUMS IN ACCORDANCE WITH THE TERMS OF THE INSURANCE OR PLAN CONTRACT, AND
- (2) WILLFULLY FAIL TO DELIVER, AT LEAST 45 DAYS BEFORE THE TERMINATION OF THOSE COVERAGES, TO ALL PERSONS COVERED BY THE GROUP POLICY A WRITTEN NOTICE OF THE PERSON'S INTENTION TO STOP PAYMENT OF PREMIUMS. THIS WRITTEN NOTICE MUST ALSO CONTAIN A NOTICE TO ALL PERSONS COVERED BY THE GROUP POLICY OF THEIR RIGHTS TO HEALTH INSURANCE CONVERSION POLICIES UNDER ARTICLE 53 OF CHAPTER 58 OF THE GENERAL STATUTES AND THEIR RIGHTS TO PURCHASE INDIVIDUAL POLICIES UNDER THE FEDERAL HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT AND UNDER ARTICLE 68 OF CHAPTER 58 OF THE GENERAL STATUTES.

VIOLATION OF THIS LAW IS A FELONY. ANY PERSON VIOLATING THIS LAW IS ALSO SUBJECT TO A COURT ORDER REQUIRING THE PERSON TO COMPENSATE PERSONS INSURED FOR EXPENSES OR LOSSES INCURRED AS A RESULT OF THE TERMINATION OF THE INSURANCE.

NOTICE FOR RESIDENTS OF UTAH

NOTICE TO POLICYHOLDERS

Insurance companies licensed to sell life insurance, health insurance, or annuities in the State of Utah are required by law to be members of an organization called the Utah Life and Health Insurance Guaranty Association ("ULHIGA"). If an insurance company that is licensed to sell insurance in Utah becomes insolvent (bankrupt), and is unable to pay claims to its policyholders, the law requires ULHIGA to pay some of the insurance company's claims. The purpose of this notice is to briefly describe some of the benefits and limitations provided to Utah insureds by ULHIGA.

PEOPLE ENTITLED TO COVERAGE

- You must be a Utah resident.
- You must have insurance coverage under an individual or group policy.

POLICIES COVERED

- ULHIGA provides coverage for certain life, health and annuity insurance policies.

EXCLUSIONS AND LIMITATIONS

Several kinds of insurance policies are specifically excluded from coverage. There are also a number of limitations to coverage. The following are not covered by ULHIGA:

- Coverage through an HMO.
- Coverage by insurance companies not licensed in Utah.
- Self-funded and self-insured coverage provided by an employer that is only administered by an insurance company.
- Policies protected by another state's Guaranty Association.
- Policies where the insurance company does not guarantee the benefits.
- Policies where the policyholder bears the risk under the policy.
- Reinsurance contracts.
- Annuity policies that are not issued to and owned by an individual, unless the annuity policy is issued to a pension benefit plan that is covered.
- Policies issued to pension benefit plans protected by the Federal Pension Benefit Guaranty Corporation.
- Policies issued to entities that are not members of the ULHIGA, including health plans, fraternal benefit societies, state pooling plans and mutual assessment companies.

NOTICE FOR RESIDENTS OF UTAH (continued)

LIMITS ON AMOUNT OF COVERAGE

Caps are placed on the amount ULHIGA will pay. These caps apply even if you are insured by more than one policy issued by the insolvent company. The maximum ULHIGA will pay is the amount of your coverage or \$500,000 — whichever is lower. Other caps also apply:

- \$100,000 in net cash surrender values.
- \$500,000 in life insurance death benefits (including cash surrender values).
- \$500,000 in health insurance benefits.
- \$200,000 in annuity benefits — if the annuity is issued to and owned by an individual or the annuity is issued to a pension plan covering government employees.
- \$5,000,000 in annuity benefits to the contract holder of annuities issued by pension plans covered by the law. (Other limitations apply.)
- Interest rates on some policies may be adjusted downward.

DISCLAIMER

PLEASE READ CAREFULLY:

COVERAGE FROM ULHIGA MAY BE UNAVAILABLE UNDER THIS POLICY. OR, IF AVAILABLE, IT MAY BE SUBJECT TO SUBSTANTIAL LIMITATIONS OR EXCLUSIONS. THE DESCRIPTION OF COVERAGES CONTAINED IN THIS DOCUMENT IS AN OVERVIEW. IT IS NOT A COMPLETE DESCRIPTION. YOU CANNOT RELY ON THIS DOCUMENT AS A DESCRIPTION OF COVERAGE. FOR A COMPLETE DESCRIPTION OF COVERAGE, CONSULT THE UTAH CODE, TITLE 31A, CHAPTER 28.

COVERAGE IS CONDITIONED ON CONTINUED RESIDENCY IN THE STATE OF UTAH.

THE PROTECTION THAT MAY BE PROVIDED BY ULHIGA IS NOT A SUBSTITUTE FOR CONSUMERS' CARE IN SELECTING AN INSURANCE COMPANY THAT IS WELL-MANAGED AND FINANCIALLY STABLE.

INSURANCE COMPANIES AND INSURANCE AGENTS ARE REQUIRED BY LAW TO GIVE YOU THIS NOTICE. THE LAW DOES, HOWEVER, PROHIBIT THEM FROM USING THE EXISTENCE OF ULHIGA AS AN INDUCEMENT TO SELL YOU INSURANCE.

THE ADDRESS OF ULHIGA AND THE INSURANCE DEPARTMENT ARE PROVIDED BELOW.

Utah Life and Health Insurance
Guaranty Association
955 E. Pioneer Rd.
Draper, Utah 84114

Utah Insurance Department
State Office Building, Room 3110
Salt Lake City, Utah 84114

FOR RESIDENTS OF VIRGINIA

IMPORTANT INFORMATION REGARDING YOUR INSURANCE

In the event You need to contact someone about this insurance for any reason please contact Your agent. If no agent was involved in the sale of this insurance, or if You have additional questions You may contact the insurance company issuing this insurance at the following address and telephone number:

MetLife
200 Park Avenue
New York, New York 10166
Attn: Corporate Customer Relations Department

To phone in a claim related question, You may call Claims Customer Service at:
1-800-275-4638

If You have been unable to contact or obtain satisfaction from the company or the agent, You may contact the Virginia State Corporation Commission's Bureau of Insurance at:

The Office of the Managed Care Ombudsman
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23209
1-877-310-6560 - toll-free
1-804-371-9032 - locally
www.scc.virginia.gov - web address
ombudsman@scc.virginia.gov - email

Or:

The Virginia Department of Health (The Center for Quality Health Care Services and Consumer Protection)
3600 West Broad St
Suite 216
Richmond, VA 23230
1-800-955-1819

Written correspondence is preferable so that a record of Your inquiry is maintained. When contacting Your agent, company or the Bureau of Insurance, have Your policy number available.

NOTICE FOR RESIDENTS OF WISCONSIN

KEEP THIS NOTICE WITH YOUR INSURANCE PAPERS

PROBLEMS WITH YOUR INSURANCE? - If You are having problems with Your insurance company or agent, do not hesitate to contact the insurance company or agent to resolve Your problem.

MetLife
Attn: Corporate Consumer Relations Department
200 Park Avenue
New York, NY 10166-0188
1-800-638-5433

You can also contact the **OFFICE OF THE COMMISSIONER OF INSURANCE**, a state agency which enforces Wisconsin's insurance laws, and file a complaint. You can contact the **OFFICE OF THE COMMISSIONER OF INSURANCE** by contacting:

Office of the Commissioner of Insurance
Complaints Department
P.O. Box 7873
Madison, WI 53707-7873
1-800-236-8517 outside of Madison or 608-263-0103 in Madison.

NOTICE FOR RESIDENTS OF ALL STATES

WORKERS' COMPENSATION

This certificate does not replace or affect any requirement for coverage by workers' compensation insurance.

MANDATORY DISABILITY INCOME BENEFIT LAWS

For Residents of California, Hawaii, New Jersey, New York, Rhode Island and Puerto Rico

This certificate does not affect any requirement for any government mandated temporary disability income benefits law.

Sample

TABLE OF CONTENTS

Section	Page
CERTIFICATE FACE PAGE.....	1
NOTICES	2
SCHEDULE OF BENEFITS.....	19
DEFINITIONS	22
ELIGIBILITY PROVISIONS: INSURANCE FOR YOU.....	26
Eligible Classes	26
Date You Are Eligible for Insurance	26
Enrollment Process	26
Date Your Insurance Takes Effect	26
Date Your Insurance Ends	28
SPECIAL RULES FOR GROUPS PREVIOUSLY INSURED UNDER A PLAN OF DISABILITY INCOME INSURANCE.....	29
CONTINUATION OF INSURANCE WITH PREMIUM PAYMENT	31
For Family And Medical Leave.....	31
At Your Option: Portability	31
At The Policyholder's Option	32
EVIDENCE OF INSURABILITY.....	33
DISABILITY INCOME INSURANCE: SHORT TERM BENEFITS	34
DISABILITY INCOME INSURANCE: LONG TERM BENEFITS.....	36
DISABILITY INCOME INSURANCE: SHORT TERM BENEFITS INCOME WHICH WILL REDUCE YOUR DISABILITY BENEFIT.....	39
DISABILITY INCOME INSURANCE: LONG TERM BENEFITS INCOME WHICH WILL REDUCE YOUR DISABILITY BENEFIT.....	40
DISABILITY INCOME INSURANCE: INCOME WHICH WILL NOT REDUCE YOUR DISABILITY BENEFIT	42
DISABILITY INCOME INSURANCE: DATE BENEFIT PAYMENTS END	43
DISABILITY INCOME INSURANCE ADDITIONAL SHORT TERM BENEFIT: ORGAN DONOR.....	44

TABLE OF CONTENTS (continued)

Section	Page
ADDITIONAL LONG TERM BENEFIT: SINGLE SUM PAYMENT IN THE EVENT OF YOUR DEATH.....	45
ADDITIONAL LONG TERM BENEFIT: BENEFIT(S) IN THE EVENT OF YOUR TERMINAL ILLNESS	46
DISABILITY INCOME INSURANCE: LONG TERM BENEFITS PRE-EXISTING CONDITIONS	47
DISABILITY INCOME INSURANCE: LONG TERM BENEFITS LIMITED DISABILITY BENEFITS	48
DISABILITY INCOME INSURANCE: SHORT TERM BENEFITS LIMITED DISABILITY BENEFITS	50
DISABILITY INCOME INSURANCE: EXCLUSIONS.....	51
FILING A CLAIM	52
GENERAL PROVISIONS.....	54
Assignment.....	54
Disability Income Benefit Payments: Who We Will Pay	54
Entire Contract.....	54
Incontestability: Statements Made by You	54
Misstatement of Age.....	54
Conformity with Law	55
Physical Exams	55
Autopsy.....	55
Overpayments for Disability Income Insurance.....	55

Sample

SCHEDULE OF BENEFITS

This schedule shows the benefits that are available under the Group Policy. You will only be insured for the benefits:

- for which You become and remain eligible;
- which You elect, if subject to election; and
- which are in effect.

BENEFIT

BENEFIT AMOUNT AND HIGHLIGHTS

Disability Income Insurance For You: Short Term Benefits

Weekly Benefit.....	60% of the first \$2,000 of Your Predisability Earnings, subject to the INCOME WHICH WILL REDUCE YOUR DISABILITY BENEFIT section.
Maximum Weekly Benefit.....	\$1,200
Minimum Weekly Benefit.....	\$20, subject to the Overpayments and Rehabilitation Incentive subsections of this certificate
Elimination Period.....	<p>For Injury</p> <ul style="list-style-type: none"> • 7 days of Disability <p>For Sickness</p> <ul style="list-style-type: none"> • 7 days of Disability
Maximum Benefit Period.....	26 weeks
Rehabilitation Incentives.....	Yes
Additional Benefits:	
Organ Donor Benefit.....	Yes

**SCHEDULE OF BENEFITS
(continued)**

BENEFIT AMOUNT AND HIGHLIGHTS

BENEFIT

Disability Income Insurance For You: Long Term Benefits

Monthly Benefit.....	60.00% of the first \$10,000 of Your Predisability Earnings, subject to the INCOME WHICH WILL REDUCE YOUR DISABILITY BENEFIT section
Maximum Monthly Benefit.....	\$6,000
Minimum Monthly Benefit.....	\$100 subject to the Overpayments and Rehabilitation Incentive subsections of this certificate.
Elimination Period.....	180 Days

Maximum Benefit Period*

the later of:

- Your Normal Retirement Age;
- or
- the period shown below:

Age on Date of Your Disability	Benefit Period
Less than 60	To age 65
60	60 months
61	48 months
62	42 months
63	36 months
64	30 months
65	24 months
66	21 months
67	18 months
68	15 months
69 and over	12 months

*The Maximum Benefit Period is subject to the LIMITED DISABILITY BENEFITS and DATE BENEFIT PAYMENTS END sections.

**SCHEDULE OF BENEFITS
(continued)**

Rehabilitation Incentives..... Yes

Additional Benefits:

Single Sum Payment in
the Event of Your Death..... Yes

Benefit(s) in the Event of
Your Terminal Illness..... Yes

Portability..... Yes

Sample

DEFINITIONS

As used in this certificate, the terms listed below will have the meanings set forth below. When defined terms are used in this certificate, they will appear with initial capitalization. The plural use of a term defined in the singular will share the same meaning.

Actively at Work or Active Work means that You are performing all of the usual and customary duties of Your job on a Full-Time basis. This must be done at:

- the Policyholder's place of business;
- an alternate place approved by the Policyholder; or
- a place to which the Policyholder's business requires You to travel.

You will be deemed to be Actively at Work during weekends or Policyholder approved vacations, holidays or business closures if You were Actively at Work on the last scheduled work day preceding such time off.

Appropriate Care and Treatment means medical care and treatment that is:

- given by a Physician whose medical training and clinical specialty are appropriate for treating Your Disability;
- consistent in type, frequency and duration of treatment with relevant guidelines of national medical research, health care coverage organizations and governmental agencies;
- consistent with a Physician's diagnosis of Your Disability; and
- intended to maximize Your medical and functional improvement.

Beneficiary means the person(s) to whom We will pay insurance as determined in accordance with the GENERAL PROVISIONS section.

Consumer Price Index means the CPI-W, the Consumer Price Index for Urban Wage Earners and Clerical Workers published by the U.S. Department of Labor. If the CPI-W is discontinued or replaced, We reserve the right to substitute any other comparable index.

Contributory Insurance means insurance for which the Policyholder requires You to pay any part of the premium.

Contributory Insurance includes: Disability Income Insurance; Long Term Benefits.

Disabled or Disability means that, due to Sickness or as a direct result of accidental injury:

- You are receiving Appropriate Care and Treatment and complying with the requirements of such treatment; and
- You are unable to earn:
 - For Short Term Benefits,
 - more than 80% of Your Predisability Earnings at Your Own Occupation .
 - For Long Term Benefits,
 - during the Elimination Period and the next 24 months of Sickness or accidental injury, more than 80% of Your Predisability Earnings at Your Own Occupation from any employer in Your Local Economy; and
 - after such period, more than 60% of your Predisability Earnings from any employer in Your Local Economy at any gainful occupation for which You are reasonably qualified taking into account Your training, education and experience.

DEFINITIONS (continued)

For purposes of determining whether a Disability is the direct result of an accidental injury, the Disability must have occurred within 90 days of the accidental injury and resulted from such injury independent of other causes.

If You are Disabled and have received a Monthly Benefit for 12 months, We will adjust Your Predisability Earnings only for the purposes of determining whether You continue to be Disabled and for calculating the Return to Work Incentive, if any. We will make the initial adjustment as follows:

We will add to Your Predisability Earnings an amount equal to the product of:

- Your Predisability Earnings times the lesser of:
 - 7%; or
 - the annual rate of increase in the Consumer Price Index for the prior calendar year.

Annually thereafter, We will add an amount to Your adjusted Predisability Earnings calculated by the method set forth above but substituting Your adjusted Predisability Earnings from the prior year for Your Predisability Earnings. **This adjustment is not a cost of living benefit.**

If Your occupation requires a license, the fact that You lose Your license for any reason will not, in itself, constitute Disability.

Elimination Period means the period of Your Disability during which We do not pay benefits. The Elimination Period begins on the day You become Disabled and continues for the period shown in the SCHEDULE OF BENEFITS.

Full-Time means Active Work on the Policyholder's regular work schedule for the eligible class of employees to which You belong. The work schedule must be at least 30 hours a week.

Local Economy means the geographic area:

- within which You reside; and
- which offers suitable employment opportunities within a reasonable travel distance.

If You move on or after the date You become Disabled, We may consider both Your former and current residence to be Your Local Economy.

Noncontributory Insurance means insurance for which the Policyholder does not require You to pay any part of the premium.

Normal Retirement Age means that as defined by the federal Social Security Administration on the date Your Disability starts.

Organ Transplant Procedure means the surgical removal of any one or more of Your organs for the purpose of transplanting to another person.

Own Occupation means the essential functions You regularly perform that provide Your primary source of earned income.

DEFINITIONS (continued)

Physician means:

- a person licensed to practice medicine in the jurisdiction where such services are performed; or
- any other person whose services, according to applicable law, must be treated as Physician's services for purposes of the Group Policy. Each such person must be licensed in the jurisdiction where he performs the service and must act within the scope of that license. He must also be certified and/or registered if required by such jurisdiction.

The term does not include:

- You;
- Your Spouse; or
- any member of Your immediate family including Your and/or Your Spouse's:
 - parents;
 - children (natural, step or adopted);
 - siblings;
 - grandparents; or
 - grandchildren.

Policyholder's Retirement Plan means a plan which:

- provides retirement benefits to employees; and
- is funded in whole or in part by Policyholder contributions.

The term does not include:

- profit sharing plans;
- thrift or savings plans;
- non-qualified plans of deferred compensation;
- plans under IRC Section 401(k) or 457;
- individual retirement accounts (IRA);
- tax sheltered annuities (TSA) under IRC Section 403(b);
- stock ownership plans; or
- Keogh (HR-10) plans.

Predisability Earnings means gross salary or wages You were earning from the Policyholder as of Your last day of Active Work before Your Disability began. We calculate this amount on a monthly basis for Long Term Benefits and on a weekly basis for Short Term Benefits.

The term includes:

- contributions You were making through a salary reduction agreement with the Policyholder to any of the following:
 - an Internal Revenue Code (IRC) Section 401(k), 403(b) or 457 deferred compensation arrangement;
 - an executive non-qualified deferred compensation arrangement; and
 - Your fringe benefits under an IRC Section 125 plan.

DEFINITIONS (continued)

The term does not include:

- commissions;
- awards and bonuses;
- overtime pay;
- the grant, award, sale, conversion and/or exercise of shares of stock or stock options;
- the Policyholder's contributions on Your behalf to any deferred compensation arrangement or pension plan; or
- any other compensation from the Policyholder.

Proof means Written evidence satisfactory to Us that a person has satisfied the conditions and requirements for any benefit described in this certificate. When a claim is made for any benefit described in this certificate, Proof must establish:

- the nature and extent of the loss or condition;
- Our obligation to pay the claim; and
- the claimant's right to receive payment.

Proof must be provided at the claimant's expense.

Rehabilitation Program means a program that has been approved by us for the purpose of helping You return to work. It may include, but is not limited to, Your participation in one or more of the following activities:

- return to work on a modified basis with a goal of resuming employment for which You are reasonably qualified by training, education, experience and past earnings;
- on-site job analysis;
- job modification/accommodation;
- training to improve job-seeking skills;
- vocational assessment;
- short-term skills enhancement;
- vocational training; or
- restorative therapies to improve functional capacity to return to work.

Sickness means illness, disease or pregnancy, including complications of pregnancy.

Signed means any symbol or method executed or adopted by a person with the present intention to authenticate a record which is on or transmitted by paper or electronic media which is acceptable to Us and consistent with applicable law.

Spouse means Your lawful spouse.

We, Us and Our mean MetLife.

Written or Writing means a record which is on or transmitted by paper or electronic media which is acceptable to Us and consistent with applicable law.

You and Your mean an employee who is insured under the Group Policy for the insurance described in this certificate.

ELIGIBILITY PROVISIONS: INSURANCE FOR YOU

ELIGIBLE CLASS(ES)

All Full-Time employees of the Policyholder, but not temporary or seasonal employees.

DATE YOU ARE ELIGIBLE FOR INSURANCE

You may only become eligible for the insurance available for Your eligible class as shown in the SCHEDULE OF BENEFITS.

You will be eligible for insurance described in this certificate on the later of:

1. January 1, 2010; and
2. the first day of the calendar month following the date You complete the Waiting Period of 30 days.

Waiting Period means the period of continuous membership in an eligible class that You must wait before You become eligible for insurance. This period begins on the date You enter an eligible class and ends on the date You complete the period(s) specified.

ENROLLMENT PROCESS

If You are eligible for insurance, You may enroll for such insurance by completing the required form. If You enroll for Contributory Insurance, You must also give the Policyholder Written permission to deduct premiums from Your pay for such insurance. You will be notified by the Policyholder how much You will be required to contribute.

DATE YOUR INSURANCE TAKES EFFECT

Rules for Noncontributory Insurance

When You complete the enrollment process for Noncontributory Insurance, such insurance will take effect on the date You become eligible, provided You are Actively at Work on that date.

If You are not Actively at Work on the date the Noncontributory Insurance would otherwise take effect, insurance will take effect on the day You resume Active Work.

Rules for Contributory Insurance

If You request Contributory Insurance before the date You become eligible for such insurance, such insurance will take effect as follows:

- if You are **not required** to give evidence of Your insurability, such insurance will take effect on the date You become eligible, provided You are Actively at Work on that date.
- if You are **required** to give evidence of Your insurability and We determine that You are insurable, such insurance will take effect on the date We state in Writing, provided You are Actively at Work on that date.

ELIGIBILITY PROVISIONS: INSURANCE FOR YOU (continued)

If You request Contributory Insurance **within 31 days of** the date You become eligible for such insurance, such insurance will take effect as follows:

- if You are **not required** to give evidence of Your insurability, such benefit will take effect on the later of:
 - the date You become eligible for such benefit; and
 - the date You enroll provided You are Actively at Work on that date.
- if You are **required** to give evidence of Your insurability and We determine that You are insurable, such insurance will take effect on the date We state in Writing, provided You are Actively at Work on that date.

If You request Contributory Insurance **more than 31 days after** the date You become eligible for such insurance, You must give evidence of Your insurability satisfactory to us. You must give such evidence at Your expense. If We determine that You are insurable, such insurance will take effect on the date We state in Writing, if You are Actively at Work on that date.

Increase in Insurance

An increase in insurance due to a change in class of employee, an increase in Your earnings, or a requested increase in insurance will take effect as follows:

- if You are **required** to give evidence of insurability for the entire increase in insurance and We approve Your evidence of insurability, the increase will take effect on the date We state in Writing. If We do not approve Your evidence of insurability, or You do not submit evidence of insurability, the increase in insurance will not take effect.
- if You are **required** to give evidence of insurability for a portion of the increase in insurance:
 - the portion of the increase in insurance that is not subject to evidence of insurability will take effect on the date of Your request or the date of the increase in Your earnings.
 - if We approve Your evidence of insurability, the portion of the increase in insurance that is subject to evidence of insurability will take effect on the date We state in writing. If We do not approve Your evidence of insurability or You do not submit evidence of insurability, the increase in insurance will not take effect.
- if You are **not required** to give evidence of insurability, the increase will take effect on the date of Your request or the date of the increase in Your earnings.

If You are not Actively at Work on the date insurance would otherwise take effect, insurance will take effect on the day You resume Active Work.

Decrease in Insurance

A decrease in insurance due to a change in class of employee or a decrease in Your earnings will take effect on the date of change.

If You make a Written request to decrease Your insurance, that decrease will take effect as of the date of Your Written request.

Changes in Your Disability Income Insurance will only apply to Disabilities commencing on or after the date of the change.

ELIGIBILITY PROVISIONS: INSURANCE FOR YOU (continued)

DATE YOUR INSURANCE ENDS

Your insurance will end on the earliest of:

for all coverages

1. the date the Group Policy ends; or
2. the date insurance ends for Your class; or
3. the end of the period for which the last premium has been paid for You; or

for Disability Income Insurance: Short Term Benefits

4. the date You cease to be in an eligible class. You will cease to be in an eligible class on the date You cease Active Work in an eligible class, if You are not disabled on that date; or
5. the date Your employment ends; or
6. the date You retire in accordance with the date Your employment ends; or

for Disability Income Insurance: Long Term Benefits

7. the date You cease to be in an eligible class. You will cease to be in an eligible class on the date You cease Active Work in an eligible class, if You are not disabled on that date; or
8. the date Your employment ends; or
9. the date You retire in accordance with the date Your employment ends.

In certain cases insurance may be continued as stated in the section entitled CONTINUATION OF INSURANCE WITH PREMIUM PAYMENT.

Reinstatement of Disability Income Insurance

If Your insurance ends, You may become insured again as follows:

1. If Your insurance ends because:

- You cease to be in an eligible class; or
- Your employment ends; or

You become a member of an eligible class again within 3 months of the date Your insurance ended, You will not have to complete a new Waiting Period or provide evidence of Your insurability.

2. If Your insurance ends because the required premium for Your insurance has ceased to be paid due to Your being on an approved Family Medical Leave Act (FMLA) leave of absence, and You become a member of an eligible class within 31 days of the earlier of:

- The end of the period of leave You and the Policyholder agreed upon; or
- The end of the 12-week period following the date Your leave began,

You will not have to complete a new Waiting Period or provide evidence of Your insurability.

3. In all other cases where Your insurance ends because the required premium for Your insurance has ceased to be paid, You will be required to provide evidence of Your insurability.

If You become insured again as described in either item 1 or 2 above, the limitation for Pre-existing Conditions will be applied as if Your insurance had remained in effect with no interruption.

SPECIAL RULES FOR GROUPS PREVIOUSLY INSURED UNDER A PLAN OF DISABILITY INCOME INSURANCE

To prevent a loss of insurance because of a change in insurance carriers, the following rules will apply if this Disability Income Insurance replaces a plan of group disability income insurance provided to You by the Policyholder:

Prior Plan means the plan of group disability income insurance provided to You by the Policyholder through another carrier on the day before the Replacement Date.

Replacement Date means the effective date of the Disability Income Insurance under the Group Policy.

Rules for When Insurance Takes Effect if You were Insured Under the Prior Plan on the Day Before the Replacement Date:

- **If You are Actively at Work on the day before the Replacement Date**, You will become insured for Disability Income Insurance under this certificate on the Replacement Date.
- **If You are not Actively at Work on such date because you are Disabled**, You will become insured for Disability Income Insurance under this certificate on the Replacement Date.

We will credit any time You accumulated toward the Elimination Period under the Prior Plan to the satisfaction of the Elimination Period required to be met under this certificate.

Any benefits paid for such Disability will be equal to those that would have been payable to You under the Prior Plan less any amount for which the prior carrier is liable.

Benefit payments for such Disability will end on the earliest of:

- the date that payments end under the subsection DATE BENEFIT PAYMENTS END in this certificate; or
- the date that payments would have ended under the provisions of the Prior Plan of Insurance.
- **If You are not Actively at Work on such date for any other reason**, You will become insured for Disability Income Insurance under this certificate on the date you return to Active Work.

Rules for When Insurance Takes Effect if You were Not Insured Under the Prior Plan on the Day Before the Replacement Date:

- You will be eligible for Disability Income Insurance under this certificate when you meet the eligibility requirements for such insurance as described in ELIGIBILITY PROVISIONS: INSURANCE FOR YOU; and
- We will credit any time You accumulated under the Prior Plan toward the eligibility waiting period under the Prior Plan to the satisfaction of the eligibility waiting period required to be met under this certificate.

Rules for Pre-existing Conditions

In determining whether a Disability is due to a Pre-existing Condition, We will credit You for any time You were insured under the Prior Plan. If Your Disability is due to a Pre-existing Condition as described in this certificate, but would not have been due to a pre-existing condition under the Prior Plan, We will pay a benefit equal to the lesser of:

- the benefit amount under this certificate; or
- the disability income insurance benefit that would have been payable to You under the Prior Plan.

If Your Disability would have been due to a pre-existing condition under the Prior Plan, it will be treated as having been caused by a Pre-Existing Condition under this certificate.

SPECIAL RULES FOR GROUPS PREVIOUSLY INSURED UNDER A PLAN OF DISABILITY INCOME INSURANCE (continued)

Rules for Temporary Recovery from a Disability under the Prior Plan

We will waive the Elimination Period that would otherwise apply to a Disability under this certificate if You:

- received benefits for a disability that began under the Prior Plan ("Prior Plan's disability");
- returned to work as an active Full-Time employee prior to the Replacement Date;
- become Disabled, as defined in this certificate, after the Replacement Date and within 90 days of Your return to work due to a sickness or accidental injury that is the same as or related to the Prior Plan's disability;
- are no longer entitled to benefit payments for the Prior Plan's disability since You are no longer insured under such Plan; and
- would have been entitled to benefit payments with no further elimination period under the Prior Plan, had it remained in force.

Sample

CONTINUATION OF INSURANCE WITH PREMIUM PAYMENT

FOR FAMILY AND MEDICAL LEAVE

Certain leaves of absence may qualify under the Family and Medical Leave Act of 1993 (FMLA) for continuation of insurance. Please contact the Policyholder for information regarding the FMLA.

AT YOUR OPTION: PORTABILITY

For Disability Income Insurance

For purposes of this subsection the term "Portability Eligible Disability Income Insurance" refers to Disability Income Insurance: Long Term Benefits.

You may request in Writing during the Request Period specified below to continue Your Portability Eligible Disability Income Insurance under another group policy issued by MetLife if such insurance ends because You cease to be in an eligible class or Your employment ends.

If You make a request under this subsection, evidence of Your insurability will not be required. We will issue a new certificate of insurance which will explain Your new insurance benefits. Your insurance benefits under the new certificate may not be the same as those that ended under the Group Policy.

A request under this subsection may be made, if, on the date of Your request, the following requirements are met:

- the Group Policy is in effect;
- We have not received notice from the Policyholder of its intent to end the Group Policy;
- You reside in a jurisdiction that permits portability;
- You have been insured for at least 12 months prior to the date that Your employment ends;
- Your employment did not end as a result of Your retirement;
- You are not Disabled; and
- You have not become insured under any other disability insurance plan within 31 days after the date Your Portability Eligible Disability Income Insurance ends under the Group Policy.

Request Period

To continue Your Portability Eligible Disability Income Insurance under a different group policy, We must receive a completed request form from You within 31 days after the date such insurance ends under this certificate.

Your new certificate will take effect on the day after Your Portability Eligible Disability Income Insurance ends under this Certificate.

Premiums for the New Certificate

When You request to continue Portability Eligible Disability Income Insurance under this subsection, the first premium must be paid within 31 days after Your insurance ends under this certificate. All premiums must be paid directly to Us. When We issue the new certificate, We will also provide You with a schedule of premiums and payment instructions.

CONTINUATION OF INSURANCE WITH PREMIUM PAYMENT (continued)

AT THE POLICYHOLDER'S OPTION

The Policyholder has elected to continue insurance by paying premiums for employees who are not Disabled and cease Active Work in an eligible class for any of the reasons specified below.

Disability Income Insurance will continue for the following periods:

1. for the period You cease Active Work in an eligible class due to accidental injury or Sickness, up to 3 months;
2. for Disability Income Insurance: Long Term Benefits, for the period You cease Active Work in an eligible class due to any other Policyholder approved leave of absence up to the end of the month You cease Active Work;
3. for Disability Income Insurance: Short Term Benefits, for the period You cease Active Work in an eligible class due to any other Policyholder approved leave of absence up to the end of the month You cease Active Work.

At the end of any of the continuation periods listed above, Your insurance will be affected as follows:

- if You resume Active Work in an eligible class at this time, You will continue to be insured under the Group Policy;
- if You do not resume Active Work in an eligible class at this time, Your employment will be considered to end and Your insurance will end in accordance with the DATE YOUR INSURANCE ENDS subsection of the section entitled ELIGIBILITY PROVISIONS: INSURANCE FOR YOU.

EVIDENCE OF INSURABILITY

We require evidence of insurability satisfactory to Us as follows:

If you make a late request for Disability Income Insurance: Long Term Benefits. A late request is one made more than 31 days after You become eligible.

If You do not give Us evidence of insurability or the evidence of insurability is not accepted by Us as satisfactory, You will not be covered for Disability Income Insurance: Long Term Benefits.

The evidence of insurability is to be given at Your expense.

Sample

DISABILITY INCOME INSURANCE: SHORT TERM BENEFITS

If You become Disabled while insured, Proof of Disability must be sent to Us. When We receive such Proof, We will review the claim. If We approve the claim, We will pay the Weekly Benefit up to the Maximum Benefit Period shown in the SCHEDULE OF BENEFITS, subject to the Date Benefit Payments End section.

To verify that You continue to be Disabled without interruption after Our initial approval of the Disability claim, We may periodically request that You send Us Proof that You continue to be Disabled. Such Proof may include physical exams, exams by independent medical examiners, in-home interviews, or functional capacity exams, as needed.

While You are Disabled, the Weekly Benefits described in this certificate will not be affected if:

- Your insurance ends; or
- the Group Policy is amended to change the plan of benefits for Your class.

BENEFIT PAYMENT

If We approve Your claim, benefits will begin to accrue on the day after the day You complete Your Elimination Period. We will pay the first Weekly Benefit one week after the date benefits begin to accrue. We will make subsequent payments weekly thereafter so long as You remain Disabled. Payment will be based on the number of days You are Disabled during each week. For any partial week of Disability, payment will be made at the daily rate of 1/7th of the Weekly Benefit payable.

We will pay Weekly Benefits to You. If You die, We will pay the amount of any due and unpaid benefits as described in the GENERAL PROVISIONS subsection entitled Disability Income Benefit Payments: Who We Will Pay.

RECOVERY FROM A DISABILITY

For purposes of this subsection, the term Active Work only includes those days You actually work.

The provisions of this subsection will not apply if Your insurance has ended and You are eligible for coverage under another group short term disability plan.

If You Return to Active Work Before Completing Your Elimination Period

If You return to Active Work before completing Your Elimination Period and then become Disabled, You will have to complete a new Elimination Period.

If You Return to Active Work After Completing Your Elimination Period

If You return to Active Work after You begin to receive Weekly Benefits, We will consider You to have recovered from Your Disability.

If You return to Active Work for a period of 90 days or less, and then become Disabled again due to the same or related Sickness or accidental injury, We will not require You to complete a new Elimination Period. For the purpose of determining Your benefits, We will consider such Disability to be a part of the original Disability and will use the same Predisability Earnings and apply the same terms, provisions and conditions that were used for the original Disability.

REHABILITATION INCENTIVES

Rehabilitation Program Incentive

If You participate in a Rehabilitation Program, We will increase Your Weekly Benefit by an amount equal to 10% of the Weekly Benefit. We will do so before We reduce Your Weekly Benefit by any Other Income.

DISABILITY INCOME INSURANCE: SHORT TERM BENEFITS (continued)

Work Incentive

If You work while You are Disabled and receiving Weekly Benefits, Your Weekly Benefit will be adjusted as follows:

- Your Weekly Benefit will be increased by Your Rehabilitation Program Incentive, if any; and
- reduced by Other Income as defined in the DISABILITY INCOME INSURANCE: INCOME WHICH WILL REDUCE YOUR DISABILITY BENEFIT section.

Your Weekly Benefit as adjusted above will not be reduced by the amount You earn from working, except to the extent that such adjusted Weekly Benefit plus the amount You earn from working and the income You receive from Other Income exceeds 100% of Your Predisability Earnings as calculated in the definition of Disability.

In addition, the Minimum Weekly Benefit will not apply.

Family Care Incentive

If You work or participate in a Rehabilitation Program while You are Disabled, We will reimburse You for up to \$100 for weekly expenses You incur for each family member to provide:

- care for Your or Your spouse's child, legally adopted child, or child for whom You or Your Spouse are legal guardian and who is:
 - living with You as part of Your household;
 - dependent on You for support; and
 - under age 13.

The child care must be provided by a licensed child care provider who may not be a member of Your immediate family or living in Your residence.

- care to Your family member who is:
 - living with You as part of Your household;
 - chiefly dependent on You for support; and
 - incapable of independent living, regardless of age, due to mental or physical handicap as defined by applicable law.

Care to Your family member may not be provided by a member of Your immediate family.

We will make reimbursement payments to You on a weekly basis starting with the 4th Weekly Benefit payment. Payments will not be made beyond the Maximum Benefit Period. We will not reimburse You for any expenses for which You are eligible for payment from any other source. You must send Proof that You have incurred such expenses.

Moving Expense Incentive

If You participate in a Rehabilitation Program while You are Disabled, We may reimburse You for expenses You incur in order to move to a new residence recommended as part of such Rehabilitation Program. Such expenses must be approved by Us in advance.

You must send Proof that You have incurred such expenses for moving.

We will not reimburse You for such expenses if they were incurred for services provided by a member of Your immediate family or someone who is living in Your residence.

DISABILITY INCOME INSURANCE: LONG TERM BENEFITS

If You become Disabled while insured, Proof of Disability must be sent to Us. When We receive such Proof, We will review the claim. If We approve the claim, We will pay the Monthly Benefit up to the Maximum Benefit Period shown in the SCHEDULE OF BENEFITS, subject to the DATE BENEFIT PAYMENTS END section.

To verify that You continue to be Disabled without interruption after Our initial approval, We may periodically request that You send Us Proof that You continue to be Disabled. Such Proof may include physical exams, exams by independent medical examiners, in-home interviews or functional capacity exams, as needed.

While You are Disabled, the Monthly Benefit described in this certificate will not be affected if:

- Your insurance ends; or
- the Group Policy is amended to change the plan of benefits for Your class.

BENEFIT PAYMENT

If We approve Your claim, benefits will begin to accrue on the day after the day You complete Your Elimination Period. We will pay the first Monthly Benefit one month after the date benefits begin to accrue. We will make subsequent payments monthly thereafter so long as You remain Disabled. Payment will be based on the number of days You are Disabled during each month and will be prorated for any partial month of Disability.

We will pay Monthly Benefits to You. If You die, We will pay the amount of any due and unpaid benefits as described in the GENERAL PROVISIONS subsection entitled Disability Income Benefit Payments: Who We Will Pay.

While You are receiving Monthly Benefits, You will not be required to pay premiums for the cost any disability income insurance defined as Contributory Insurance.

RECOVERY FROM A DISABILITY

If You return to Active Work, We will consider You to have recovered from Your Disability.

The provisions of this subsection will not apply if Your insurance has ended and You are eligible for coverage under another group long term disability plan.

If You Return to Active Work Before Completing Your Elimination Period

If You return to Active Work before completing Your Elimination Period for a period of 30 days or less, and then become Disabled again due to the same or related Sickness or accidental injury, We will not require You to complete a new Elimination Period. We will count those days towards the completion of Your Elimination Period.

If You return to Active Work for a period of more than 30 days, and then become Disabled again, You will have to complete a new Elimination Period.

For purposes of this provision, the term Active Work only includes those days You actually work.

If You Return to Active Work After Completing Your Elimination Period

If You return to Active Work after completing Your Elimination Period for a period of 180 days or less, and then become Disabled again due to the same or related Sickness or accidental injury, We will not require You to complete a new Elimination Period. For the purpose of determining Your benefits, We will consider such Disability to be a part of the original Disability and will use the same Predisability Earnings and apply the same terms, provisions and conditions that were used for the original Disability.

DISABILITY INCOME INSURANCE: LONG TERM BENEFITS (continued)

If You return to Active Work for a period of more than 180 days and then become Disabled again, You will have to complete a new Elimination Period.

For purposes of this provision, the term Active Work includes all of the continuous days which follow Your return to work for which You are not Disabled.

REHABILITATION INCENTIVES

Rehabilitation Program Incentive

If You participate in a Rehabilitation Program, We will increase Your Monthly Benefit by an amount equal to 10% of the Monthly Benefit. We will do so before We reduce Your Monthly Benefit by any other income.

Work Incentive

While You are Disabled, We encourage You to work. If You work while You are Disabled and receiving Monthly Benefits, Your Monthly Benefit will be adjusted as follows:

- Your Monthly Benefit will be increased by Your Rehabilitation Program Incentive, if any, and
- reduced by Other Income as defined in the DISABILITY INCOME INSURANCE INCOME WHICH WILL REDUCE YOUR DISABILITY BENEFIT section.

Your Monthly Benefit as adjusted above will not be reduced by the amount You earn from working, except to the extent that such adjusted Monthly Benefit plus the amount You earn from working and the income You receive from Other Income exceeds 100% of Your Predisability Earnings as calculated in the definition of Disability.

In addition, the Minimum Monthly Benefit will not apply.

Limit on Work Incentive

After the first 24 months following Your Elimination Period, We will reduce Your Monthly Benefit by 50% of the amount You earn from working while Disabled.

Family Care Incentive

If You work or participate in a Rehabilitation Program while You are Disabled, We will reimburse You for up to \$400 for monthly expenses You incur for each family member to provide:

- care for Your or Your Spouse's child, legally adopted child, or child for whom You or Your Spouse are legal guardian and who is:
 - living with You as part of Your household;
 - dependent on You for support; and
 - under age 13.

The child care must be provided by a licensed child care provider who may not be a member of Your immediate family or living in Your residence.

- care to Your family member who is:
 - living with You as part of Your household;
 - chiefly dependent on You for support; and
 - incapable of independent living, regardless of age, due to mental or physical handicap as defined by applicable law.

Care to Your family member may not be provided by a member of Your immediate family.

DISABILITY INCOME INSURANCE: LONG TERM BENEFITS (continued)

We will make reimbursement payments to You on a monthly basis starting with the first Monthly Benefit payment until You have received 24 Monthly Benefit Payments. Payments will not be made beyond the Maximum Benefit Period. We will not reimburse You for any expenses for which You are eligible for payment from any other source. You must send Proof that You have incurred such expenses.

Moving Expense Incentive

If You participate in a Rehabilitation Program while You are Disabled, We may reimburse You for expenses You incur in order to move to a new residence recommended as part of such Rehabilitation Program. Such expenses must be approved by Us in advance.

You must send Proof that You have incurred such expenses for moving.

We will not reimburse You for such expenses if they were incurred for services provided by a member of Your immediate family or someone who is living in Your residence.

Sample

DISABILITY INCOME INSURANCE: SHORT TERM BENEFITS INCOME WHICH WILL REDUCE YOUR DISABILITY BENEFIT

We will reduce Your Disability benefit by the amount of all Other Income. Other Income includes the following:

1. any disability or retirement benefits which You receive because of Your disability or retirement under:
 - Railroad Retirement Act;
 - any state or public employee retirement or disability plan; or
 - any pension or disability plan of any other nation or political subdivision thereof.
2. any income received for disability or retirement under the Policyholder's Retirement Plan, to the extent that it can be attributed to the Policyholder's contributions;
3. any income received for disability under:
 - a group insurance policy to which the Policyholder has made a contribution, such as:
 - benefits for loss of time from work due to disability;
 - installment payments for permanent total disability;
 - a no-fault auto law for loss of income, excluding supplemental disability benefits;
 - a government compulsory benefit plan or program which provides payment for loss of time from Your job due to Your disability, whether such payment is made directly by the plan or program, or through a third party;
 - a self-funded plan, or other arrangement if the Policyholder contributes toward it or makes payroll deductions for it;
 - any sick pay, vacation pay or other salary continuation that the Policyholder pays to You;
 - unemployment insurance law or program.
4. any income that You receive from working while Disabled to the extent that such income reduces the amount of Your Weekly Benefit as described in REHABILITATION INCENTIVES. This includes but is not limited to salary, commissions, overtime pay, bonus or other extra pay arrangements from any source.
5. recovery amounts that You receive for loss of income as a result of claims against a third party by judgement, settlement or otherwise including future earnings.

SINGLE SUM PAYMENT

If You receive Other Income in the form of a single sum payment, You must, within 10 days after receipt of such payment, give Written Proof satisfactory to Us of:

- the amount of the single sum payment;
- the amount to be attributed to income replacement; and
- the time period for which the payment applies.

When We receive such Proof, We will adjust the amount of Your Disability benefit.

If We do not receive the Written Proof described above, and We know the amount of the single sum payment, We may reduce Your Disability benefit by an amount equal to such benefit until the single sum has been exhausted.

If We adjust the amount of Your Disability benefit due to a single sum payment, the amount of the adjustment will not result in a benefit amount less than the minimum amount, except in the case of an Overpayment.

If You receive Other Income in the form of a single sum payment and We do not receive the Written Proof described above within 10 days after You receive the single sum payment, We will adjust the amount of Your Disability Benefit by the amount of such payment.

DISABILITY INCOME INSURANCE: LONG TERM BENEFITS INCOME WHICH WILL REDUCE YOUR DISABILITY BENEFIT

We will reduce Your Disability benefit by the amount of all Other Income. Other Income includes the following:

1. any disability or retirement benefits which You, Your Spouse or child(ren) receive or are eligible to receive because of Your disability or retirement under:
 - Federal Social Security Act;
 - Railroad Retirement Act;
 - any state or public employee retirement or disability plan; or
 - any pension or disability plan of any other nation or political subdivision thereof.
2. any income received for disability or retirement under the Policyholder's Retirement Plan, to the extent that it can be attributed to the Policyholder's contributions.
3. any income received for disability under:
 - a group insurance policy to which the Policyholder has made a contribution, such as:
 - benefits for loss of time from work due to disability;
 - installment payments for permanent total disability;
 - a no-fault auto law for loss of income, excluding supplemental disability benefits;
 - a government compulsory benefit plan or program which provides payment for loss of time from Your job due to Your disability, whether such payment is made directly by the plan or program, or through a third party;
 - a self-funded plan, or other arrangement if the Policyholder contributes toward it or makes payroll deductions for it;
 - any sick pay, vacation pay or other salary continuation that the Policyholder pays to You;
 - workers' compensation or a similar law which provides periodic benefits;
 - occupational disease laws;
 - laws providing for maritime maintenance and cure;
 - unemployment insurance law or program.
4. any income that You receive from working while Disabled to the extent that such income reduces the amount of Your Monthly Benefit as described in REHABILITATION INCENTIVES. This includes but is not limited to salary, commissions, overtime pay, bonus or other extra pay arrangements from any source.
5. recovery amounts that You receive for loss of income as a result of claims against a third party by judgement, settlement or otherwise including future earnings.

REDUCING YOUR DISABILITY BENEFIT BY THE ESTIMATED AMOUNT OF YOUR SOCIAL SECURITY BENEFITS

If there is a reasonable basis for You to apply for benefits under the Federal Social Security Act, We expect You to apply for them. To apply for Social Security benefits means to pursue such benefits until You receive approval from the Social Security Administration, or a notice of denial of benefits from an administrative law judge.

We will reduce the amount of Your Disability benefit by the amount of Social Security benefits We estimate that You, Your Spouse or child(ren) are eligible to receive because of Your Disability or retirement. We will start to do this after You have received 24 months of Disability benefit payments, unless We have received:

- approval of Your claim for Social Security benefits; or
- a notice of denial of such benefits indicating that all levels of appeal have been exhausted.

DISABILITY INCOME INSURANCE: LONG TERM BENEFITS INCOME WHICH WILL REDUCE YOUR DISABILITY BENEFIT (continued)

However, within 6 months following the date You became Disabled, You must:

- send Us Proof that You have applied for Social Security benefits;
- sign a reimbursement agreement in which You agree to repay Us for any overpayments We may make to You under this insurance; and
- sign a release that authorizes the Social Security Administration to provide information directly to Us concerning Your Social Security benefits eligibility.

If You do not satisfy the above requirements, We will reduce Your Disability benefits by such estimated Social Security benefits starting with the first Disability benefit payment coincident with the date You were eligible to receive Social Security benefits.

In either case, when You do receive approval or final denial of Your claim for Social Security benefits as described above, You must notify Us immediately. We will adjust the amount of Your Disability benefit. You must promptly repay Us for any overpayment.

SINGLE SUM PAYMENT

If You receive Other Income in the form of a single sum payment, You must, within 10 days after receipt of such payment, give Written Proof satisfactory to Us of:

- the amount of the single sum payment;
- the amount to be attributed to income replacement; and
- the time period for which the payment applies.

When We receive such Proof, We will adjust the amount of Your Disability benefit.

If We do not receive the Written Proof described above, and We know the amount of the single sum payment, We may reduce Your Disability benefit by an amount equal to such benefit until the single sum has been exhausted.

If We adjust the amount of Your Disability benefit due to a single sum payment, the amount of the adjustment will not result in a benefit amount less than the minimum amount, except in the case of an Overpayment.

If You receive Other Income in the form of a single sum payment and We do not receive the Written Proof described above within 10 days after You receive the single sum payment, We will adjust the amount of Your Disability Benefit by the amount of such payment.

DISABILITY INCOME INSURANCE: INCOME WHICH WILL NOT REDUCE YOUR DISABILITY BENEFIT

We will not reduce Your Disability benefit to less than the Minimum Benefit shown in the SCHEDULE OF BENEFITS, or by:

- cost of living adjustments that are paid under any of the above sources of Other Income;
- reasonable attorney fees included in any award or settlement. If the attorney fees are incurred because of Your successful pursuit of Social Security disability benefits, such fees are limited to those approved by the Social Security Administration;
- group credit insurance;
- mortgage disability insurance benefits;
- early retirement benefits that have not been voluntarily taken by You;
- veteran's benefits;
- individual disability income insurance policies;
- benefits received from an accelerated death benefit payment; or
- amounts rolled over to a tax qualified plan unless subsequently received by You while You are receiving benefit payments.

Sample

DISABILITY INCOME INSURANCE: DATE BENEFIT PAYMENTS END

Your Disability benefit payments will end on the earliest of:

- the end of the Maximum Benefit Period;
- the date benefits end as specified in the section entitled LIMITED DISABILITY BENEFITS;
- the date You are no longer Disabled;
- the date You die except for benefits paid under sections entitled ADDITIONAL LONG TERM BENEFIT: SINGLE SUM PAYMENT IN THE EVENT OF YOUR DEATH and ADDITIONAL LONG TERM BENEFIT: BENEFIT(S) IN THE EVENT OF YOUR TERMINAL ILLNESS;
- the date You cease or refuse to participate in a Rehabilitation Program that We require;
- the date You fail to have a medical exam requested by Us as described in the Physical Exams subsection of the GENERAL PROVISIONS section;
- the date You fail to provide required Proof of continuing Disability.

While You are Disabled, the benefits described in this certificate will not be affected if:

- Your insurance ends; or
- the Group Policy is amended to change the plan of benefits for Your class.

DISABILITY INCOME INSURANCE

ADDITIONAL SHORT TERM BENEFIT: ORGAN DONOR

If You become Disabled as a result of an Organ Transplant Procedure while insured, Proof of the Disability must be sent to Us. When We receive such Proof, We will review the claim. If We approve the claim, We will pay the Organ Donor benefit shown below.

If We pay this benefit, You will not have to complete an Elimination Period.

BENEFIT AMOUNT

We will increase Your Weekly Benefit by an additional amount equal to 10% of Your Weekly Benefit. This increase will be applied to the first Weekly Benefit payment and continue while You remain Disabled, up to the Maximum Benefit Period.

Sample

DISABILITY INCOME INSURANCE

ADDITIONAL LONG TERM BENEFIT: SINGLE SUM PAYMENT IN THE EVENT OF YOUR DEATH

If You die while You are Disabled and You were entitled to receive Monthly Benefits under this certificate, Proof of Your death must be sent to Us. When We receive such Proof, We will pay the benefit described in this section.

BENEFIT AMOUNT

The benefit will be equal to 3 times the lesser of:

- the Monthly Benefit You receive for the calendar month immediately preceding Your death;
- the Monthly Benefit You receive for the calendar month immediately preceding Your Terminal Illness if Your Monthly Benefit amount was increased due to Your Terminal Illness; or
- the Monthly Benefit You were entitled to receive for the month You die, if You die during the first month that Disability benefits are payable.

We will reduce the benefit amount by any overpayment We are entitled to recover.

BENEFIT PAYMENT

Benefit payments will be made as described in the GENERAL PROVISIONS subsection entitled Disability Income Benefit Payments: Who We Will Pay.

This benefit will not be paid if You elect to receive a single sum payment under the Single Sum Payment in the Event of Your Terminal Illness subsection of the section entitled ADDITIONAL LONG TERM DISABILITY BENEFIT: BENEFIT(S) IN THE EVENT OF YOUR TERMINAL ILLNESS.

DISABILITY INCOME INSURANCE

ADDITIONAL LONG TERM BENEFIT: BENEFIT(S) IN THE EVENT OF YOUR TERMINAL ILLNESS

If You become Terminally Ill while You are Disabled and You are entitled to receive Monthly Benefits under this certificate, You or Your legal representative must send Proof of Your Terminal Illness to Us. When We receive such Proof, We will pay the benefit(s) described in this section.

Terminally Ill or **Terminal Illness** means for purposes of this and the section(s) entitled: ADDITIONAL LONG TERM BENEFIT: SINGLE SUM PAYMENT IN THE EVENT OF YOUR DEATH that due to injury or Sickness You are expected to die within 12 months.

Proof of Your Terminal Illness

You or Your legal representative must send Us a signed Physician's certification that You are Terminally Ill. We may also request an exam by a Physician of Our choice, at Our expense.

INCREASE IN YOUR MONTHLY BENEFIT

We will increase Your Monthly Benefit amount beginning with the next payment due following receipt of Proof of Your Terminal Illness.

BENEFIT AMOUNT

We will increase Your Monthly Benefit percentage to 100% of Your Pre-disability Earnings for a maximum period of 12 consecutive monthly payments.

SINGLE SUM PAYMENT IN THE EVENT OF YOUR TERMINAL ILLNESS

You may elect to receive the additional benefit described in this subsection. This benefit will be paid in a single sum. We will pay such benefit in addition to any other benefits We pay under this certificate.

BENEFIT AMOUNT

The additional benefit will be equal to 3 times the Monthly Benefit You receive for the calendar month immediately preceding the month You are diagnosed as Terminally Ill.

We will reduce the benefit amount by any overpayment We are entitled to recover.

If You elect to receive the additional benefit described here, no benefit will be paid under the ADDITIONAL LONG TERM BENEFIT: SINGLE SUM PAYMENT IN THE EVENT OF YOUR DEATH section.

DISABILITY INCOME INSURANCE: LONG TERM BENEFITS PRE-EXISTING CONDITIONS

Pre-existing Condition means a Sickness or accidental injury for which You:

- received medical treatment, consultation, care, or services;
- took prescription medication or had medications prescribed; or
- had symptoms or conditions that would cause a reasonably prudent person to seek diagnosis, care or treatment;

in the 3 months before Your insurance under this certificate takes effect.

We will not pay benefits for a Disability that results from a Pre-existing Condition, if You have been Actively at Work for less than 12 consecutive months after the date Your Disability insurance takes effect under this certificate.

Sample

DISABILITY INCOME INSURANCE: LONG TERM BENEFITS LIMITED DISABILITY BENEFITS

For Disability Due to Alcohol, Drug or Substance Abuse or Addiction

If You are Disabled due to alcohol, drug or substance abuse or addiction, We will limit Your Disability benefits to one period of Disability during your lifetime. During Your Disability, We require You to participate in an alcohol, drug or substance abuse or addiction recovery program recommended by a Physician.

We will end Disability benefit payments at the earliest of:

- the date You receive 24 months of Disability benefit payments;
- the date You cease or refuse to participate in the recovery program referred to above; or
- the date You complete such recovery program.

For Disability Due to Mental or Nervous Disorders or Diseases, Neuromuscular, Musculoskeletal or Soft Tissue Disorder, Chronic Fatigue Syndrome and related conditions

If You are Disabled due to one or more of the following, We will limit Your Disability benefits to a lifetime maximum equal to the lesser of:

- 24 months; or
- the Maximum Benefit Period.

Your Disability benefits will be limited as stated above for:

1. a Mental or Nervous Disorder or Disease except for:
 - schizophrenia;
 - dementia; or
 - organic brain disease;
2. Neuromuscular, musculoskeletal or soft tissue disorder including, but not limited to, any disease or disorder of the spine or extremities and their surrounding soft tissue; including sprains and strains of joints and adjacent muscles, unless the Disability has objective evidence of:
 - Seropositive Arthritis;
 - Spinal Tumors, malignancy or Vascular Malformations;
 - Radiculopathies;
 - Myelopathies;
 - Traumatic Spinal Cord Necrosis; or
 - Myopathies; or
3. Chronic fatigue syndrome and related conditions.

Mental or Nervous Disorder or Disease means a medical condition which meets the diagnostic criteria set forth in the most recent edition of the Diagnostic And Statistical Manual Of Mental Disorders as of the date of Your Disability. A condition may be classified as a Mental or Nervous Disorder or Disease regardless of its cause.

Seropositive Arthritis means an inflammatory disease of the joints supported by clinical findings of arthritis plus positive serological tests for connective tissue disease.

Spinal means components of the bony spine or spinal cord.

Tumor(s) means abnormal growths which may be malignant or benign.

DISABILITY INCOME INSURANCE: LONG TERM BENEFITS LIMITED DISABILITY BENEFITS (continued)

Vascular Malformations means abnormal development of blood vessels.

Radiculopathies means disease of the peripheral nerve roots supported by objective clinical findings of nerve pathology.

Myelopathies means disease of the spinal cord supported by objective clinical findings of spinal cord pathology.

Traumatic Spinal Cord Necrosis means injury or disease of the spinal cord resulting from traumatic injury with resultant paralysis.

Myopathies means disease of skeletal muscle supported by clinical, histological, biochemical and/or electrodiagnostic findings.

Sample

DISABILITY INCOME INSURANCE: SHORT TERM BENEFITS LIMITED DISABILITY BENEFITS

For Occupational Disabilities

We will not pay benefits for any Disability:

- which happens in the course of any work performed by You for wage or profit; or
- for which You are eligible to receive under workers' compensation or a similar law.

Sample

DISABILITY INCOME INSURANCE: EXCLUSIONS

We will not pay for any Disability caused or contributed to by:

1. war, whether declared or undeclared, or act of war, insurrection, rebellion or terrorist act;
2. Your active participation in a riot;
3. intentionally self-inflicted injury;
4. attempted suicide; or
5. commission of or attempt to commit a felony.

We will not pay Short Term Benefits for any Disability caused or contributed to by elective treatment or procedures, such as:

1. cosmetic surgery or treatment primarily to change appearance;
2. sex-change surgery;
3. reversal of sterilization;
4. liposuction;
5. visual correction surgery; and
6. in vitro fertilization; embryo transfer procedure; or artificial insemination.

However, pregnancies and complications from any of these procedures will be treated as a Sickness

FILING A CLAIM

The Policyholder should have a supply of claim forms. Obtain a claim form from the Policyholder and fill it out carefully. Return the completed claim form with the required Proof to the Policyholder. The Policyholder will certify Your insurance under the Group Policy and send the certified claim form and Proof to Us.

When We receive the claim form and Proof, We will review the claim and, if We approve it, We will pay benefits subject to the terms and provisions of this certificate and the Group Policy.

CLAIMS FOR INSURANCE BENEFITS

When a claimant files an initial claim for Disability Income Insurance benefits described in this certificate, both the notice of claim and the required Proof should be sent to Us within 90 days of the date of a loss.

Notice of claim and Proof may also be given to Us by following the steps set forth below:

Step 1

A claimant may give Us notice by calling Us at the toll free number shown in the Certificate Face Page within 20 days of the date of a loss.

Step 2

We will send a claim form to the claimant and explain how to complete it. The claimant should receive the claim form within 15 days of giving Us notice of claim.

Step 3

When the claimant receives the claim form, the claimant should fill it out as instructed and return it with the required Proof described in the claim form.

If the claimant does not receive a claim form within 15 days after giving Us notice of claim, Proof may be sent using any form sufficient to provide Us with the required Proof.

Step 4

The claimant must give Us Proof not later than 90 days after the date of the loss.

If notice of claim or Proof is not given within the time limits described in this section, the delay will not cause a claim to be denied or reduced if such notice and Proof are given as soon as is reasonably possible.

Items to be Submitted for a Disability Income Insurance Claim

When submitting Proof on an initial or continuing claim for Disability Income insurance, the following items may be required:

- documentation which must include, but is not limited to, the following information:
 - the date Your Disability started;
 - the cause of Your Disability;
 - the prognosis of Your Disability;
 - the continuity of Your Disability; and
- Your application for:
 - Other Income;
 - Social Security disability benefits; and
 - Workers compensation benefits or benefits under a similar law.

FILING A CLAIM (continued)

- Written authorization for Us to obtain and release medical, employment and financial information and any other items We may reasonably require to document Your Disability or to determine Your receipt of or eligibility for Other Income;
- any and all medical information, including but not limited to:
 - x-ray films; and
 - photocopies of medical records, including:
 - histories,
 - physical, mental or diagnostic examinations; and
 - treatment notes; and
- the names and addresses of all:
 - physicians and medical practitioners who have provided You with diagnosis, treatment or consultation;
 - hospitals or other medical facilities which have provided You with diagnosis, treatment or consultation; and
 - pharmacies which have filled Your prescriptions within the past three years

Time Limit on Legal Actions Disability Income Insurance. A legal action on a claim may only be brought against Us during a certain period. This period begins 60 days after the date Proof is filed and ends 3 years after the date such Proof is required.

GENERAL PROVISIONS

Assignment

The rights and benefits under the Group Policy are not assignable prior to a claim for benefits, except as required by law. We are not responsible for the validity of an assignment.

Disability Income Benefit Payments: Who We Will Pay

We will make any benefit payments during Your lifetime to You or Your legal representative. Any payment made in good faith will discharge Us from liability to the extent of such payment.

Upon Your death, We will pay any amount that is or becomes due to Your designated Beneficiary. If there is no Beneficiary designated or no surviving Beneficiary at Your death, We will pay any benefit that is or becomes due, according to the following order:

1. Your Spouse, if alive;
2. Your unmarried child(ren) under age 25; if there is no surviving Spouse; or
3. Your estate, if there is no such surviving child.

If more than one person is eligible to receive payment, We will divide the benefit amount in equal shares.

Payment to a minor or incompetent will be made to such person's guardian. The term "children" or "child" includes natural and adopted children.

Any periodic payments owed to Your estate may be paid in a single sum. Any payment made in good faith will discharge Us from liability to the extent of such payment.

Entire Contract

Your insurance is provided under a contract of group insurance with the Policyholder. The entire contract with the Policyholder is made up of the following:

1. the Group Policy and its Exhibits, which include the certificate(s);
2. the Policyholder's application; and
3. any amendments and/or endorsements to the Group Policy.

Incontestability: Statements Made by You

Any statement made by You will be considered a representation and not a warranty. We will not use such statement to avoid insurance, reduce benefits or defend a claim unless the following requirements are met:

1. the statement is in a Written application or enrollment form;
2. You have Signed the application or enrollment form; and
3. a copy of the application or enrollment form has been given to You or Your Beneficiary.

We will not use Your statements which relate to insurability to contest Disability Insurance after it has been in force for 2 years during Your life, unless the statement is fraudulent. In addition, We will not use such statements to contest an increase or benefit addition to such insurance after the increase or benefit has been in force for 2 years during Your life, unless the statement is fraudulent.

Misstatement of Age

If Your age is misstated, the correct age will be used to determine if insurance is in effect and, as appropriate, We will adjust the benefits and/or premiums.

GENERAL PROVISIONS (continued)

Conformity with Law

If the terms and provisions of this certificate do not conform to any applicable law, this certificate shall be interpreted to so conform.

Physical Exams

If a claim is submitted for insurance benefits, We have the right to ask the insured to be examined by a Physician(s) of Our choice as often as is reasonably necessary to process the claim. We will pay the cost of such exam.

Autopsy

We have the right to make a reasonable request for an autopsy where permitted by law. Any such request will set forth the reasons We are requesting the autopsy.

Overpayments for Disability Income Insurance

Recovery of Overpayments

We have the right to recover any amount that We determine to be an overpayment.

An overpayment occurs if We determine that:

- the total amount paid by Us on Your claim is more than the total of the benefits due to You under this certificate; or
- payment We made should have been made by another group plan.

If such overpayment occurs, You have an obligation to reimburse Us. Our rights and Your obligations in this regard are described in the reimbursement agreement that You are required to sign when You submit a claim for benefits under this certificate. This agreement:

- confirms that You will reimburse Us for all overpayments; and
- authorizes Us to obtain any information relating to sources of Other Income.

How We Recover Overpayments

We may recover the overpayment from You by:

- stopping or reducing any future Disability benefits, including the Minimum Benefit, payable to You or any other payee under the Disability sections of this certificate;
- demanding an immediate refund of the overpayment from You; and
- taking legal action.

If the overpayment results from Our having made a payment to You that should have been made under another group plan, We may recover such overpayment from one or more of the following:

- any other insurance company;
- any other organization; or
- any person to or for whom payment was made.

**THIS IS THE END OF THE CERTIFICATE.
THE FOLLOWING IS ADDITIONAL INFORMATION.**

Sample

SPECIAL SERVICES

Social Security Assistance Program

If your claim for Disability benefits under this plan is approved, MetLife provides you with assistance in applying for Social Security disability benefits. Before outlining the details of this assistance, you should understand why applying for Social Security disability benefits is important.

Why You Should Apply For Social Security Disability Benefits

Both you and your employer contribute payroll taxes to Social Security. A portion of those tax dollars are used to finance Social Security's program of disability protection. Since your tax dollars help fund this program, it is in your best interest to apply for any benefits to which you may be entitled. Your spouse and children may also be eligible to receive Social Security disability benefits due to your Disability.

There are several reasons why it may be to your financial advantage to receive Social Security disability benefits. Some of them are:

1. Avoids Reduced Retirement Benefits

Should you become disabled and approved for Social Security disability benefits, Social Security will freeze your earnings record as of the date Social Security determines that your disability has begun. This means that the months/years that you are unable to work because of your disability will not be counted against you in figuring your average earnings for retirement and survivors benefit.

2. Medicare Protection

Once you have received 24 months of Social Security disability benefits, you will have Medicare protection for hospital expenses. You will also be eligible to apply for the medical insurance portion of Medicare.

3. Trial Work Period

Social Security provides a trial work period for the rehabilitation efforts of disabled workers who return to work while still disabled. Full benefit checks can continue for up to 9 months during the trial work period.

4. Cost-of-Living Increases Awarded by Social Security Will Not Reduce Your Disability Benefits

MetLife will not decrease your Disability benefit by the periodic cost-of-living increases awarded by Social Security. This is also true for any cost-of-living increases awarded by Social Security to your spouse and children.

This is called a Social Security "freeze." It means that only the Social Security benefit awarded to you and your dependents will be used by MetLife to reduce your Disability benefit; with the following exceptions:

- a) an error by Social Security in computing the initial amount;
- b) a change in dependent status; or
- c) your Employer submitting updated earnings records to Social Security for earnings received prior to your Disability.

Over a period of years, the net effect of these cost-of-living increases can be substantial.

SPECIAL SERVICES

How MetLife Assists You in the Social Security Approval Process

As soon as you are approved for Disability benefits, MetLife begins assisting you with the Social Security approval process.

1. Assistance Throughout the Application Process

MetLife has a dedicated team of Social Security Specialists. These Specialists, many of whom have worked for the Social Security Administration, are also located within our Claim Department. They provide expert assistance up front, offer support while you are completing the Social Security forms, and help guide you through the application process.

2. Guidance Through Appeal Process by Social Security Specialists

Social Security disability benefits may be initially denied, but are often approved following an appeal. If your benefits are denied, our dedicated team of Social Security Specialists provides expert assistance on an appeal if your situation warrants continuing the appeal process. They guide you through each stage of the appeal process. These stages may include:

- a) Reconsideration by the Social Security Administration
- b) Hearing before an Administrative Law Judge
- c) Review by an Appeals Council established within the Social Security Administration in Washington, D.C.
- d) A civil suit in Federal Court

3. Social Security Attorneys

Depending on your individual needs, MetLife may provide a referral to an attorney who specializes in Social Security law. The Social Security approved attorney's fee is credited to the Long Term Disability overpayment, which results upon your receipt of the retroactive Social Security benefits. The attorney's fee, which is capped by Social Security law, will be deducted from the lump sum Social Security Disability benefits award and will not be used to further reduce your Long Term Disability benefit.

Early Intervention Program

The MetLife Early Intervention Program is offered to all covered employees, and your participation is voluntary*. The program helps identify early those employees who might benefit from vocational analyses and rehabilitation services before they are eligible for Long Term Disability benefits. Early rehabilitation efforts are more likely to reduce the length of your Long Term Disability and help you return to work sooner than expected.

If you cannot work, or can only work part-time due to a disability, your employer will notify MetLife. Our Clinical Specialists may be able to assist you by:

1. Reviewing and evaluating your disabling condition, even before a claim for Long Term Disability benefits is submitted (with your consent);
2. Designing individualized return to work plans that focus on your abilities, with the goal of return to work;
3. Identifying local community resources;
4. Coordinating services with other benefit providers, including: medical carrier, short term disability carrier,* workers' compensation carrier, and state disability plans;
5. Monitoring return to work plans in progress and modifying them as recommended by the attending physician (with your consent).

Our assistance is offered at no cost to either you or your employer.

SPECIAL SERVICES

* If you also have MetLife Short Term Disability coverage or Salary Continuance Plan Management, these services are provided automatically. Notification by your employer is not necessary.

Return To Work Program

Goal of Rehabilitation

The goal of MetLife is to focus on employees' abilities, instead of disabilities. This "abilities" philosophy is the foundation of our Return to Work Program. By focusing on what employees can do versus what they can't, we can assist you in returning to work sooner than expected.

Incentives For Returning To Work

Your Disability plan is designed to provide clear advantages and financial incentives for returning to work either full-time or part-time, while still receiving a Disability benefit. In addition to financial incentives, there may be personal benefits resulting from returning to work. Many employees experience higher self-esteem and the personal satisfaction of being self-sufficient and productive once again. If it is determined that you are capable, but you do not participate in the Return to Work Program, your Disability benefits may cease.

Return-to-Work Services

As a covered employee you are automatically eligible to participate in our Return-to-Work Program. The program aims to identify the necessary training and therapy that can help you return to work. In many cases, this means helping you return to your former occupation, although rehabilitation can also lead to a new occupation which is better suited to your condition and makes the most of your abilities. There is no additional cost to you for the services we provide, and they are tailored to meet your individual needs. These services include, but are not limited to, the following:

1. Vocational Analyses

Assessment and counseling to help determine how your skills and abilities can be applied to a new or a modified job with your employer.

2. Labor Market Surveys

Studies to find jobs available in your locale that would utilize your abilities and skills. Also identify one's earning potential for a specific occupation.

3. Retraining Programs

Programs to facilitate return to your previous job, or to train you for a new job.

4. Job Modifications/Accommodations

Analyses of job demands and functions to determine what modifications may be made to maximize your employment opportunities.

This also includes changes in your job or accommodations to help you perform the previous job or a similar vocation, as required of your employer under the Americans With Disabilities Act (ADA).

5. Job Seeking Skills and Job Placement Assistance

Special training to identify abilities, set goals, develop resumes, polish interviewing techniques, and provide other career search assistance.

SPECIAL SERVICES

Return-to-Work Program Staff

The Case Manager handling your claim will coordinate return-to-work services. You may be referred to a clinical specialist, such as a Nurse Consultant, Psychiatric Clinical Specialist, or Vocational Rehabilitation Consultant, who has advanced training and education to help people with disabilities return to work. One of our clinical specialists will work with you directly, as well as with local support services and resources. They have returned hundreds of individuals to meaningful, gainful employment.

Rehabilitation Vendor Specialists

In many situations, the services of independent vocational rehabilitation specialists may be utilized. Services are obtained at no additional cost to you; MetLife pays for all vendor services. Selecting a rehabilitation vendor is based on:

1. attending physician's evaluation and recommendations;
2. your individual vocational needs; and
3. vendor's credentials, specialty, reputation and experience.

When working with vendors, we continue to collaborate with you and your doctor to develop an appropriate return-to-work plan.

Sample

THE FOLLOWING IS ADDITIONAL INFORMATION.

Sample

ERISA INFORMATION

NAME AND ADDRESS OF EMPLOYER AND PLAN ADMINISTRATOR

Sample Group
123 Main Street
Anytown, OH 12345

EMPLOYER IDENTIFICATION NUMBER: 00-0000000

PLAN NUMBER	COVERAGE	PLAN NAME
503	All Coverages	Sample Group Welfare Benefit Plan

TYPE OF ADMINISTRATION

The above listed benefits are insured by Metropolitan Life Insurance Company ("MetLife").

MetLife is liable for any benefits under the Plan. The group policy specifies the time when and the circumstances under which MetLife is liable for Disability Income Insurance, Long Term Benefits and Short Term Benefits.

AGENT FOR SERVICE OF LEGAL PROCESS

For disputes arising under the Plan, service of legal process may be made upon the Plan administrator at the above address. For disputes seeking payment of benefits, service of legal process may be made upon MetLife by serving MetLife's designated agent to accept service of process.

ELIGIBILITY FOR INSURANCE; DESCRIPTION OR SUMMARY OF BENEFITS

Your MetLife certificate describes the eligibility requirements for insurance provided by MetLife under the Plan. It also includes a detailed description of the insurance provided by MetLife under the Plan.

PLAN TERMINATION OR CHANGES

The group policy sets forth those situations in which the Employer and/or MetLife have the rights to end the policy.

The Employer reserves the right to change or terminate the Plan at any time. Therefore, there is no guarantee that you will be eligible for the insurance described herein for the duration of your employment. Any such action will be taken only after careful consideration.

Your consent or the consent of your beneficiary is not required to terminate, modify, amend, or change the Plan.

In the event Your insurance ends in accordance with the DATE YOUR INSURANCE ENDS subsection of Your certificate, you may still be eligible to receive benefits. The circumstances under which benefits are available are described in Your MetLife certificate.

CONTRIBUTIONS

No contribution is required for Disability Income Insurance: Short Term Benefits.

You must make a contribution to the cost of Disability Income Insurance: Long Term Benefits.

The total premium rate for insurance provided under the Plan by MetLife is set by MetLife.

PLAN YEAR

The Plan's fiscal records are kept on a Plan year basis beginning each January 1st and ending on the following December 31st.

Qualified Domestic Relations Orders/Qualified Medical Child Support Orders

You and your beneficiaries can obtain, without charge, from the Plan Administrator a copy of any procedures governing Qualified Domestic Relations Orders (QDRO) and Qualified Medical Child Support Orders (QMCSO).

CLAIMS INFORMATION

Disability Benefits Claims

Routine Questions

If there is any question about a claim payment, an explanation may be requested from the Employer who is usually able to provide the necessary information.

Claim Submission

For claims for disability benefits, the claimant must report the claim to MetLife and, if requested, complete the appropriate claim form. The claimant must also submit the required proof as described in the "Filing A Claim" section of the certificate.

Claim forms requested by MetLife must be submitted in accordance with the instructions on the claim form.

Initial Determination

After you submit a claim for disability benefits to MetLife, MetLife will review your claim and notify you of its decision to approve or deny your claim.

Such notification will be provided to you within a reasonable period, not to exceed 45 days from the date you submitted your claim; except for situations requiring an extension of time because of matters beyond the control of the Plan, in which case MetLife may have up to two (2) additional extensions of 30 days each to provide you such notification. If MetLife needs an extension, it will notify you prior to the expiration of the initial 45 day period (or prior to the expiration of the first 30 day extension period if a second 30 day extension period is needed), state the reason why the extension is needed, and state when it will make its determination. If an extension is needed because you did not provide sufficient information or filed an incomplete claim, the time from the date of MetLife's notice requesting further information and an extension until MetLife receives the requested information does not count toward the time period MetLife is allowed to notify you as to its claim decision. You will have 45 days to provide the requested information from the date you receive the extension notice requesting further information from MetLife.

If MetLife denies your claim in whole or in part, the notification of the claims decision will state the reason why your claim was denied and reference the specific Plan provision(s) on which the denial is based. If the claim is denied because MetLife did not receive sufficient information, the claims decision will describe the additional information needed and explain why such information is needed. Further, if an internal rule, protocol, guideline or other criteria was relied upon in making the denial, the claims decision will state the rule, protocol, guideline or other criteria or indicate that such rule, protocol, guideline or other criteria was relied upon and that you may request a copy free of charge.

Appealing the Initial Determination

If MetLife denies your claim, you may appeal the decision. Upon your written request, MetLife will provide you free of charge with copies of documents, records and other information relevant to your claim. You must submit your appeal to MetLife at the address indicated on the claim form within 180 days of receiving MetLife's decision. Appeals must be in writing and must include at least the following information:

- Name of Employee
- Name of the Plan
- Reference to the initial decision
- An explanation why you are appealing the initial determination

As part of your appeal, you may submit any written comments, documents, records, or other information relating to your claim.

After MetLife receives your written request appealing the initial determination, MetLife will conduct a full and fair review of your claim. Deference will not be given to the initial denial, and MetLife's review will look at the claim anew. The review on appeal will take into account all comments, documents, records, and other information that you submit relating to your claim without regard to whether such information was submitted or considered in the initial determination. The person who will review your appeal will not be the same person as the person who made the initial decision to deny your claim. In addition, the person who is reviewing the appeal will not be a subordinate of the person who made the initial decision to deny your claim. If the initial denial is based in whole or in part on a medical judgment, MetLife will consult with a health care professional with appropriate training and experience in the field of medicine involved in the medical judgment. This health care professional will not have consulted on the initial determination, and will not be a subordinate of any person who was consulted on the initial determination.

MetLife will notify you in writing of its final decision within a reasonable period of time, but no later than 45 days after MetLife's receipt of your written request for review, except that under special circumstances MetLife may have up to an additional 45 days to provide written notification of the final decision. If such an extension is required, MetLife will notify you prior to the expiration of the initial 45 day period, state the reason(s) why such an extension is needed, and state when it will make its determination. If an extension is needed because you did not provide sufficient information, the time period from MetLife's notice to you of the need for an extension to when MetLife receives the requested information does not count toward the time MetLife is allowed to notify you of its final decision. You will have 45 days to provide the requested information from the date you receive the notice from MetLife.

If MetLife denies the claim on appeal, MetLife will send you a final written decision that states the reason(s) why the claim you appealed is being denied and references any specific Plan provision(s) on which the denial is based. If an internal rule, protocol, guideline or other criteria was relied upon in denying the claim on appeal, the final written decision will state the rule, protocol, guideline or other criteria or indicate that such rule, protocol, guideline or other criteria was relied upon and that you may request a copy free of charge. Upon written request, MetLife will provide you free of charge with copies of documents, records and other information relevant to your claim.

Discretionary Authority of Plan Administrator and Other Plan Fiduciaries

In carrying out their respective responsibilities under the Plan, the Plan administrator and other Plan fiduciaries shall have discretionary authority to interpret the terms of the Plan and to determine eligibility for and entitlement to Plan benefits in accordance with the terms of the Plan. Any interpretation or determination made pursuant to such discretionary authority shall be given full force and effect, unless it can be shown that the interpretation or determination was arbitrary and capricious.

STATEMENT OF ERISA RIGHTS

The following statement is required by federal law and regulation.

As a participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all participants shall be entitled to:

Receive Information About Your Plan and Benefits

Examine, without charge, at the Plan administrator's office and at other specified locations, all Plan documents, including insurance contracts and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts and copies of the latest annual report (Form 5500 Series) and updated summary plan descriptions. The administrator may make a reasonable charge for the copies.

Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries.

No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan administrator to provide the materials and pay you up to \$100 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court.

In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in a Federal court.

If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court.

The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees.

If you lose, the court may order you to pay these costs and fees; for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about your Plan, you should contact the Plan administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

FUTURE OF THE PLAN

It is hoped that the Plan will be continued indefinitely, but Sample Group reserves the right to change or terminate the Plan in the future. Any such action would be taken only after careful consideration.

The Board of Directors of Sample Group shall be empowered to amend or terminate the Plan or any benefit under the Plan at any time.

Sample

Group, Voluntary & Worksite Benefits

Metropolitan Life Insurance Company
200 Park Avenue
New York, NY 10166

Statement of Responsibility

MetLife will be responsible to the group policyholder for the performance of its administrative obligations under the group policy(ies), this agreement and any other written agreement between MetLife and the group policyholder. If MetLife uses a third party in connection with any of MetLife's administrative obligations, MetLife will remain responsible to the group policyholder for the performance by the third party of those administrative obligations. The third party will work under the control and direction of MetLife and MetLife will be solely responsible for the acts, errors and omissions of the third party.

The group policyholder will be responsible to MetLife for the performance of its administrative obligations under the group policy(ies), this agreement and any other written agreement between MetLife and the group policyholder. If the group policyholder uses a third party in connection with any of the group policyholder's administrative obligations, the group policyholder will remain responsible to MetLife for the performance by the third party of those administrative obligations. The third party will work under the control and the direction of the group policyholder and the group policyholder will be solely responsible for the acts, errors and omissions of the third party.

To be completed by Policyholder:

_____	_____
(Print Name and Title of Authorized Representative)	(Group Policyholder Name)
_____	_____
(Signature)	Date (MM/DD/YYYY)
Signed at:	
_____	_____
(City)	(State)

To be completed by Metropolitan Life Insurance Company:

	_____
Paul Piechnik Senior Vice President Group Benefits	Date (MM/DD/YYYY)

Premium Remittance and Billing Procedures

We are offering this quote assuming that your program will be self-billed. Our self-administered billing process requires that you provide the number of lives, volume of insurance (if applicable) and premiums to us on a monthly basis.

At the end of each plan year, we generate financial reports and perform a year-end reconciliation. Any required fee adjustments are made as soon as possible following the end of the plan year.

Premium remittance specifics will vary from customer-to-customer.

You have the option of recording monthly premium on a paper billing statement or via our employer website, MetLink.

Paper Billing Statement

If you select to receive a paper billing statement, you will send your payment to our bank lockbox. When your check or wire payment are received, the details are recorded into the bank's imaging system. We then receive the details electronically through our accounting system. For EFT payments, we provide the bank with an electronic file on the 20th of each month requesting that funds be withdrawn the following month on the 1st or 5th.

Internet Billing Statement

If you select to bill electronically via our employer website, MetLink, you will receive an email reminder to update eligibility 72 hours prior to the generation of your next bill. Once generated, you can access MetLink to view your generated bills. We accept premium payments via check, wire or EFT. Our Web technology presents data within a controlled environment. We record premium accounting history by accounting date, invoice date and customer report date.

Please note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

RFP 5953 Z1

Enrollment and Communications Plan

for the State of Nebraska

L1118509846[exp1218][All States][DC, GU, MP, PR, VI]
Metropolitan Life Insurance Company, New York, NY 10166 © 2017 METLIFE, INC.



Driving employee benefit engagement and enrollment

Our approach to optimize your benefit program.



Communicate & Educate

Our goal is to work with you to develop and execute a communication plan that will educate your employees about the benefits being offered to them.

Maximize Participation

We will leverage proven communication best practices to generate awareness and maximize participation.

A Customized Approach

We will work closely with you on a smooth and customized communications program.

Tailoring the right employee communications strategy



Assess

We will utilize marketing tools, standards and best practices to assess your industry and analyze your employee demographics to determine the best enrollment and communication tactics for the State of Nebraska.



Build

We will work closely with you to create a customer-specific strategy that utilizes the right combination of communication tactics and channels that best meet the needs of the State of Nebraska.



Execute

We will seamlessly carry out the communication strategy goals and objectives while meeting and monitoring all key milestones.



Analyze

After the campaign, we will evaluate communication tactics and participation results to determine the success rate of the communication campaign.



Enhance

We will work closely with the State of Nebraska to evaluate and make recommendations for future campaigns based on findings to ensure we are continually providing your employees with a streamlined, simplified and effective enrollment experience.

A three phased approach to increase employee awareness and enrollment



Announcement

- Educates employees on the importance of having coverage.
- Provides details on the features and services of your plan and upcoming enrollment opportunity

Enrollment

- Announces opportunity to enroll for coverage.
- Provides details on the plan, such as how much coverage and services are available to employees.
- Directly links employee to enrollment site and/or plan details.

Reminder

- Reminds employees that the enrollment period is ending soon and to take action now.
- Reiterates the coverage available and how to enroll.

Partnering with you to build a successful campaign

Your MetLife Team will work closely with you to execute communication campaign for you.



Your MetLife Team

- Develops and customizes employee enrollment communications
- Coordinates and executes employee campaign for you
- Tracks and records campaign results

All we need from you

- Participate in a kick-off call to review communications
- Approve customized communication materials
- Provide eligibility file with all necessary data for successful campaign
- Promote the enrollment with various educational/awareness materials provided to you

Disability Insurance

Long Term Disability communications

Supplemental Material

Infographic

Facts & Stats: Disability

MetLife

Just over 5 in 8 of today's 20-year-olds will become disabled before reaching Age 65.¹ Whether it's a planned event, or an unexpected problem like an illness or car accident, a disability can deprive you of your ability to earn an income.

KNOW THE FACTS

65% of working Americans say they could not cover normal living expenses even for a year if their employment income was lost.²

If you lost your ability to earn income, how would you pay for the basic necessities of life?

Your list of options for obtaining money might be limited to:

- Borrow money from friends or family
- Use savings, credit cards or home equity
- Sell property or investment assets
- Move from your home to reduce expenses

DISCOUNTED MONTHLY RATES ON SALARY PROTECTION

The good news is you may be able to avoid the scenarios above, with the help of disability insurance.

(ABC Company) recognizes the need for their employees to protect the ability to earn an income. As part of your benefits plan, MetLife is offering you the opportunity to enroll for Disability coverage during your open enrollment period.

All full-time (or part-time) employees actively working at least 40 hours per week are eligible for enrollment in the Disability plan(s).

With competitive employee rates, you can get disability coverage for monthly rates **LESS THAN THE COST OF...**

Monthly cell phone bill

What you need to know about Disability coverage:

- Replaces a portion of your income when you are unable to work due to illness, pregnancy or accidental injury.
- Benefit payments are made directly to you and you decide how to spend the money.
- Helps you cover your essential living expenses, like household bills, groceries and your mortgage.
- Helps provide sources of relief for you and your family.

Enrollment period: [DATE - DATE]

To learn more and enroll, visit [www.website.com] or call [1 800 GET MET 8]

Video

Disability Insurance

MetLife

Fact:
The odds of a worker becoming disabled for five years or more during their working career:
1 in 8

Plan Summary

Sample Company Disability Plan Benefits

Original Plan Effective Date: MMDDYYYY
Amendment Effective Date: MMDDYYYY
Date Prepared: MMDDYYYY

Explore the coverage that helps you protect your income and your lifestyle.

What is Long Term Disability Insurance?
Long Term Disability (LTD) insurance helps replace a portion of your income for an extended period of time.

Eligibility Requirements
Long Term Disability:
All (Active Full-Time Employees) working at least 30 hours per week are eligible to participate.

How is "Disability" defined under your Plan?
Generally, you are considered fully disabled and eligible for long term benefits if because of a sickness or an injury, you cannot do your job.

For a complete description of this and other requirements that must be met, refer to the Certificate of Insurance/ Summary Plan Description provided by your Employer or contact your MetLife benefits administrator with any questions.

Generally, you are considered totally disabled and eligible for long term benefits if, because of a sickness or an injury:

- you cannot do your job and
- you cannot do any other job for which you are fit by your education, your training or your experience.

For a complete description of this and other requirements that must be met, refer to the Certificate of Insurance/ Summary Plan Description provided by your Employer or contact your MetLife benefits administrator with any questions.

Generally, you are considered disabled and eligible for long term benefits if, due to an injury or sickness, you require the regular care and attention of a doctor and:

- you are unable to perform each of the essential duties of your regular job and
- after the first 24 months of benefit payments, you meet or exceed in profession each of the essential duties of any graded work or service for which you are reasonably qualified based on your training, education, experience and past earnings; or
- you are unable to perform all of the material duties of your regular job on a full-time basis, and:
 - performing at least one of the material duties of your regular job or any other gainful work or service on a part-time or full-time basis; and
 - earning capacity at least 20% less per month than your basic security earnings due to this same injury or sickness.

For a complete description of this and other requirements that must be met, refer to the Certificate of Insurance/ Summary Plan Description provided by your Employer or contact your MetLife benefits administrator with any questions.

MetLife

Long Term Disability communications

Supplemental Material

FAQ

Frequently Asked Questions Long Term Disability Insurance

What is long term disability insurance?

If an unforeseen injury or illness prevents you from working, you may lose your income. Long term disability insurance can help replace your income if you are unable to work due to an illness or injury. Accidents and illness can happen to anyone, and it can impact your ability to earn money. That's why MetLife experts recommend long term disability insurance as part of a sound financial plan.

Q. Why is having long term disability insurance so important?

A. Having long term disability protection helps you cover your essential living expenses and help maintain your quality of life. It replaces your lost income for an extended period of time.

Q. What are the essential living expenses that I should be most concerned about?

A. Consider any expenses you may incur in the running of your household, including payments for your mortgage, groceries, child care, tuition and more. There's no off-switch to be covered in the event of a disability.

Q. How do disability payments work?

A. Payments will be made directly to you — not your employer, financial institution or insurance company. The amount of the payment is based on the amount of coverage you choose.

Q. How much does long term disability insurance cost?

A. Disability insurance is more affordable than you may think. For example, a healthy 40-year-old may get a \$1,200 monthly benefit for an annual premium of about \$25 a month.* Rates for your plan(s) can be found in the contract, available through your employer.

Q. How do I pay for my long term disability insurance?

A. Premiums will be automatically paid through payroll deduction, or you can make biweekly or monthly check-deduction payments.

Q. What happens when I want to file a claim?

A. MetLife offers various ways to submit your claim, including online, by phone, or in person. Plus, you can create a claim of your claim or use the MetLife US App. Search "MetLife" on the App Store or Google Play to download the app.

As one of the nation's leading providers of disability benefits,* you can count on MetLife to provide you with caring, compassionate and accurate claims service, 7 and when you experience a disability.

Q. What if I choose not to have long term disability insurance?

A. Disability is a pain to deal with, and it can be a financial burden. A good financial plan helps you protect your income. Without long term disability, you may need to use your savings or tap into other assets to cover your essential living expenses while you recover from a disability or illness.

Q. When can I enroll?

A. It's best to enroll during your open enrollment period when medical exams may not be required and health questions may not be asked. The sooner you enroll, the sooner you'll enjoy the added peace of mind that disability coverage provides.

Have other questions? Please call MetLife directly at 1-800-GET-METLIFE (1-800-436-6363) and talk with a benefits consultant.

MetLife Navigating life together

Overview

Overview Long Term Disability Insurance

Why is having long term disability insurance important?

The loss of income over an extended period of time due to a disability could be financially devastating to you and your family.

While it may sound expensive, having disability insurance as part of your overall financial plan can help protect your income and your ability to pay for long term disability insurance.

- Just over 1 in 4 of today's 20-year-olds will become disabled before turning age 67.*
- 1 in 6 workers will be disabled by 5 years or more during their working careers.*
- 60% of disabled workers do not have insurance.*
- More than half of employees surveyed (58%) reported being very concerned about the ability to pay bills during another income loss.*

One of your most valuable assets is your ability to earn an income. Guard it with long term disability insurance.

What's more, given the total number of what qualifies as a disability, you may not be able to count on federal help.

Chances are you may not be able to count on Social Security Disability Insurance (SSDI) to help you. Approximately 67% of total SSDI claims are denied.* Social Security benefits are not available if you are expected to be disabled for less than a year.*

Having long term disability insurance can help you cover essential living expenses, protect your savings, your home and other assets, and help you avoid having to borrow money from friends or family.

How can having MetLife Long Term Disability Insurance benefit you?

Long term disability insurance can replace a portion of your income should you become unable to work and even a paycheck for an extended period of time due to an illness or injury.

This plan can help protect you and your family from the impact of your lost income by replacing a portion of it during an extended disability.

Please be sure to review the Plan Summary for complete details about your company's long term disability plan from MetLife. You'll find information about your plan's benefit amounts, rates, terms and conditions.

As one of the nation's leading providers of various disability benefits,* you can count on MetLife to provide you with caring, compassionate and accurate claims service, 7 and when you experience a long term disability.

Enroll today!
For questions, please call MetLife at (1-800-GET-METLIFE) (1-800-436-6363)

Why should I enroll now?

- Improve your financial security
- Enroll now if you may have to wait another year to get disability insurance

MetLife Navigating life together

Presentation

Why is disability income insurance so important?

Replaces a portion of your income lost due to sickness, pregnancy or accidental injury

Helps you to cover your essential living expenses, if you are sick or hurt and cannot work

Options are limited without disability coverage

- ▶ Borrow money from family or friends
- ▶ Sell property or investment assets
- ▶ Use savings, credit cards or home equity
- ▶ Slow down your habits to reduce expenses
- ▶ Social Security Disability benefits, but only if strict eligibility requirements are met

MetLife

Life Events Communication Campaign

Life Events campaign

Communicate special benefit enrollment opportunities to employees who have experienced qualifying life events.



By providing **MetLife with your employee eligibility file**, we can send employees who have experienced a life event tailored communications.



Life Events communications will **let your employees know about their benefit options** and this special opportunity to change or enroll in coverages.

Life Events campaign

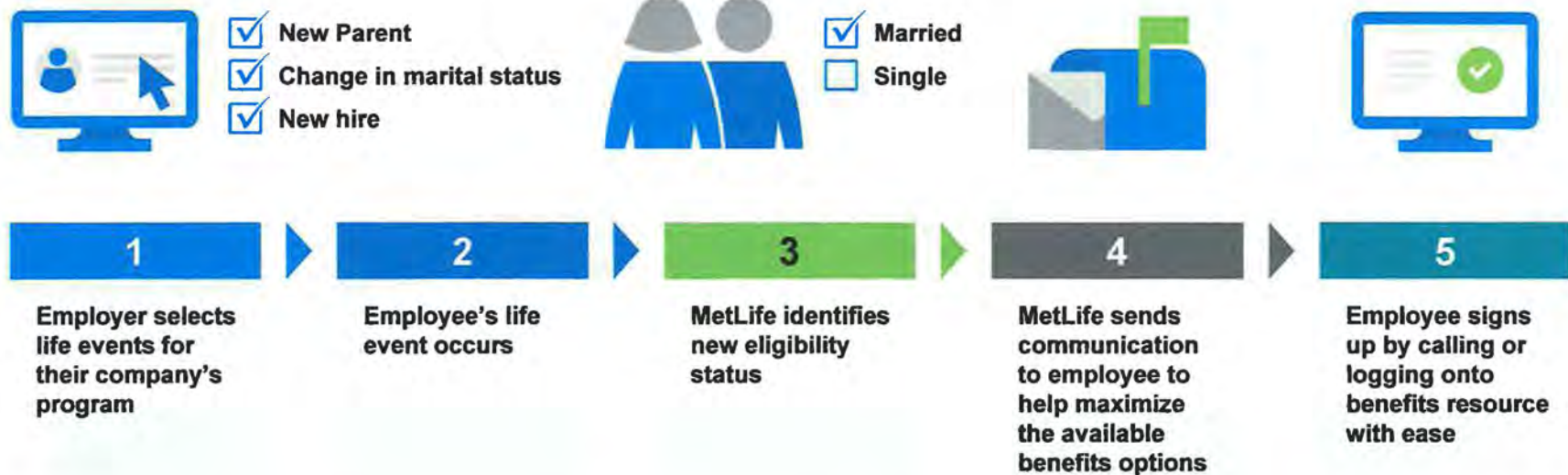
We'll communicate multiple benefits information to employees who have experienced any of the qualifying life events on an ongoing basis.



Life Event	Products	Communicate
<ul style="list-style-type: none"> • New Hire • Employment Status Change • Birth or Adoption • Marital Status Change 	<ul style="list-style-type: none"> • Life • Dental* • Disability • Vision* • Accident 	<ul style="list-style-type: none"> • Critical Illness • Hospital • Cancer • Legal Services • Personalized Co-Branded Communication Mailings • Newsletter Copy

*Subject to Health Insurance Portability & Accountability Act (HIPAA)

Life Events campaign process



Life Events requirements

To execute a flawless Life Events campaign, we require the following data points to ensure that your employees receive communications without any issues.

Primary Member	Dependent
<ul style="list-style-type: none">• Demographic data (name, social security number, date of birth, etc.)• Contact data (address, email address, phone number, etc.)• Employment data (date of hire, job status, job class, etc.)• Coverage data (structure, coverage type, start/stop date, plan type, etc.)	<ul style="list-style-type: none">• Demographic data (name, social security number, date of birth, etc.)• Coverage data (structure, coverage type, start and stop date, etc.)

New Hire, New Parent, Newly Eligible and Marriage Life Events:

- New Hire Effective Date • New Parent Effective Date • Newly Eligible Effective Date • Marital Status Effective Date

Life Events communications

Email Campaign – New Eligibility Status



Launch and Reminder emails

- Links directly to your enrollment site. Includes a link to a customized educational video for more information.
- Reminder email sent one week after enrollment period.

Life Events communications

Direct Mail Campaign



Personalized Letter

- Mailed to employees who have experienced a life event – **new hire, new position, birth/adoption, marriage or divorce** – with information about the benefits they're eligible to enroll in and how to enroll.
- Includes enrollment window (Limited enrollment period) so employees know when to act

Intranet Copy is Also Available

- Content that can be used in an employee newsletter, benefit booklet, or on your company's intranet site for employees to view.

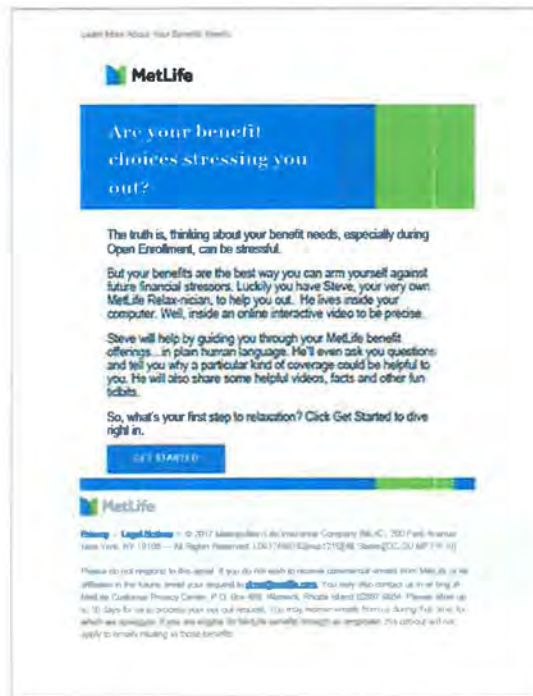
New interactive and engaging communications

Employees can now learn about their benefits in a fun and engaging way with these new digital communications!

Conversation	Landing Page	Videos and More
<ul style="list-style-type: none">• Interactive tool uses relatable language and personal narrator to explain employees' benefit options• Educational video modules and tools pop up based on employees' answers and needs• Animation, sound effects, music and more for a fun learning experience• Motivates employees to learn more and enroll	<ul style="list-style-type: none">• Customized landing page houses the conversation, product videos• Links to enrollment site• Can be customized with your logo• Optimized for desktop, tablet and mobile access• Includes open enrollment dates and phone numbers	<ul style="list-style-type: none">• Short, educational product videos for easy reference• A fun "How Stressed Are You?" quiz for employees to "diagnose" their stress levels• Email to send to employees with open enrollment information and link to landing page• Web banners for your intranet site

Interactive and engaging communications

Email



Web Banners



We will also share results with you including visits to the site, average video viewing time and clicks to your enrollment sites.

Conversation

Today we're going to talk about the MetLife benefits available to you.

What's your stress level?



Educating Employees

Custom Benefits Microsite: a Source for Plan Details and Information

A co-branded microsite designed to provide a better employee experience by providing plan details, FAQs, videos and contact information.

Sample Microsite Reporting

Enrollment Site Analytics Summary

Enrollment site analytics*

Page	Page Views	Ave. Time on Page (seconds)
Homepage	33,572	60
FAQ	7,118	92
Product Overview	4,533	59
Advantages	3,348	60
Retiree	701	51



Benefits & Highlights

- Most viewed pages, after homepage were FAQ and Product Overview
- MetLife microsite communication proved as a valuable 1-stop resource for benefit information
- Added communication methods aided in higher participation rates

MetLife *All data was taken from OE Environment



State of Nebraska
Sample Disability (STD & LTD) Implementation Schedule
 Effective Date July 1, 2019

ID	Task Name	Duration	Start	Finish	Resource Group
0	State of Nebraska DISABILITY Implementation Schedule Template (STD & LTD)	117.75 days	Tue 1/15/19	Mon 7/1/19	
1	Initiation Process Group	4.5 days	Tue 1/15/19	Tue 1/22/19	
2	Complete Notice of Sale	1 day	Tue 1/15/19	Tue 1/15/19	MetLife
3	Implementation Team Formation	3.5 days	Wed 1/16/19	Tue 1/22/19	
4	Name Client Acquisition Consultant or Implementation Project Leader, based on tiered support model	1 day	Wed 1/16/19	Wed 1/16/19	MetLife
5	Send Notice of Sale via 2nd Distribution email	1 day	Thu 1/17/19	Thu 1/17/19	MetLife
6	Establish Implementation Teams	1 day	Fri 1/18/19	Fri 1/18/19	MetLife
7	Contact List - (Internal)	4 hrs	Tue 1/22/19	Tue 1/22/19	MetLife
8	Planning Process Group	20.25 days	Thu 1/17/19	Fri 2/15/19	
9	Establish/Execute Meeting Schedule	10.63 days	Tue 1/22/19	Tue 2/5/19	
10	Set Up Internal Kickoff Meeting	1 hr	Tue 1/22/19	Tue 1/22/19	MetLife
11	Set Up External Kickoff Meeting	1 hr	Tue 1/22/19	Tue 1/22/19	MetLife
12	Set Up Weekly Implementation Call - Internal	1 hr	Tue 1/29/19	Tue 1/29/19	MetLife
13	Set Up Weekly Implementation Calls - External	1 hr	Tue 2/5/19	Tue 2/5/19	MetLife
14	Project Schedule	9.38 days	Thu 1/17/19	Thu 1/31/19	
15	Draft implementation project schedule	2 days	Thu 1/17/19	Fri 1/18/19	MetLife
16	Confirm all Deliverables via Core Team Schedule Walkthrough	1 hr	Tue 1/29/19	Tue 1/29/19	MetLife
17	Update Schedule per Core Team Input	1 day	Tue 1/29/19	Wed 1/30/19	MetLife
18	Obtain Core Team Sign off of Schedule	1 day	Wed 1/30/19	Thu 1/31/19	MetLife
19	Implementation Guide	3 days	Tue 1/22/19	Thu 1/24/19	
20	Update Implementation Guide Template	2 days	Tue 1/22/19	Wed 1/23/19	MetLife
21	Incorporate in binder for External Kickoff	1 day	Thu 1/24/19	Thu 1/24/19	MetLife
22	Kick Off Meetings	5.38 days	Tue 1/29/19	Tue 2/5/19	
23	Internal Implementation Kick Off Meeting	1 hr	Tue 1/29/19	Tue 1/29/19	MetLife
24	External Implementation Kick Off Meeting	2 hrs	Tue 2/5/19	Tue 2/5/19	MetLife
25	Product Integration Call	13 days	Tue 1/29/19	Fri 2/15/19	
26	Determine if call is necessary via Product Integration Workbook checklist.	1 day	Tue 1/29/19	Wed 1/30/19	MetLife
27	Forward the Notice of Sale to Joe Haran (joseph.haran@metlife.com)	1 day	Wed 1/30/19	Thu 1/31/19	
28	Complete Product Integration Workbook	3 days	Thu 1/31/19	Tue 2/5/19	MetLife
29	Schedule Product Integration Call with required invitees	2 days	Tue 2/5/19	Thu 2/7/19	MetLife
30	Hold Product Integration Call	1 day	Thu 2/7/19	Fri 2/8/19	MetLife
31	Send meeting minutes and open items to team with a link to the completed workbook housed on Livelink	2 days	Fri 2/8/19	Tue 2/12/19	MetLife
32	Schedule follow up discussions at internal implementation meetings or as needed	3 days	Tue 2/12/19	Fri 2/15/19	MetLife
33	CDF Customer Number	1 day	Thu 1/17/19	Thu 1/17/19	
34	Request CDF Customer Number	1 day	Thu 1/17/19	Thu 1/17/19	MetLife
35	Livelink	4 days	Tue 1/22/19	Fri 1/25/19	
36	Set-up Customer Folder & Sub-Folders (New Customers)	1 day	Tue 1/22/19	Tue 1/22/19	MetLife
37	Set-up Implementation Sub-Folder	1 day	Wed 1/23/19	Wed 1/23/19	MetLife
38	Grant team members permissions/access to folders, as appropriate	2 days	Thu 1/24/19	Fri 1/25/19	MetLife
39	STD Plan Design Evaluation	11 days	Mon 1/28/19	Mon 2/11/19	
40	Obtain RFP plan documentation (prior carrier info, plan compare, SPD) and post to LiveLink Implementation Set Up sub-folder	1 day	Mon 1/28/19	Mon 1/28/19	MetLife
41	Obtain the final sold rate from Underwriting and an Email from the Account Executive signing off on the rates	1 day	Mon 1/28/19	Mon 1/28/19	MetLife
42	Draft STD Plan, Rate, Services Summary (PRSS) and Account Structure	5 days	Tue 1/29/19	Mon 2/4/19	MetLife
43	CSC Schedules and conducts mandatory Internal PRSS Review with CAC, Contract Analyst and Plan Master (Draft PRSS must be sent 2 business prior to meeting)	3 days	Tue 2/5/19	Thu 2/7/19	MetLife
44	Update - STD PRSS, if applicable	2 days	Fri 2/8/19	Mon 2/11/19	MetLife
45	LTD Plan Design Evaluation	11 days	Mon 1/28/19	Mon 2/11/19	
46	Obtain RFP plan documentation (prior carrier info, plan compare, SPD) and post to LiveLink Implementation Set Up sub-folder	1 day	Mon 1/28/19	Mon 1/28/19	MetLife
47	Obtain the final sold rate from Underwriting and an Email from the Account Executive signing off on the rates	1 day	Mon 1/28/19	Mon 1/28/19	MetLife
48	Draft LTD Plan, Rate, Services Summary (PRSS) and Account Structure	5 days	Tue 1/29/19	Mon 2/4/19	MetLife
49	CSC Schedules and conducts mandatory Internal PRSS Review with CAC, Contract Analyst and Plan Master (Draft PRSS must be sent 2 business prior to meeting)	3 days	Tue 2/5/19	Thu 2/7/19	MetLife
50	Update - LTD PRSS, if applicable	2 days	Fri 2/8/19	Mon 2/11/19	MetLife
51	Executing Process Group	115.75 days	Thu 1/17/19	Mon 7/1/19	
52	Plan Design & Structure Evaluation	42 days	Tue 1/29/19	Wed 3/27/19	
53	STD - Plan Design & Structure Review	26 days	Tue 2/12/19	Tue 3/19/19	

State of Nebraska
Sample Disability (STD & LTD) Implementation Schedule
Effective Date July 1, 2019

ID	Task Name	Duration	Start	Finish	Resource Group
54	Plan Design & Structure Confirmation	26 days	Tue 2/12/19	Tue 3/19/19	
55	Deliver proposed Structure and PRSS to Customer for review	1 day	Tue 2/12/19	Tue 2/12/19	
56	Discussion with Customer regarding Plan Design variances and Review of Structure Draft	10 days	Wed 2/13/19	Tue 2/26/19	MetLife, State of Nebraska
57	Contract Analyst, Plan Master & Core IL review of Customer requested updates to plan/PRSS, if applicable	2 days	Wed 2/27/19	Thu 2/28/19	MetLife
58	Identify if a single-case filing is required	1 day	Fri 3/1/19	Fri 3/1/19	MetLife
59	Revise PRSS document, including Structure if applicable	5 days	Mon 3/4/19	Fri 3/8/19	MetLife
60	Submit final Plan Design documentation and Structure to Customer for review/approval	1 day	Mon 3/11/19	Mon 3/11/19	MetLife
61	Final Review / Approval of Customer Plan Design and Structure	5 days	Tue 3/12/19	Mon 3/18/19	State of Nebraska
62	Send Final Structure and Plan Design to MetLife Contacts/Customer	1 day	Tue 3/19/19	Tue 3/19/19	MetLife
63	LTD - Plan Design & Structure Review	36 days	Tue 1/29/19	Tue 3/19/19	
64	Plan Design & Structure Confirmation	36 days	Tue 1/29/19	Tue 3/19/19	
65	Deliver proposed Structure and PRSS to Customer for review	1 day	Tue 2/12/19	Tue 2/12/19	MetLife
66	Discussion with Customer regarding Plan Design variances and Review of Structure Draft	10 days	Wed 2/13/19	Tue 2/26/19	State of Nebraska, MetLife
67	Contract Analyst, Plan Master & Core IL review of Customer requested updates to plan/PRSS, if applicable	2 days	Wed 2/27/19	Thu 2/28/19	MetLife
68	Identify if a single-case filing is required	1 day	Fri 3/1/19	Fri 3/1/19	MetLife
69	Revise PRSS document, including Structure if applicable	5 days	Mon 3/4/19	Fri 3/8/19	MetLife
70	Submit final Plan Design documentation and Structure to Customer for review/approval	1 day	Mon 3/11/19	Mon 3/11/19	MetLife
71	Final Review / Approval of Customer Plan Design and Structure	5 days	Tue 3/12/19	Mon 3/18/19	State of Nebraska
72	Send Final Structure and Plan Design to MetLife Contacts/Customer	1 day	Tue 3/19/19	Tue 3/19/19	MetLife
73	LTD Pension Contribution Benefit-Plan Compliance Checklist (if applicable)	12 days	Tue 1/29/19	Wed 2/13/19	
74	Review RFP documentation and confirm if LTD Pension Contribution Plan Compliance Checklist was provided to Customer/Broker	1 day	Tue 1/29/19	Tue 1/29/19	MetLife
75	Submit LTD Pension Contribution Plan Compliance Checklist to Customer for completion, if applicable	1 day	Wed 1/30/19	Wed 1/30/19	MetLife
76	Customer returns completed and signed LTD Pension Contribution Plan Compliance Checklist	10 days	Thu 1/31/19	Wed 2/13/19	State of Nebraska
77	Tax Remittance (AG235)	36.5 days	Tue 2/5/19	Wed 3/27/19	
78	Determine if MetLife will be the agent of Record	1 day	Tue 2/5/19	Wed 2/6/19	MetLife
79	Determine Handling of W2s	1 day	Wed 2/6/19	Thu 2/7/19	MetLife
80	Prepare Agency Agreement Forms	3 days	Thu 2/7/19	Tue 2/12/19	MetLife
81	Provide Agency Agreement Forms to Customer	1 day	Tue 2/12/19	Wed 2/13/19	MetLife
82	Sign and Return Agency Agreement Forms to MetLife	5 days	Wed 2/13/19	Wed 2/20/19	State of Nebraska
83	If the plan has a Gross Up Arrangement, or the LTD has a tax choice, draft letter template with customer's information and send to customer to print on their company letterhead	1 day	Tue 3/19/19	Tue 3/19/19	MetLife
84	Customer signs and returns letter to MetLife	5 days	Wed 3/20/19	Tue 3/26/19	State of Nebraska
85	Save signed letters in MSTX folder in Livelink and notify Plan Master	1 day	Wed 3/27/19	Wed 3/27/19	MetLife
86	FICA Letters	1 day	Tue 3/19/19	Tue 3/19/19	
87	Determine who should receive FICA letters	1 day	Tue 3/19/19	Tue 3/19/19	MetLife
88	Determine if additional Copies of FICA letters required by Employer	1 day	Tue 3/19/19	Tue 3/19/19	MetLife
89	Initiate additional copies on FICA Distribution menu (if applicable)	1 day	Tue 3/19/19	Tue 3/19/19	MetLife
90	MetLife System Set Up	67 days	Thu 2/14/19	Fri 5/17/19	
91	CDF & I-Link Implementation	15.75 days	Tue 3/19/19	Tue 4/9/19	
92	Complete STD CDF Set Up	2 days	Tue 3/19/19	Wed 3/20/19	MetLife
93	Complete LTD CDF Setup	2 days	Tue 3/19/19	Wed 3/20/19	MetLife
94	CDF QA	4.75 days	Thu 3/21/19	Wed 3/27/19	
95	Upon CDF completion, complete CDF Checklist	2 hrs	Thu 3/21/19	Thu 3/21/19	MetLife
96	Ensure all CDF screens are complete	1 day	Thu 3/21/19	Fri 3/22/19	MetLife
97	Compare CDF and the PRSS to verify data accuracy	1 day	Fri 3/22/19	Mon 3/25/19	MetLife
98	If no corrections are necessary, notify the assigned Core Client Acquisition Consultant via email that the review is complete and CDF is okay to approve	2 hrs	Mon 3/25/19	Mon 3/25/19	MetLife
99	If corrections are necessary, list corrections in an email to the assigned Core Client Acquisition Consultant	2 hrs	Mon 3/25/19	Mon 3/25/19	MetLife
100	Make necessary corrections to CDF	1 day	Mon 3/25/19	Tue 3/26/19	MetLife
101	If additional review is necessary, notify Client Services Consultant/Financial Consultant that CDF is ready for final review	2 hrs	Tue 3/26/19	Tue 3/26/19	MetLife
102	Review corrections and notify assigned Core Client Acquisition Consultant that CDF can be approved	1 day	Tue 3/26/19	Wed 3/27/19	MetLife
103	Complete STD I-Link booklets	7 days	Tue 3/19/19	Wed 3/27/19	MetLife
104	Complete LTD I-Link booklets	7 days	Tue 3/19/19	Wed 3/27/19	MetLife
105	I-Link QA	3.75 days	Thu 3/28/19	Tue 4/2/19	
106	completion of I-Link, run the I-Link edit report(s)	2 hrs	Thu 3/28/19	Thu 3/28/19	MetLife

State of Nebraska
Sample Disability (STD & LTD) Implementation Schedule
 Effective Date July 1, 2019

ID	Task Name	Duration	Start	Finish	Resource Group
107	Make any necessary corrections based on the results of the I-link edit report	2 hrs	Thu 3/28/19	Thu 3/28/19	MetLife
108	Send e-mail to the QA Team	2 hrs	Thu 3/28/19	Thu 3/28/19	MetLife
109	Provide QA feedback via the QUAD database for CAC Review and Updates	3 days	Thu 3/28/19	Tue 4/2/19	MetLife
110	Update I-Link booklets, if applicable	5 days	Tue 4/2/19	Tue 4/9/19	MetLife
111	Approve CDF	1 day	Tue 4/2/19	Wed 4/3/19	MetLife
112	Master Tax CDF	5 days	Wed 4/3/19	Wed 4/10/19	
113	Complete STD Master Tax in CDF	2 days	Wed 4/3/19	Fri 4/5/19	MetLife
114	Complete LTD Master Tax in CDF	2 days	Wed 4/3/19	Fri 4/5/19	MetLife
115	Master Tax QA completed	2 days	Fri 4/5/19	Tue 4/9/19	MetLife
116	Master Tax approved in CDF	1 day	Tue 4/9/19	Wed 4/10/19	MetLife
117	Feed STD I-Link to Plan Master	1 day	Thu 4/25/19	Fri 4/26/19	MetLife
118	Feed LTD I-Link to Plan Master	1 day	Thu 4/25/19	Fri 4/26/19	MetLife
119	Plan Master STD Implementation	17.13 days	Wed 4/24/19	Fri 5/17/19	
120	Provide prior carrier documentation to Plan Master Analyst	1 day	Thu 4/25/19	Fri 4/26/19	MetLife
121	Provide final Plan, Rate, Services Summary document to Plan Master Analyst	1 day	Thu 4/25/19	Fri 4/26/19	MetLife
122	Provide MetLife draft certs/ASA to Plan Master Analyst	1 day	Wed 4/24/19	Thu 4/25/19	MetLife
123	Plan Master to review all STD documentation (duration is dependent on # of number of plans & complexity of the plan design)	5 days	Fri 4/26/19	Fri 5/3/19	MetLife
124	Discuss and resolve STD discrepancies between I-link and plan documentation with Client Acquisition Consultant and CSC	5 days	Fri 5/3/19	Fri 5/10/19	MetLife
125	Correct STD discrepancies in I-Link	3 days	Fri 5/10/19	Wed 5/15/19	MetLife
126	Correct STD discrepancies in plan documentation (ASA/Certificates)	3 days	Fri 5/10/19	Wed 5/15/19	MetLife
127	Verify in Ilink system generated STD EOB suppression, if applicable	1 day	Fri 4/26/19	Mon 4/29/19	MetLife
128	Validate & Revise STD Plans in Plan Master, if applicable	1 day	Wed 5/15/19	Thu 5/16/19	MetLife
129	Activate STD plans for use in production	1 day	Thu 5/16/19	Fri 5/17/19	MetLife
130	Plan Master Analyst provides CSC and Client Acquisition Consultant with an e-mail confirming the date plans were activated	1 hr	Fri 5/17/19	Fri 5/17/19	MetLife
131	CSC files e-mail from Plan Master Analyst in Livelink folder	1 hr	Fri 5/17/19	Fri 5/17/19	MetLife
132	Plan Master LTD Implementation	67 days	Thu 2/14/19	Fri 5/17/19	
133	Provide prior carrier documentation to Plan Master Analyst	1 day	Thu 4/25/19	Fri 4/26/19	MetLife
134	Provide final Plan, Rate, Services Summary document to Plan Master Analyst	1 day	Thu 4/25/19	Fri 4/26/19	MetLife
135	Provide MetLife draft certs/ASA to Plan Master Analyst	1 day	Wed 4/24/19	Thu 4/25/19	MetLife
136	Provide completed NY LTD Pension Contribution Plan Compliance Checklist , if applicable	1 day	Thu 2/14/19	Thu 2/14/19	MetLife
137	Plan Master to review all LTD documentation (duration is dependent on # of number of plans & complexity of the plan design)	5 days	Fri 4/26/19	Fri 5/3/19	MetLife
138	Discuss and resolve LTD discrepancies between I-link and plan documentation with Client Acquisition Consultant and CSC	5 days	Fri 5/3/19	Fri 5/10/19	MetLife
139	Correct LTD discrepancies in I-Link	3 days	Fri 5/10/19	Wed 5/15/19	MetLife
140	Correct LTD discrepancies in plan documentation (ASA/Certificates)	3 days	Fri 5/10/19	Wed 5/15/19	MetLife
141	Verify in Ilink system generated LTD EOB suppression	1 day	Fri 4/26/19	Mon 4/29/19	MetLife
142	Validate & Revise LTD Plans in Plan Master	1 day	Wed 5/15/19	Thu 5/16/19	MetLife
143	Activate LTD plans for use in production	1 day	Thu 5/16/19	Fri 5/17/19	MetLife
144	Plan Master Analyst provides CSC and Client Acquisition Consultant with an e-mail confirming the date plans were activated	1 hr	Fri 5/17/19	Fri 5/17/19	MetLife
145	CSC files e-mail from Plan Master Analyst in Livelink folder	1 hr	Fri 5/17/19	Fri 5/17/19	MetLife
146	Eligibility File Set Up	71.5 days	Tue 2/5/19	Wed 5/15/19	
147	Review the standard eligibility file layout, mapping and transmission (PGP) requirements with the Customer/TPA.	1 day	Fri 2/8/19	Mon 2/11/19	MetLife
148	NY PFL ONLY - if this is a NY PFL customer and there is an eligibility file required, engage Sue Richner to provide the necessary data elements within the customer's file layout.	2 days	Tue 2/5/19	Thu 2/7/19	MetLife
149	Eligibility data mapping	18 days	Thu 3/28/19	Mon 4/22/19	
150	Send UIS Layout and Structure Document to Customer/TPA	1 day	Thu 3/28/19	Thu 3/28/19	MetLife
151	Revise UIS Layout with customer specific details, if necessary	2 days	Fri 3/29/19	Mon 4/1/19	MetLife
152	Provide final Eligibility Layout to Customer/TPA	1 day	Tue 4/2/19	Tue 4/2/19	MetLife
153	Customer/TPA reviews file and begins mapping	14 days	Wed 4/3/19	Mon 4/22/19	State of Nebraska
154	FTP Transmissions - UIS set up with DET Team	37 days	Tue 2/5/19	Thu 3/28/19	
155	Submit EDT SPRS to Transmissions Group	2 days	Tue 2/5/19	Thu 2/7/19	MetLife
156	Set up connectivity	30 days	Thu 2/7/19	Thu 3/21/19	MetLife
157	Perform connectivity test	5 days	Thu 3/21/19	Thu 3/28/19	State of Nebraska, MetLife
158	Eligibility File Testing	16 days	Tue 4/23/19	Tue 5/14/19	
159	Round 1, Level 1 (UIS)	7 days	Tue 4/23/19	Wed 5/1/19	

State of Nebraska
Sample Disability (STD & LTD) Implementation Schedule
Effective Date July 1, 2019

ID	Task Name	Duration	Start	Finish	Resource Group
160	TPA/Customer sends 1st test file to MetLife. Necessary to confirm successful transmission of file, system acceptance of data elements and to confirm data element mapping is correct.	1 day	Tue 4/23/19	Tue 4/23/19	State of Nebraska
161	UIS Set Up and Testing of File	5 days	Wed 4/24/19	Tue 4/30/19	MetLife
162	Provide Level 1 (UIS Testing) feedback to Customer/Vendor	1 day	Wed 5/1/19	Wed 5/1/19	MetLife
163	If Applicable - Round 2, Level 1 (UIS)	7 days	Thu 5/2/19	Fri 5/10/19	
164	TPA/Customer sends 2nd test file to MetLife. Necessary to confirm successful transmission of file, system acceptance of data elements and to confirm data element mapping is correct.	5 days	Thu 5/2/19	Wed 5/8/19	State of Nebraska
165	Test revised file and provide Level 1 (UIS Testing) feedback to Customer/Vendor	2 days	Thu 5/9/19	Fri 5/10/19	MetLife
166	Final, Clean File, Level 1 (UIS)	2 days	Mon 5/13/19	Tue 5/14/19	
167	Test revised file and provide Level 1 (UIS Testing) feedback to Customer/Vendor	2 days	Mon 5/13/19	Tue 5/14/19	MetLife
168	Sign-off of Eligibility File Testing	1 day	Wed 5/15/19	Wed 5/15/19	State of Nebraska, MetLife
169	Production Eligibility File	3 days	Tue 2/5/19	Fri 2/8/19	
170	Submit file for audit	2 days	Tue 2/5/19	Thu 2/7/19	MetLife
171	File Moved to Production	1 day	Thu 2/7/19	Fri 2/8/19	MetLife
172	Coverage Agreements/Contracts	101.75 days	Tue 1/29/19	Thu 6/20/19	
173	Application & Statement of Responsibility	31 days	Thu 2/7/19	Fri 3/22/19	
174	Draft Application and Statement of Responsibility	5 days	Thu 2/7/19	Thu 2/14/19	MetLife
175	Send draft Application and Statement of Responsibility to CSC	1 day	Thu 2/14/19	Fri 2/15/19	MetLife
176	Submit Application and Statement of Responsibility to Customer for review	1 day	Fri 2/15/19	Mon 2/18/19	MetLife
177	Customer review of Application and Statement of Responsibility	10 days	Mon 2/18/19	Mon 3/4/19	State of Nebraska
178	Update Application/Statement of Responsibility based on Customer feedback, if applicable	3 days	Mon 3/4/19	Thu 3/7/19	MetLife
179	Provide final Application/Statement of Responsibility to Customer for signature	1 day	Thu 3/7/19	Fri 3/8/19	MetLife
180	Receive Signed Customer Application/Statement of Responsibility	5 days	Fri 3/8/19	Fri 3/15/19	State of Nebraska
181	Application Signed by the Account Executive	5 days	Fri 3/15/19	Fri 3/22/19	MetLife
182	Performance Guarantee Agreement (If applicable)	30 days	Tue 1/29/19	Mon 3/11/19	
183	Confirm performance guarantees (quoted and documented in proposal)	1 day	Tue 1/29/19	Tue 1/29/19	MetLife
184	Obtain appropriate approvals for any Customer Specific/Nonstandard Performance Guarantees, if applicable	5 days	Wed 1/30/19	Tue 2/5/19	MetLife
185	Develop Metrics and Reporting Method	5 days	Wed 2/6/19	Tue 2/12/19	MetLife
186	Submit Performance Guarantees to Customer (as part of PRSS) for review and approval	1 day	Wed 2/6/19	Wed 2/6/19	MetLife
187	Customer review of Performance Guarantees	10 days	Thu 2/7/19	Wed 2/20/19	State of Nebraska
188	Address any updates or additions from Customer on Performance Guarantees and revise in PRSS as applicable (customer specific /nonstandard requests must be approved by the applicable resources)	3 days	Thu 2/21/19	Mon 2/25/19	MetLife
189	Submit Performance Guarantees to Customer for approval	1 day	Tue 2/26/19	Tue 2/26/19	MetLife
190	Final Approval of Performance Guarantee Standards	5 days	Wed 2/27/19	Tue 3/5/19	State of Nebraska
191	Obtain email with final sign off on the Performance Guarantees from the Account Executive (serves as confirmation that Customer, internal partners and AE are in agreement of final PGs)	1 day	Wed 3/6/19	Wed 3/6/19	MetLife
192	Distribute performance guarantee confirmation to impacted areas (Product, Claims, Call Center, QA Team, etc.)	1 day	Thu 3/7/19	Thu 3/7/19	MetLife
193	Provide Performance Guarantees to Contract Analyst	1 day	Fri 3/8/19	Fri 3/8/19	MetLife
194	Enter Performance Guarantees into the Performance Guarantee Repository	1 day	Mon 3/11/19	Mon 3/11/19	MetLife
195	Create Fully Insured Certificate and Policy	56 days	Tue 4/2/19	Thu 6/20/19	
196	Draft Certificates/Policy/PG Agreement, if applicable	10 days	Tue 4/2/19	Tue 4/16/19	MetLife
197	Provide Draft Certificates to QA Team	1 day	Tue 4/16/19	Wed 4/17/19	MetLife
198	QA Team Reviews and Provides Comments to Contract Analyst on Contract Documents	3 days	Wed 4/17/19	Mon 4/22/19	MetLife
199	Contract Analyst Reviews and Updates Contract Documents per QA Team Review	2 days	Mon 4/22/19	Wed 4/24/19	MetLife
200	Provide Contract Documents to Plan Master	1 day	Wed 4/24/19	Thu 4/25/19	MetLife
201	Submit Certificates/Policy/PG Agreement to Client Services Consultant	1 day	Fri 5/17/19	Mon 5/20/19	MetLife
202	Submit Certificates/Policy/PG Agreement to Customer for review	1 day	Mon 5/20/19	Tue 5/21/19	MetLife
203	Customer review of draft Certificates/Policy/PG Agreement	10 days	Tue 5/21/19	Wed 6/5/19	State of Nebraska
204	Update Contract Documents, if applicable	5 days	Wed 6/5/19	Wed 6/12/19	MetLife
205	Provide final Certificates/Policy/PG Agreement to Customer for sign off	1 day	Wed 6/12/19	Thu 6/13/19	MetLife
206	Final review/approval of Certificates/Policy/PG Agreement/Other Agreements	5 days	Thu 6/13/19	Thu 6/20/19	State of Nebraska
207	Review of Customer Summary Plan Description	37 days	Tue 4/16/19	Fri 6/7/19	
208	Customer Draft SPD	20 days	Tue 4/16/19	Tue 5/14/19	State of Nebraska
209	MetLife Review of SPD draft updated by customer	5 days	Tue 5/14/19	Tue 5/21/19	MetLife
210	MetLife provide comments to Customer on SPD	1 day	Tue 5/21/19	Wed 5/22/19	MetLife
211	Customer Revise SPD and distribute to employees	10 days	Wed 5/22/19	Thu 6/6/19	State of Nebraska
212	Add final version to the Summary Plan Description (SPD) folder located within the Administration folder in LiveLink	1 day	Thu 6/6/19	Fri 6/7/19	MetLife

State of Nebraska
Sample Disability (STD & LTD) Implementation Schedule
 Effective Date July 1, 2019

ID	Task Name	Duration	Start	Finish	Resource Group
213	Establish Monthly Premium / Fee Remittance Procedures	21 days	Wed 2/27/19	Wed 3/27/19	
214	Discuss the Customer's current Billing and Remittance Procedures	10 days	Wed 2/27/19	Tue 3/12/19	MetLife, State of Nebraska
215	Determine the method that Bills and Payments will be Remitted	5 days	Wed 3/13/19	Tue 3/19/19	State of Nebraska, MetLife
216	Determine the timing of when the Bills and Payments will be sent	5 days	Wed 3/13/19	Tue 3/19/19	MetLife, State of Nebraska
217	Finalize Billing and Remittance Process	5 days	Wed 3/20/19	Tue 3/26/19	MetLife, State of Nebraska
218	For New Customers, Complete the New Customers/Coverage's Notification form for the Remittance Service Center	1 day	Wed 3/27/19	Wed 3/27/19	MetLife
219	Call Center (Customer Solutions Center (CSC))	93 days	Thu 1/17/19	Wed 5/29/19	
220	Confirm whether a customer specific 800 # is required	3 days	Thu 1/17/19	Tue 1/22/19	MetLife
221	Notification to Customer Solutions Center of Customer additions (New Customer InfoMet Form)	1 day	Tue 3/19/19	Tue 3/19/19	MetLife
222	Custom Toll Free Number & Network Greeting Set Up	90 days	Wed 1/23/19	Wed 5/29/19	
223	Email notification sent to vendor partners for 800# set up	1 day	Wed 1/23/19	Wed 1/23/19	MetLife
224	Obtain Dedicated number, if required	10 days	Thu 1/24/19	Wed 2/6/19	MetLife
225	Provide Generic Script or Develop Customized Network Script with Customer	10 days	Thu 2/7/19	Wed 2/20/19	MetLife
226	Submit Network Scripting via Change Management Process	10 days	Thu 2/21/19	Wed 3/6/19	MetLife
227	Network Planning Team Implements Approved Scripting Greeting and Prompts	8 wks	Wed 3/27/19	Tue 5/21/19	MetLife
228	Test Routing plan	5 days	Wed 5/22/19	Wed 5/29/19	MetLife
229	Company Table Update	43.75 days	Wed 3/20/19	Mon 5/20/19	
230	Complete Company Table Edits and Load Company Name and Business Aliases to Production Company Table	5 days	Wed 3/20/19	Tue 3/26/19	MetLife
231	Create Paper Claim Pop-Up Box (as necessary)	5 days	Wed 3/20/19	Tue 3/26/19	MetLife
232	Complete Company table edits in the appropriate test environments to add customer	1 day	Fri 5/17/19	Mon 5/20/19	MetLife
233	Procedures / Workflow Analysis	30 days	Wed 3/20/19	Tue 4/30/19	
234	Review Plan Design documents and InfoMet form	15 days	Wed 3/20/19	Tue 4/9/19	MetLife
235	Install in the Intake Application & Update Knowledge Assist, as applicable	15 days	Wed 4/10/19	Tue 4/30/19	MetLife
236	Disability Claim Process	59 days	Tue 2/5/19	Mon 4/29/19	
237	Establish methods for claim submission	1 day	Tue 2/5/19	Wed 2/6/19	MetLife
238	STD Claim Process Development (Applicable for State Plans when necessary)	48 days	Wed 2/20/19	Mon 4/29/19	
239	Pull and prepare standard claim process presentation, incorporating any necessary details specific to the customer's plan and setup (standard/pre approved options)	5 days	Wed 2/20/19	Wed 2/27/19	MetLife
240	Review claim process presentation to prepare for discussion with the customer	5 days	Wed 2/27/19	Wed 3/6/19	MetLife
241	Review MetLife standard claim / leave process. Customer confirms that they have a full understanding of the processes presented.	1 day	Wed 3/6/19	Thu 3/7/19	MetLife
242	Allow customer time to review the claim process and advise of any questions	5 days	Thu 3/7/19	Thu 3/14/19	MetLife
243	If non-standards are requested, submit a Disability Change Request outlining what is being requested	2 days	Thu 3/14/19	Mon 3/18/19	MetLife
244	Disability Change Management obtains and communicates a decision on the request	10 days	Mon 3/18/19	Mon 4/1/19	MetLife
245	Business Procedures Team creates applicable work instructions for the claim team	10 days	Mon 4/1/19	Mon 4/15/19	MetLife
246	Review claim team work instructions	5 days	Mon 4/15/19	Mon 4/22/19	MetLife
247	Make Updates, if applicable	2 days	Mon 4/22/19	Wed 4/24/19	MetLife
248	Distribute final claim team work instruction to Unit Leader(s)	1 day	Wed 4/24/19	Thu 4/25/19	MetLife
249	Post the work instructions in Livelink and train the claim team	2 days	Thu 4/25/19	Mon 4/29/19	MetLife
250	LTD Claim Process Development	48 days	Wed 2/20/19	Mon 4/29/19	
251	Pull and prepare standard claim process presentation, incorporating any necessary details specific to the customer's plan and setup (standard/pre approved options)	5 days	Wed 2/20/19	Wed 2/27/19	MetLife
252	Review claim process presentation to prepare for discussion with the customer	5 days	Wed 2/27/19	Wed 3/6/19	MetLife
253	Review MetLife standard claim / leave process. Customer confirms that they have a full understanding of the processes presented.	1 day	Wed 3/6/19	Thu 3/7/19	MetLife
254	Allow customer time to review the claim process and advise of any questions	5 days	Thu 3/7/19	Thu 3/14/19	MetLife
255	If non-standards are requested, submit a Disability Change Request outlining what is being requested	2 days	Thu 3/14/19	Mon 3/18/19	MetLife
256	Disability Change Management obtains and communicates a decision on the request	10 days	Mon 3/18/19	Mon 4/1/19	MetLife
257	Business Procedures Team creates applicable work instructions for the claim team	10 days	Mon 4/1/19	Mon 4/15/19	MetLife
258	Review Claim Team work instructions	5 days	Mon 4/15/19	Mon 4/22/19	MetLife
259	Make Updates, if applicable	2 days	Mon 4/22/19	Wed 4/24/19	MetLife
260	Distribute final claim team work instruction to Unit Leader(s)	1 day	Wed 4/24/19	Thu 4/25/19	MetLife
261	Post the work instructions in Livelink and train the claim team	2 days	Thu 4/25/19	Mon 4/29/19	MetLife
262	Customer Specific Claims Team Training (For state plans, please see applicable State Plan section)	107.63 days	Tue 1/29/19	Fri 6/28/19	
263	Training EEs - STD	13 days	Mon 4/29/19	Thu 5/16/19	
264	Validate training length and class size	1 day	Mon 4/29/19	Tue 4/30/19	MetLife
265	Conduct training material/resource work group	1 day	Tue 4/30/19	Wed 5/1/19	MetLife

State of Nebraska
Sample Disability (STD & LTD) Implementation Schedule
Effective Date July 1, 2019

ID	Task Name	Duration	Start	Finish	Resource Group
266	Develop and draft training documents	5 days	Wed 5/1/19	Wed 5/8/19	MetLife
267	Update materials (if applicable)	2 days	Wed 5/8/19	Fri 5/10/19	MetLife
268	Finalize training materials	1 day	Fri 5/10/19	Mon 5/13/19	MetLife
269	Unit Leader provide training to claims team to make sure they understand specific customer claims process and plan design.	3 days	Mon 5/13/19	Thu 5/16/19	MetLife
270	Training EEs - LTD	13 days	Mon 4/29/19	Thu 5/16/19	
271	Validate training length and class size	1 day	Mon 4/29/19	Tue 4/30/19	MetLife
272	Conduct training material/resource work group	1 day	Tue 4/30/19	Wed 5/1/19	MetLife
273	Develop and draft training documents	5 days	Wed 5/1/19	Wed 5/8/19	MetLife
274	Update materials (if applicable)	2 days	Wed 5/8/19	Fri 5/10/19	MetLife
275	Finalize training materials	1 day	Fri 5/10/19	Mon 5/13/19	MetLife
276	Unit Leader provide training to claims team to make sure they understand specific customer claims process and plan design.	3 days	Mon 5/13/19	Thu 5/16/19	MetLife
277	STD Claim System Testing	107.63 days	Tue 1/29/19	Fri 6/28/19	
278	Discuss role/responsibilities with UL & OPS Mgr during internal kick off meeting	1 day	Tue 1/29/19	Wed 1/30/19	MetLife
279	Determine claim resources (if other than actual team assigned to account)	2 days	Fri 5/17/19	Tue 5/21/19	MetLife
280	Make sure claims team has access in test environment to build/process claims	3 days	Tue 5/21/19	Fri 5/24/19	MetLife
281	Email sent to IT requesting plans be copied into test environment	1 day	Fri 5/17/19	Mon 5/20/19	MetLife
282	Notification received from IT resource that plan(s) are in test environment	3 days	Mon 5/20/19	Thu 5/23/19	MetLife
283	Test scenarios developed	3 days	Fri 5/17/19	Wed 5/22/19	MetLife
284	Build claims in Test Environment	3 days	Thu 5/23/19	Wed 5/29/19	
285	Claim Team Test System with Sample Claims	7 days	Wed 5/29/19	Fri 6/7/19	MetLife
286	Gather Results of Sample Claim Testing	7 days	Fri 6/7/19	Tue 6/18/19	MetLife
287	Meeting to discuss testing results	1 day	Tue 6/18/19	Wed 6/19/19	MetLife
288	If needed, request changes to plan master (via Met Process Manager)	3 days	Wed 6/19/19	Mon 6/24/19	MetLife
289	Retest corrections	3 days	Mon 6/24/19	Thu 6/27/19	MetLife
290	Sign off on Plan System	1 day	Thu 6/27/19	Fri 6/28/19	MetLife
291	LTD Claim System Testing	107.63 days	Tue 1/29/19	Fri 6/28/19	
292	Discuss role/responsibilities with UM & OPS Mgr during internal kick off meeting	1 day	Tue 1/29/19	Wed 1/30/19	MetLife
293	Determine claim resources (if other than actual team assigned to account)	2 days	Fri 5/17/19	Tue 5/21/19	MetLife
294	Make sure claims team has access in test environment to build/process claims	3 days	Tue 5/21/19	Fri 5/24/19	MetLife
295	Email sent to IT requesting plans be copied into test environment	1 day	Fri 5/17/19	Mon 5/20/19	MetLife
296	Notification received from IT resource that plan(s) are in test environment	3 days	Mon 5/20/19	Thu 5/23/19	MetLife
297	Test scenarios developed	3 days	Fri 5/17/19	Wed 5/22/19	MetLife
298	Build claims in Test Environment	3 days	Thu 5/23/19	Wed 5/29/19	
299	Claim Team Test System with Sample Claims	7 days	Wed 5/29/19	Fri 6/7/19	MetLife
300	Gather Results of Sample Claim Testing	7 days	Fri 6/7/19	Tue 6/18/19	MetLife
301	Meeting to discuss testing results	1 day	Tue 6/18/19	Wed 6/19/19	MetLife
302	If needed, request changes to plan master (via Grapevine)	3 days	Wed 6/19/19	Mon 6/24/19	MetLife
303	Retest corrections	3 days	Mon 6/24/19	Thu 6/27/19	MetLife
304	Sign off on Plan System	1 day	Thu 6/27/19	Fri 6/28/19	MetLife
305	Disability Claimant Communications	54 days	Tue 2/5/19	Mon 4/22/19	
306	System Generated Communications - Automatic	54 days	Tue 2/5/19	Mon 4/22/19	
307	STD Ack Packet and Decision Letters (Applicable for state plans when necessary)	54 days	Tue 2/5/19	Mon 4/22/19	
308	Provide Ack Packet and Common Standard Letters to Customer	2 days	Tue 2/5/19	Thu 2/7/19	MetLife
309	Customer Reviews Letters	10 days	Thu 2/7/19	Thu 2/21/19	State of Nebraska
310	Address any questions/feedback on letters	5 days	Thu 2/21/19	Thu 2/28/19	MetLife
311	If customization requested, Letters submitted via disability change request	5 days	Thu 2/28/19	Thu 3/7/19	MetLife
312	Disability Change Management reviews change request	10 days	Thu 3/7/19	Thu 3/21/19	MetLife
313	If approved, Disability Change Management sends approval to Claimant Communications Team for programming	1 day	Thu 4/4/19	Fri 4/5/19	MetLife
314	Claimant Communications team provides release date(s)	10 days	Fri 4/5/19	Fri 4/19/19	MetLife
315	Final agreed upon letter samples are provided to the customer	1 day	Fri 4/19/19	Mon 4/22/19	MetLife
316	LTD Ack Packet and Decision Letters	54 days	Tue 2/5/19	Mon 4/22/19	MetLife
317	Provide Ack Packet and Common Standard Letters to Customer	2 days	Tue 2/5/19	Thu 2/7/19	MetLife
318	Customer Reviews Letters	10 days	Thu 2/7/19	Thu 2/21/19	State of Nebraska
319	Address any questions/feedback on letters	5 days	Thu 2/21/19	Thu 2/28/19	MetLife
320	If customization requested, Letters submitted via disability change request	5 days	Thu 2/28/19	Thu 3/7/19	MetLife
321	Disability Change Management reviews change request	10 days	Thu 3/7/19	Thu 3/21/19	MetLife

State of Nebraska
Sample Disability (STD & LTD) Implementation Schedule
Effective Date July 1, 2019

ID	Task Name	Duration	Start	Finish	Resource Group
322	If approved, Disability Change Management sends approval to Claimant Communications Team for programming	1 day	Thu 4/4/19	Fri 4/5/19	MetLife
323	Claimant Communications team provides release date(s)	10 days	Fri 4/5/19	Fri 4/19/19	MetLife
324	Final agreed upon letter samples are provided to the customer	1 day	Fri 4/19/19	Mon 4/22/19	MetLife
325	EOB / EOB Copies	14 days	Tue 3/19/19	Fri 4/5/19	
326	Determine if customer wants EOB copy suppressed	1 day	Tue 3/19/19	Tue 3/19/19	MetLife
327	Suppress EOB copy by override on EOB Distribution menu (if applicable)	1 day	Wed 3/27/19	Wed 3/27/19	MetLife
328	Email to Plan Master in addition to link answered "suppression"	1 day	Thu 3/28/19	Thu 3/28/19	MetLife
329	EOB Correspondence Distribution Set up	7 days	Thu 3/28/19	Fri 4/5/19	
330	Add additional correspondent addresses (if applicable)	7 days	Thu 3/28/19	Fri 4/5/19	MetLife
331	Customer Training	45 days	Tue 3/19/19	Mon 5/20/19	
332	Contact List	9 days	Tue 3/19/19	Fri 3/29/19	
333	Provide initial Customer Contact List	5 days	Tue 3/19/19	Mon 3/25/19	State of Nebraska
334	Determine frequency & method of ongoing updates	3 days	Tue 3/26/19	Thu 3/28/19	MetLife, State of Nebraska
335	Determine Distribution (access) within Customer Claim Team	3 days	Tue 3/26/19	Thu 3/28/19	MetLife
336	Customer Contact List provided	1 day	Fri 3/29/19	Fri 3/29/19	State of Nebraska
337	Training - Customer's HR Staff	20 days	Tue 4/23/19	Mon 5/20/19	
338	Determine Customer training needs	1 day	Tue 4/23/19	Tue 4/23/19	MetLife
339	Schedule Customer Training	3 days	Wed 4/24/19	Fri 4/26/19	MetLife
340	Develop training materials	3 days	Mon 4/29/19	Wed 5/1/19	MetLife
341	Identify training resources	3 days	Mon 4/29/19	Wed 5/1/19	MetLife
342	Customer Sign Off on Training Materials	5 days	Thu 5/2/19	Wed 5/8/19	State of Nebraska
343	Determine customer training needs, including Claim Process and MetLink Training. MetLife facilitates training for customer.	1 day	Mon 5/20/19	Mon 5/20/19	MetLife
344	E-Business and EReporting Set Up	37 days	Thu 3/28/19	Fri 5/17/19	
345	Determine Customer needs of what MetLife will be providing to the customer in terms of reporting and analysis.	15 days	Thu 3/28/19	Wed 4/17/19	MetLife
346	Set Up MetLink @ Access (Includes EReporting, Intake/Inquiry)	28.25 days	Tue 4/9/19	Fri 5/17/19	
347	Determine Customer MetLife users and access privileges	5 days	Tue 4/9/19	Tue 4/16/19	MetLife
348	Complete and Submit Customer Authorization Form	1 day	Mon 4/29/19	Mon 4/29/19	MetLife
349	Request the Customer be added to the web tables for MetLink access	1 day	Tue 4/30/19	Tue 4/30/19	MetLife
350	Complete and submit MetLink@ Features User Authorization Form	5 days	Wed 5/1/19	Tue 5/7/19	MetLife
351	Set up user access in the MetLink Admin Tool	3 days	Wed 5/8/19	Fri 5/10/19	MetLife
352	Distribute user temporary ids and passwords	5 days	Mon 5/13/19	Fri 5/17/19	MetLife
353	My Benefit Setup	20 days	Tue 4/9/19	Tue 5/7/19	
354	Confirm user authentication requirements	5 days	Tue 4/9/19	Tue 4/16/19	MetLife
355	Confirm data elements needed from eligibility file	5 days	Tue 4/16/19	Tue 4/23/19	MetLife
356	Complete and submit the MyBenefits Set Up form	1 day	Tue 4/23/19	Wed 4/24/19	MetLife
357	Set up user access in the MyBenefits Admin Tool	5 days	Wed 4/24/19	Wed 5/1/19	MetLife
358	Test the MyBenefits user experience	1 day	Wed 5/1/19	Thu 5/2/19	MetLife
359	Send confirmation email once set up is complete	1 day	Thu 5/2/19	Fri 5/3/19	MetLife
360	Demonstrate MyBenefits user experience	1 day	Fri 5/3/19	Mon 5/6/19	MetLife
361	Announce MyBenefits to employees - "Go Live"	1 day	Mon 5/6/19	Tue 5/7/19	MetLife
362	Open Enrollment / Employee Communication Materials	49 days	Tue 2/12/19	Mon 4/22/19	
363	Determine if Customer will create their own employee communications to announce change in carrier to MetLife or if MetLife materials will be leveraged. This is necessary to avoid service or legal concerns.	5 days	Tue 2/12/19	Tue 2/19/19	State of Nebraska
364	Provide sample communication materials to Customer for review	1 day	Tue 2/19/19	Wed 2/20/19	MetLife
365	Develop employee communication materials	10 days	Wed 2/20/19	Wed 3/6/19	State of Nebraska, MetLife
366	Review and provide feedback on draft communication materials	5 days	Wed 3/6/19	Wed 3/13/19	State of Nebraska, MetLife
367	Submit communication materials to Legal for approval, if applicable	1 day	Wed 3/13/19	Thu 3/14/19	MetLife
368	Legal review / approval of communication materials	10 days	Thu 3/14/19	Thu 3/28/19	MetLife
369	Finalize employee communication materials	2 days	Thu 3/28/19	Mon 4/1/19	State of Nebraska, MetLife
370	Deliver employee communication materials to Customer	15 days	Mon 4/1/19	Mon 4/22/19	State of Nebraska, MetLife
371	'GO LIVE' CLAIM PAYMENT EFFECTIVE DATE	0 days	Mon 7/1/19	Mon 7/1/19	
372	Active Management	0 days	Mon 7/1/19	Mon 7/1/19	
373	MetLife begins processing STD claims.	0 days	Mon 7/1/19	Mon 7/1/19	MetLife
374	MetLife begins processing LTD claims.	0 days	Mon 7/1/19	Mon 7/1/19	MetLife



Overall Health: Complete

#	Milestone	Product(s) Impacted	Significance	Target Completion Date	Status	Completion Date	Task Owner
1	Customer Kick Off Meeting	Disability	Introduce team, identify contacts and begin implementation tasks.	2/5/2019	Complete		State of Nebraska / MetLife
2	Establish and Execute Meeting Schedule	Disability	Review and update tasks and deliverables for all parties involved in the implementation. Address any questions or concerns.	2/5/2019	Complete		State of Nebraska / MetLife
3	Tax Remittance / Agent of Record	Disability	IRS has certain requirements around tax remittance. Determine whether MetLife will act as Agent of Record. If so, provide Agency Agreement Form(s) to the customer.	2/8/2019	Complete		State of Nebraska / MetLife
4	Eligibility File Setup	Disability	Review the standard eligibility file layout, mapping and transmission (PGP) requirements with the Customer/TPA.	2/11/2019	Complete		MetLife / TPA / State of Nebraska
5	Submit Application / Statement of Responsibility to Customer for Review	Disability	Application and Statement of Responsibility drafted by Contract Analyst and sent to the customer for review.	2/18/2019	Complete		MetLife
6	Determine Employee Communication Strategy	Disability	Determine if Customer will create their own employee communications to announce change in carrier to MetLife or if MetLife materials will be leveraged. This is necessary to avoid service or legal concerns.	2/19/2019	Complete		State of Nebraska / MetLife
7	Tax Remittance / Agent of Record	Disability	Customer signs and returns Agency Agreement Form(s) to MetLife.	2/20/2019	Complete		State of Nebraska
8	Review and Finalize Performance Guarantees	Disability	Review and finalize Performance Guarantees. Applicable to all coverages in which Performance Guarantees were sold.	3/11/2019	Complete		State of Nebraska / MetLife
9	Receive Signed Customer Application / Statement of Responsibility	Disability	Application and Statement of Responsibility signed by the customer and returned to MetLife.	3/15/2019	Complete		MetLife
10	Review and Finalize Plan Designs, Structure and Rates	Disability	Review, document and finalize the plan design, structure and rates via the Product, Rate, Services Summary (PRSS). This is needed to begin MetLife system setup. If there is an eligibility file, structure must be provided to the customer/TPA prior to the first test file being prepared and sent to MetLife.	3/27/2019	Complete		State of Nebraska / MetLife
11	Reporting	Disability	Determine Customer needs of what MetLife will be providing to the customer in terms of reporting and analysis.	4/17/2019	Complete		State of Nebraska / MetLife
12	Receive First Eligibility Test File	Disability	TPA/Customer sends test file to MetLife. Necessary to confirm successful transmission of file, system acceptance of data elements and to confirm data element mapping is correct.	4/23/2019	Complete		MetLife
13	Disability Process Review	Disability	Review MetLife standard claim / leave process. Customer confirms that they have a full understanding of the processes presented.	4/29/2019	Complete		State of Nebraska / MetLife
14	MyBenefits Set Up	Disability	Submit MetLife user request form. Set up users via MyBenefits admin tool, announce MyBenefits "go live". This allows employee access to claim and absence information and reporting information.	5/7/2019	Complete		MetLife
15	Receive Second Test Eligibility File	Disability	TPA/Customer sends test file to MetLife. Necessary to confirm successful transmission of file, system acceptance of data elements and to confirm data element mapping is correct.	5/8/2019	Complete		MetLife
16	MetLink Set Up	Disability	Submit MetLife user request form. Set up users via MetLink admin tool, distribute temp ids/passwords. This allows customer access to claim and absence information and reporting information.	5/17/2019	Complete		MetLife
17	MetLife System Setup	Disability	MetLife production systems are updated based upon Plan Design, Leave Policies, Structure and established intake and communication methods.	5/17/2019	Complete		MetLife
18	Customer Training	Disability	Determine customer training needs, including Claim Process and MetLink Training. MetLife facilitates training for the customer.	5/20/2019	Complete		MetLife
19	Submit Fully Insured Policy / Certificate(s) to Customer for Review	Disability	Fully Insured Policy drafted, Fully Insured certificates drafted, submitted to customer for review. Necessary for claims administration (appeals, litigations, etc.)	5/21/2019	Complete		MetLife
20	SPD / Leave Policy	Disability	Customer provides updated SPD's and/or applicable leave policy documentation to MetLife for claims processing.	6/8/2019	Complete		State of Nebraska
21	Final Review / Approval of Fully Insured Policy / Certificates	Disability	Customer provides final sign off on Fully Insured policy and certificate(s). This is required for claims administration (appeals, litigations, etc.)	6/20/2019	Complete		State of Nebraska
22	MetLife Claims Team Training	Disability	Unit Leader provides training to claims team to make sure they understand specific customer claims process and plan design.	6/28/2019	Complete		MetLife
23	MetLife Claims / Leave Testing	Disability	Ensures that the system is calculating Disability claims correctly and ensures Operational understanding of the plans and policies.	6/28/2019	Complete		MetLife
24	Claim Payment / Leave Administration Effective Date	Disability	MetLife begins taking new STD / LTD claims.	7/1/2019	Complete		MetLife

Legend
Complete - On schedule
Yellow - Issues exist. Behind plan.
Red - Major issues exist. Project
Blue - Not started/assigned

STD Performance Guarantees

*We will place a total of [REDACTED] of the STD Insurance premiums at risk. We will mutually agree on the allocation of the amount at risk by STD and Statement of Health categories during the implementation. Performance guarantees are based on an annual average, while data is tracked monthly.

Category	Measurement	Standard (Metric)	Amount at Risk
[REDACTED]	[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]	

Please note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

RFP 5956 Z1

Category	Measurement	Standard (Metric)	Amount at Risk
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Please note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

LTD Performance Guarantees

*We will place a total of [REDACTED] of the LTD Insurance premiums at risk. We will mutually agree on the allocation of the amount at risk by LTD and Statement of Health categories during the implementation. Performance guarantees are based on an annual average, while data is tracked monthly.

Category	Measurement	Standard (Metric)	Amount at Risk
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Please note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

RFP 5956 Z1

Category	Measurement	Standard (Metric)	Amount at Risk
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Please note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

Statement of Health Performance Guarantees

We will mutually agree on the allocation of the amount at risk by Statement of Health categories during the implementation. All categories will be measured and reported based on our overall Book of Business results, not those of the customer. Performance guarantees are based on an annual average, while data is tracked monthly.

Category	Measurement	Standard (Metric)	Amount at Risk
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Please note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

RFP 5956 Z1

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Implementation Performance Guarantee

Category	Measurement	Dollar Value
[REDACTED]	[REDACTED]	[REDACTED]

Account Management Performance Guarantee

Category	Measurement	Amount at Risk
[REDACTED]	[REDACTED]	[REDACTED]

Please note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

Per RFP 5956 Z1 instructions regarding Propriety Information, we have redacted and separately packaged the documents listed below. MetLife considers portions of the documents listed below to be confidential in nature, and/or to contain "trade secrets" within the meaning of Proprietary information, which is defined as trade secrets, academic and scientific research work which is in progress and unpublished, and other information which if released would give advantage to business competitors and serve no public purpose (see Neb. Rev. Stat. § 84-712.05(3)).

Items noted are considered company proprietary information or otherwise confidential because of the potential negative effects to the business that may be associated with disclosure of the information publicly.

Section V.A. Project Overview & Environment

Plan Design Suggestions, Flexibility and Deviations

This information constitutes proprietary commercial or financial information and information which, if disclosed, gives an advantage to competitors or bidders.

MetLife safeguards plan design suggestions, flexibility and deviations because the knowledge of such information by competitors could allow them to determine information relative to market pricing methodologies, underwriting principals that are employed, as well as internal product expense details. Having these details as a competitor allows a carrier to have an unfair advantage in competing against MetLife in the market. In addition, significant time, effort and expense have been expended to build our Disability business.

Section VI. Corporate Overview

Subcontractors

This information constitutes proprietary commercial or financial information and information which, if disclosed, gives an advantage to competitors or bidders.

This information could be valuable, as knowledge of our subcontractors could be useful to competitors in developing or improving their own Disability programs. In addition, significant time, effort and expense were expended to develop these strategic partnerships.

References and Customer Lists

This information constitutes proprietary commercial or financial information and information which, if disclosed, gives an advantage to competitors or bidders.

Competitors could use this information to solicit the decision maker at the referenced company in order to win/acquire the Disability business, to the detriment of MetLife.

Section 8. Exhibits

Performance Metrics and Guarantees

Please note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

RFP 5953 Z1

This information constitutes proprietary commercial or financial information and information which, if disclosed, gives an advantage to competitors or bidders.

The performance metrics and guarantee details are a key driver of quality and efficiency affecting the value that group customers realize when they purchase MetLife's Disability products. They provide underwriting impact which affects pricing as well as expense management. If competitors acquire such knowledge about a carrier it allows them to mirror processes without the development costs and could give them a competitive advantage in pricing.

Please note: Except when required otherwise by law or regulation, the information provided herein should be considered proprietary and confidential.

RFP 5953 Z1



**2017
Annual Report**



2017 Annual Report MetLife, Inc.



UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

or

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

For the transition period from to
Commission file number 001-15787

MetLife, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-4075851
(I.R.S. Employer
Identification No.)

200 Park Avenue, New York, N.Y.
(Address of principal executive offices)

10166-0188
(Zip Code)

(212) 578-9500

(Registrant's telephone number, including area code)

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

Table with 2 columns: Title of each class, Name of each exchange on which registered. Rows include Common Stock, Floating Rate Non-Cumulative Preferred Stock, 5.375% Senior Notes, and 5.25% Senior Notes.

Securities registered pursuant to Section 12(g) of the Act: Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C, par value \$0.01

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

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

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 [X] No []

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company.

See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [] Accelerated filer []
Non-accelerated filer (Do not check if a smaller reporting company) [] Smaller reporting company []
Emerging growth company []

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. []

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant at June 30, 2017 was approximately \$52.1 billion. At February 16, 2018, 1,036,642,696 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates by reference certain information from the registrant's definitive proxy statement for the Annual Meeting of Shareholders to be held on June 12, 2018, to be filed by the registrant with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the year ended December 31, 2017.

Table of Contents

	<u>Page</u>
Part I	
Item 1. Business	4
Item 1A. Risk Factors	39
Item 1B. Unresolved Staff Comments	78
Item 2. Properties	78
Item 3. Legal Proceedings	78
Item 4. Mine Safety Disclosures	78
Part II	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	79
Item 6. Selected Financial Data	82
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	85
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	190
Item 8. Financial Statements and Supplementary Data	200
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	399
Item 9A. Controls and Procedures	399
Item 9B. Other Information	403
Part III	
Item 10. Directors, Executive Officers and Corporate Governance	403
Item 11. Executive Compensation	403
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	403
Item 13. Certain Relationships and Related Transactions, and Director Independence	406
Item 14. Principal Accountant Fees and Services	407
Part IV	
Item 15. Exhibits and Financial Statement Schedules	407
Item 16. Form 10-K Summary	407
Exhibit Index	407
Signatures	416

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

Note Regarding Forward-Looking Statements

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

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of MetLife, Inc., its subsidiaries and affiliates. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife, Inc.’s filings with the U.S. Securities and Exchange Commission. These factors include: (1) adverse effects which may arise in connection with the material weaknesses in our internal control over financial reporting or our failure to promptly remediate them; (2) difficult conditions in the global capital markets; (3) increased volatility and disruption of the global capital and credit markets, which may affect our ability to meet liquidity needs and access capital, including through our credit facilities, generate fee income and market-related revenue and finance statutory reserve requirements and may require us to pledge collateral or make payments related to declines in value of specified assets, including assets supporting risks ceded to certain of our captive reinsurers or hedging arrangements associated with those risks; (4) exposure to global financial and capital market risks, including as a result of the United Kingdom’s notice of withdrawal from the European Union or other disruption in global political, security or economic conditions; (5) impact on us of comprehensive financial services regulation reform; (6) numerous rulemaking initiatives required or permitted by the Dodd-Frank Wall Street Reform and Consumer Protection Act which may impact how we conduct our business, including those compelling the liquidation of certain financial institutions; (7) regulatory, legislative or tax changes relating to our insurance, international, or other operations that may affect the cost of, or demand for, our products or services, or increase the cost or administrative burdens of providing benefits to employees; (8) adverse results or other consequences from litigation, arbitration or regulatory investigations; (9) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; (10) investment losses and defaults, and changes to investment valuations; (11) changes in assumptions related to investment valuations, deferred policy acquisition costs, deferred sales inducements, value of business acquired or goodwill; (12) impairments of goodwill and realized losses or market value impairments to illiquid assets; (13) defaults on our mortgage loans; (14) the defaults or deteriorating credit of other financial institutions that could adversely affect us; (15) economic, political, legal, currency and other risks relating to our international operations, including with respect to fluctuations of exchange rates; (16) downgrades in our claims paying ability, financial strength or credit ratings; (17) a deterioration in the experience of the closed block established in connection with the reorganization of Metropolitan Life Insurance Company; (18) availability and effectiveness of reinsurance, hedging or indemnification arrangements, as well as any default or failure of counterparties to perform; (19) differences between actual claims experience and underwriting and reserving assumptions; (20) ineffectiveness of risk management policies and procedures; (21) catastrophe losses; (22) increasing cost and limited market capacity for statutory life insurance reserve financings; (23) heightened competition, including with respect to pricing, entry of new competitors, consolidation of distributors, the development of new products by new and existing competitors, and for personnel; (24) exposure to losses related to variable annuity guarantee benefits, including from significant and sustained downturns or extreme volatility in equity markets, reduced interest rates, unanticipated policyholder behavior, mortality or longevity, and any adjustment for nonperformance risk; (25) our ability to address difficulties, unforeseen liabilities, asset impairments, or rating agency actions arising from (a) business acquisitions and integrating and managing the growth of such acquired businesses, (b) dispositions of businesses via sale, initial public offering, spin-off or otherwise, including failure to achieve projected operational benefit from such transactions and any restrictions, liabilities, losses or indemnification obligations arising from any transitional services or tax arrangements related to the separation of any business, or from the failure of such a separation to qualify for any intended tax-free treatment, (c) entry into joint ventures, or (d) legal entity reorganizations; (26) unanticipated or adverse developments that could adversely affect our achieving expected operational or other benefits from the separation of Brighthouse Financial, Inc. and its subsidiaries (“Brighthouse”); (27) our equity market exposure to Brighthouse Financial, Inc.; (28) liabilities, losses or indemnification

obligations arising from our transitional services, investment management or tax arrangements or other agreements with Brighthouse; (29) failure of the separation of Brighthouse to qualify for intended tax-free treatment; (30) legal, regulatory and other restrictions affecting MetLife, Inc.'s ability to pay dividends and repurchase common stock; (31) MetLife, Inc.'s and its subsidiary holding companies' primary reliance, as holding companies, on dividends from subsidiaries to meet free cash flow targets and debt payment obligations and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends; (32) the possibility that MetLife, Inc.'s Board of Directors may influence the outcome of stockholder votes through the voting provisions of the MetLife Policyholder Trust; (33) changes in accounting standards, practices and/or policies; (34) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (35) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (36) difficulties in marketing and distributing products through our distribution channels; (37) provisions of laws and our incorporation documents that may delay, deter or prevent takeovers and corporate combinations involving MetLife; (38) the effects of business disruption or economic contraction due to disasters such as terrorist attacks, cyberattacks, other hostilities, or natural catastrophes, including any related impact on the value of our investment portfolio, our disaster recovery systems, cyber- or other information security systems and management continuity planning; (39) any failure to protect the confidentiality of client information; (40) the effectiveness of our programs and practices in avoiding giving our associates incentives to take excessive risks; (41) the impact of technological changes on our businesses; and (42) other risks and uncertainties described from time to time in MetLife, Inc.'s filings with the U.S. Securities and Exchange Commission.

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

Note Regarding Reliance on Statements in Our Contracts

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

Part I
Item 1. Business
Index to Business

	Page
Business Overview	<u>5</u>
Segments and Corporate & Other	<u>8</u>
Policyholder Liabilities	<u>18</u>
Underwriting and Pricing	<u>18</u>
Reinsurance Activity	<u>20</u>
Regulation	<u>22</u>
Company Ratings	<u>35</u>
Competition	<u>36</u>
Employees	<u>37</u>
Executive Officers	<u>38</u>
Trademarks	<u>39</u>
Available Information	<u>39</u>

Business Overview

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

MetLife is one of the world’s leading financial services companies, providing insurance, annuities, employee benefits and asset management. We hold leading market positions in the United States, Japan, Latin America, Asia, Europe and the Middle East.

We are also one of the largest institutional investors in the United States with a \$457 billion general account portfolio invested primarily in investment grade corporate bonds, structured finance securities, mortgage loans and U.S. Treasury and agency securities, as well as real estate and corporate equity, at December 31, 2017.

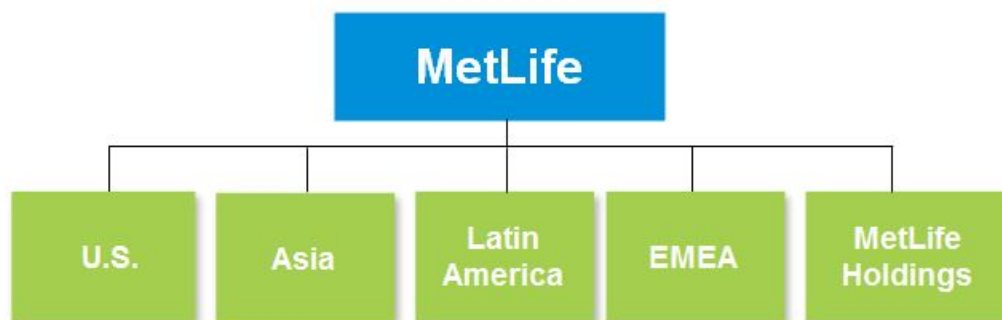
Our well-recognized brand, leading market positions, competitive and innovative product offerings and financial strength and expertise should help drive future growth and enhance shareholder value, building on a long history of fairness, honesty and integrity. Over the course of the next several years, we will pursue our refreshed enterprise strategy, focusing on transforming the Company to become more digital, driving efficiencies and innovation to achieve competitive advantage, and simplified, decreasing the costs and risks associated with our highly complex industry to customers and shareholders. One MetLife remains at the center of everything we do: collaborating, sharing best practices, and putting the enterprise first. Digital and simplified are the key enablers of our strategic cornerstones, all of which satisfy the criteria of our Accelerating Value strategic initiative by offering customers truly differentiated value propositions that allow us to establish clear competitive advantages and ultimately drive higher levels of free cash flow:



- **Optimize value and risk**
 - Focus on in-force and new business opportunities using Accelerating Value analysis
 - Optimize cash and value
 - Balance risk across MetLife

- **Drive operational excellence**
 - *Become a more efficient, high performance organization*
 - *Focus on the customer with a disciplined approach to unit cost improvement*
- **Strengthen distribution advantage**
 - *Transform our distribution channels to drive productivity and efficiency through digital enablement, improved customer persistency and deeper customer relationships*
- **Deliver the right solutions for the right customers**
 - *Use customer insights to deliver differentiated value propositions - products, services and experiences to win the right customers and earn their loyalty*

MetLife is organized into five segments: U.S.; Asia; Latin America; Europe, the Middle East and Africa (“EMEA”); and MetLife Holdings. In addition, the Company reports certain of its results of operations in Corporate & Other. See “— Segments and Corporate & Other” and Note 2 of the Notes to the Consolidated Financial Statements for further information on the Company’s segments and Corporate & Other. Management continues to evaluate the Company’s segment performance and allocated resources and may adjust related measurements in the future to better reflect segment profitability.



On August 4, 2017, MetLife, Inc. completed the separation of Brighthouse Financial, Inc. and its subsidiaries (“Brighthouse”) through a distribution of 96,776,670 shares of Brighthouse Financial, Inc. common stock to MetLife, Inc. common shareholders (the “Separation”). MetLife, Inc. retained the remaining ownership interest of 22,996,436 shares, or 19.2%, of Brighthouse Financial, Inc. common stock outstanding. The Separation resulted in the elimination of the Brighthouse Financial segment. The results of Brighthouse are reflected in the Company’s consolidated financial statements as discontinued operations and, therefore, are presented as assets and liabilities of disposed subsidiary on the consolidated balance sheets and income (loss) from discontinued operations on the consolidated statements of operations. The reporting of discontinued operations had no impact on total consolidated assets or liabilities or on total consolidated net income (loss) for any of the years presented. See Note 3 of the Notes to the Consolidated Financial Statements for further information.

In the United States, we provide a variety of insurance and financial services products, including life, dental, disability, property & casualty, guaranteed interest, stable value and annuities to both individuals and groups.

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

Revenues derived from any customer did not exceed 10% of consolidated premiums, universal life and investment-type product policy fees and other revenues for the years ended December 31, 2017, 2016 and 2015. Financial information, including revenues, expenses, adjusted earnings, and total assets by segment, as well as premiums, universal life and investment-type product policy fees and other revenues by major product groups, is provided in Note 2 of the Notes to the Consolidated Financial Statements. Adjusted revenues and adjusted earnings are performance measures that are not based on accounting principles generally accepted in the United States of America (“GAAP”). See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP and Other Financial Disclosures” for definitions of such measures.

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

Segments and Corporate & Other

U.S.

Product Overview

Our businesses in the U.S. segment offer a broad range of protection products and services aimed at serving the financial needs of our customers throughout their lives. These products are sold to corporations and their respective employees, other institutions and their respective members, as well as individuals. Our U.S. segment is organized into three businesses: Group Benefits, Retirement and Income Solutions and Property & Casualty.

Group Benefits

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

Our Group Benefits business offers life, dental, group short- and long-term disability, individual disability, accidental death and dismemberment (“AD&D”), vision and accident & health coverages, as well as prepaid legal plans. We also sell administrative services-only (“ASO”) arrangements to some employers.

Major Products

<i>Term Life Insurance</i>	Provides a guaranteed benefit upon the death of the insured for a specified time period in return for the periodic payment of premiums. Premiums may be guaranteed at a level amount for the coverage period or may be non-level and non-guaranteed. Term contracts expire without value at the end of the coverage period when the insured party is still living.
<i>Variable Life Insurance</i>	Provides insurance coverage through a contract that gives the policyholder flexibility in investment choices and, depending on the product, in premium payments and coverage amounts, with certain guarantees. Premiums and account balances can be directed by the policyholder into a variety of separate account investment options or directed to the Company’s general account. In the separate account investment options, the policyholder bears the entire risk of the investment results. With some products, by maintaining certain premium level, policyholders may have the advantage of various guarantees that may protect the death benefit from adverse investment experience.
<i>Universal Life Insurance</i>	Provides insurance coverage on the same basis as variable life, except that premiums, and the resulting accumulated balances, are allocated only to the Company’s general account. With some products, by maintaining a certain premium level, policyholders may have the advantage of various guarantees that may protect the death benefit from adverse investment experience.
<i>Dental Insurance</i>	Provides insurance and ASO arrangements that assist employees, retirees and their families in maintaining oral health while reducing out-of-pocket expenses.
<i>Disability</i>	For groups and individuals, benefits such as income replacement, payment of business overhead expenses or mortgage protection, in the event of the disability of the insured.
<i>Accident and Health Insurance</i>	Provides accident, critical illness or hospital indemnity coverage to the insured.

Retirement and Income Solutions

Our Retirement and Income Solutions business provides funding and financing solutions that help institutional customers mitigate and manage liabilities primarily associated with their qualified, nonqualified and welfare employee benefit programs using a spectrum of life and annuity-based insurance and investment products.

Major Products

<i>Stable Value Products</i>	<ul style="list-style-type: none"> • <i>General account guaranteed interest contracts</i> (“GICs”) are designed to provide stable value investment options within tax-qualified defined contribution plans by offering a fixed maturity investment with a guarantee of liquidity at contract value for participant transactions. • <i>Separate account GICs</i> are available to defined contribution plan sponsors by offering market value returns on separate account investments with a general account guarantee of liquidity at contract value. • <i>Private floating rate funding agreements</i> are generally privately-placed, unregistered investment contracts issued as general account obligations with interest credited based on the three-month London Interbank Offered Rate (“LIBOR”). These agreements are used for money market funds, securities lending cash collateral portfolios and short-term investment funds.
<i>Pension Risk Transfers</i>	<p><i>General account and separate account annuities</i> are offered in connection with defined benefit pension plans which include single premium buyouts allowing for full or partial transfers of pension liabilities.</p> <ul style="list-style-type: none"> • <i>General account annuities</i> include nonparticipating group contract benefits purchased for retired employees or active employees covered under terminating or ongoing pension plans. • <i>Separate account annuities</i> include both participating and non-participating group contract benefits. Participating contract benefits are purchased for retired, terminated, or active employees covered under active or terminated pension plans. The assets supporting the guaranteed benefits for each contract are held in a separate account, however, the Company fully guarantees all benefit payments. Non-participating contracts have economic features similar to our general account product, but offer the added protection of an insulated separate account. Under U.S. GAAP, these annuity contracts are treated as general account products.
<i>Institutional Income Annuities</i>	<p>General account contracts that are guaranteed payout annuities purchased for employees upon retirement or termination of employment. They can be life or non-life contingent non-participating contracts which do not provide for any loan or cash surrender value and, with few exceptions, do not permit future considerations.</p>
<i>Tort Settlements</i>	<ul style="list-style-type: none"> • <i>Structured settlement annuities</i> are customized annuities designed to serve as an alternative to a lump sum payment in a lawsuit initiated because of personal injury, wrongful death, or a workers’ compensation claim or other claim for damages. Surrenders are generally not allowed, although commutations are permitted in certain circumstances. Guaranteed payments consist of life contingent annuities, term certain annuities and lump sums.
<i>Capital Markets Investment Products</i>	<ul style="list-style-type: none"> • <i>Funding agreement-backed notes</i> are part of a medium term note program, under which funding agreements are issued to a special-purpose trust that issues marketable notes in U.S. dollars or foreign currencies. The proceeds of these note issuances are used to acquire a funding agreement with matching interest and maturity payment terms from Metropolitan Life Insurance Company (“MLIC”). The notes are underwritten and marketed by major investment banks’ broker-dealer operations and are sold to institutional investors. • <i>Funding agreement-backed commercial paper</i> is issued by a special purpose limited liability company which deposits the proceeds under a master funding agreement issued to it by MLIC. The commercial paper is issued in U.S. dollars or foreign currencies, receives the same short-term credit rating as MLIC and is marketed by major investment banks’ broker-dealer operations. • Through the Federal Home Loan Bank (“FHLB”) advance program, certain of our insurance subsidiaries are members of regional FHLBs and issue <i>funding agreements</i> to their respective FHLBs. Through the Federal Agricultural Mortgage Corporation (“Farmer Mac”) program, MLIC has issued funding agreements to a subsidiary of Farmer Mac.
<i>Other Products and Services</i>	<p>Specialized life insurance products and funding agreements designed specifically to provide solutions for funding postretirement benefits and company-, bank- or trust-owned life insurance used to finance nonqualified benefit programs for executives.</p>

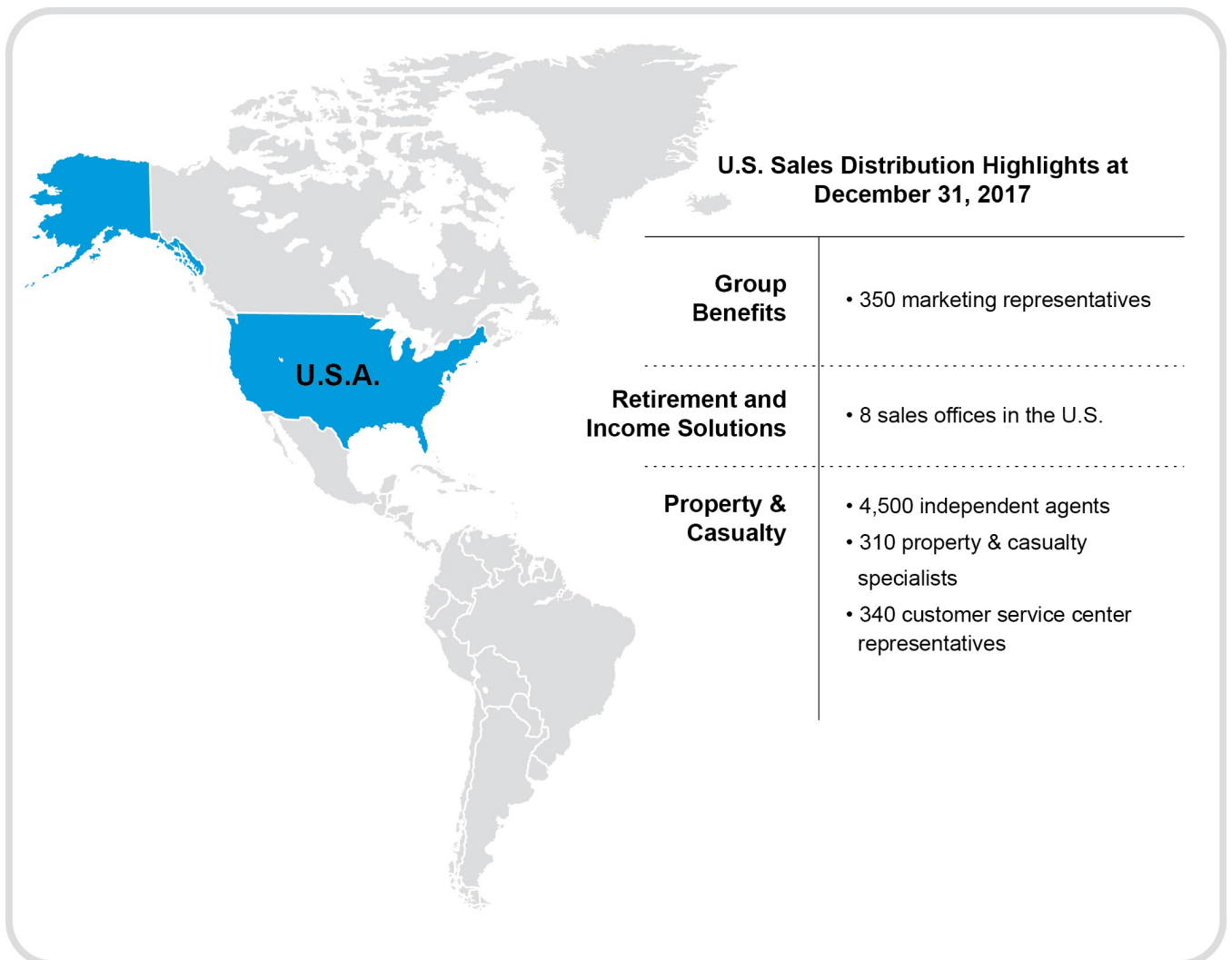
Property & Casualty

Our Property & Casualty business offers personal and commercial lines of property and casualty insurance, including private passenger automobile, homeowners' and personal excess liability insurance. In addition, we offer to small business owners property, liability and business interruption insurance.

Major Products

<i>Auto Insurance</i>	Provides coverage for private passenger automobiles, utility automobiles and vans, motorcycles, motor homes, antique or classic automobiles, trailers, liability, uninsured motorist, no fault or personal injury protection, as well as collision and comprehensive insurance.
<i>Homeowners' Insurance</i>	Provides protection for homeowners, renters, condominium owners and residential landlords against losses arising out of damage to dwellings and contents from a wide variety of perils, as well as coverage for liability arising from ownership or occupancy.
<i>Small Business Owners' Insurance</i>	Provides property, liability and business interruption insurance for small business owners arising out of damages to property and/or business interruption from a variety of perils.

Operations



Sales Distribution

In the U.S., we market our products and services through various distribution channels. Our Group Benefits and Retirement and Income Solutions products are sold via sales forces primarily comprising MetLife employees. Personal lines property & casualty insurance products are directly marketed to employees at their employer's worksite. Personal and commercial lines property & casualty insurance products are also marketed and sold to individuals and small business owners by independent agents and property & casualty specialists through a direct marketing channel.

Group Benefits Distribution

We distribute Group Benefits products and services through a sales force that is segmented by the size of the target customer. Marketing representatives sell either directly to corporate and other group customers or through an intermediary, such as a broker or consultant. In addition, voluntary products are sold by specialists. Employers have been emphasizing voluntary products and, as a result, we have increased our focus on communicating and marketing to employees in order to further foster sales of those products.

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

Retirement and Income Solutions Distribution

We distribute Retirement and Income Solutions products and services through dedicated sales teams and relationship managers. We may sell products directly to benefit plan sponsors and advisors or through brokers, consultants or other intermediaries. In addition, these sales professionals work with individual, group and global distribution areas to better reach and service customers, brokers, consultants and other intermediaries.

Property & Casualty Distribution

We market and sell Property & Casualty products through independent agents, property & casualty specialists and association/affinity organizations.

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

We also offer commercial property & casualty products through a variety of sponsored relationships, including association/affinity organizations. Marketing representatives market commercial property & casualty insurance products to small business owners through a variety of means including broker referrals and members of third party professional organizations. Once permitted by the sponsoring organization, MetLife commences marketing to small business owners, enabling them to purchase coverage directly over the internet and/or telephone.

Asia

Product Overview

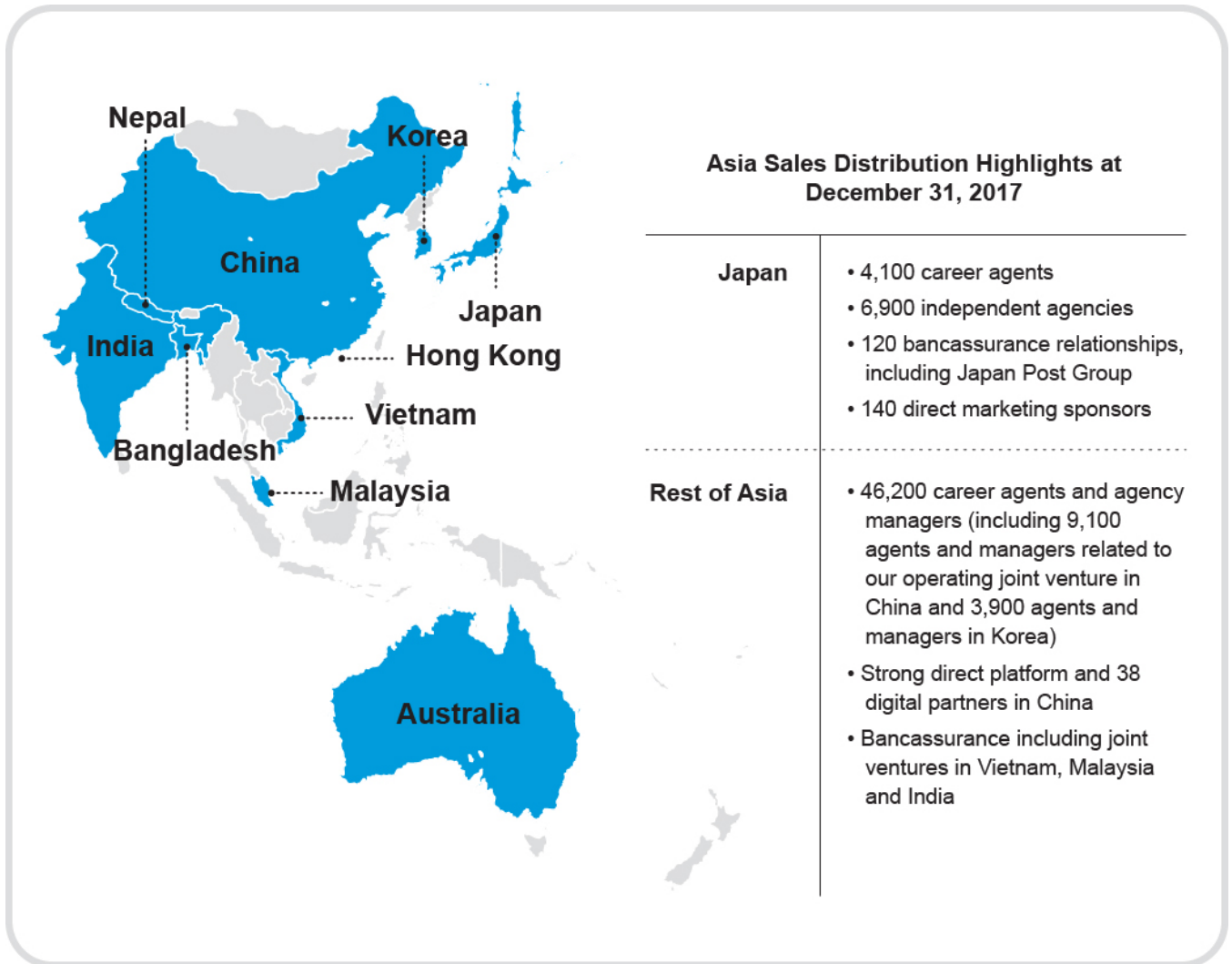
Our Asia segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees.

Major Products

<i>Life Insurance</i>	Provides whole and term life, endowments, universal and variable life, as well as group products.
<i>Accident & Health Insurance</i>	Provides a full range of health products, including hospital indemnity, medical reimbursement, critical illness policies, as well as personal accident coverage.
<i>Retirement and Savings</i>	Provides both fixed and variable annuities as well as regular savings products.

Operations

We operate in 10 jurisdictions throughout Asia, with our largest operation in Japan. We also maintain an innovation center in Singapore and a data analytics center of excellence in Malaysia.



Sales Distribution

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

Japan’s multi-channel distribution strategy consists of career agents, independent agents, bancassurance, direct marketing and brokers. While digitally-enabled face-to-face channels continue to be core to our business in Japan, other channels, including bancassurance and direct marketing, are a critical part of Japan’s distribution strategy. Our Japan operation has maintained its position in bancassurance due to its strong distribution relationship with Japan’s mega banks, trust banks and various regional banks, as well as with the Japan Post. The direct marketing channel focuses on accident and health sales using traditional television and print media, as well as a growing e-commerce operation.

Outside of Japan, our distribution strategies differ by market but generally utilize a combination of career agents, independent agents, bancassurance relationships and direct marketing (including inbound and outbound telemarketing, online lead generation and sales). Our expertise in direct marketing is supported by our proprietary data analytics center of excellence in Malaysia that generates improved customer insights and enhanced sales leads. Furthermore, in select markets, we use independent brokers and an employee sales force to sell group products.

Latin America

Product Overview

Our Latin America segment offers a broad range of products to both individuals and corporations, as well as other institutions, and their respective employees.

Major Products

<i>Life Insurance</i>	Provides universal, variable and term life products. For a description of these products, see “— U.S. — Product Overview — Group Benefits.”
<i>Retirement and Savings</i>	Provides fixed annuities and pension products. Fixed annuities provide for both asset accumulation and asset distribution needs. Deposits made into deferred annuity contracts are allocated to the Company’s general account and are credited with interest at rates we determine, subject to specified minimums. Fixed income annuities provide a guaranteed monthly income for a specified period of years and/or for the life of the annuitant. Our savings oriented pension products are offered under a mandatory privatized social security system. See Note 3 of the Notes to the Consolidated Financial Statements for information about the disposition of MetLife Afore, S.A. de C.V. (“MetLife Afore”), the Company’s pension fund management business in Mexico.
<i>Accident & Health Insurance</i>	Provides group and individual major medical, accidental, and supplemental health products, including accidental death and disability, medical reimbursement, hospital indemnity and medical coverage for serious medical conditions, as well as dental products.
<i>Credit Insurance</i>	Provides policies designed to fulfill certain loan obligations in the event of the policyholder’s death.

Operations

In Latin America, our largest operations are in Mexico and Chile.



Sales Distribution

In Latin America, we market our products and services through a multi-channel distribution strategy which varies by geographic region and stage of market development.

The region has an exclusive and captive agency distribution network which also sells a variety of individual life, accident & health, and pension products. In the direct marketing channel, we work with sponsors and telesales representatives selling mainly accident & health and individual life products directly to consumers. We currently work with active brokers with sales of group and individual life, accident & health, group medical, dental and pension products, and worksite marketing.

EMEA

Product Overview

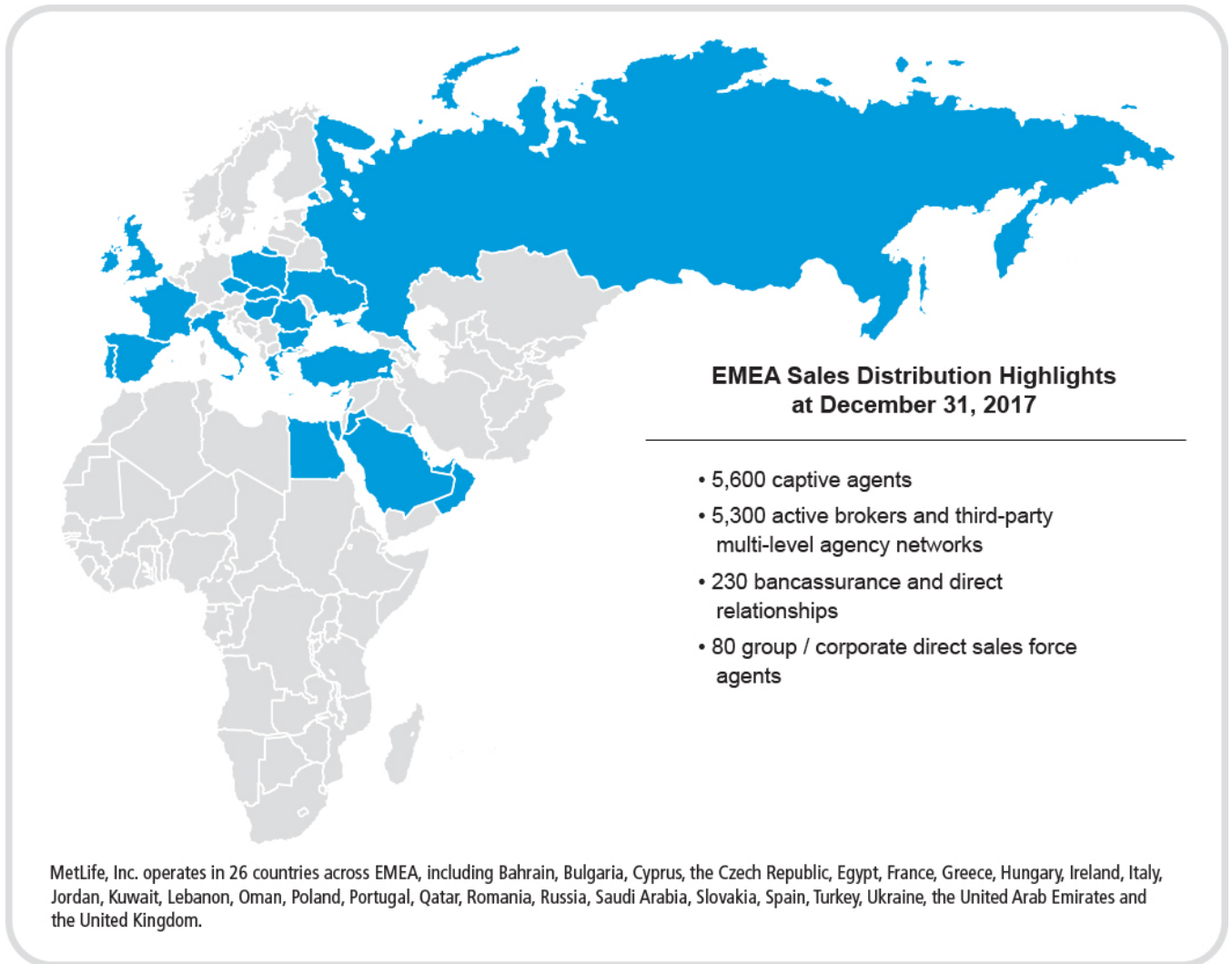
Our EMEA segment offers a broad range of products to both individuals and corporations, as well as to other institutions, and their respective employees.

Major Products

<i>Life Insurance</i>	Provides both traditional and non-traditional life insurance products, such as whole and term life, endowments and variable life products, as well as group term life programs in most markets.
<i>Accident & Health Insurance</i>	Provides individual and group personal accident and supplemental health products, including AD&D, hospital indemnity, scheduled medical reimbursement plans, and coverage for serious medical conditions. In addition, we provide individual and group major medical coverage in select markets.
<i>Retirement and Savings</i>	Provides fixed annuities and pension products, including group pension programs in select markets. In Romania, we provide through a specialized pension company a savings oriented pension product under the mandatory privatized social security system.
<i>Credit Insurance</i>	Provides policies designed to fulfill certain loan obligations in the event of the policyholder's death.

Operations

We operate in several countries across EMEA, with our largest operations in the Gulf region, Poland, United Kingdom (“U.K.”) and Turkey.



Sales Distribution

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

MetLife Holdings

Product Overview

Our MetLife Holdings segment consists of operations relating to products and businesses that we no longer actively market in the United States, such as variable, universal, term and whole life insurance, variable, fixed and index-linked annuities, long-term care insurance, as well as the assumed variable annuity guarantees from our former operating joint venture in Japan.

Major Products

<i>Variable, Universal and Term Life Insurance</i>	These life products are similar to those offered by our Group Benefits business, except that these products were historically marketed to individuals through various retail distribution channels. For a description of these products, see “— U.S. — Product Overview — Group Benefits.”
<i>Whole Life Insurance</i>	Provides a benefit upon the death of the insured in return for the periodic payment of a fixed premium over a predetermined period. Whole life insurance includes policies that provide a participation feature in the form of dividends. Policyholders may receive dividends in cash, or apply them to increase death benefits, increase cash values available upon surrender or reduce the premiums required to maintain the contract in-force.
<i>Variable Annuities</i>	Provides for both asset accumulation and asset distribution needs. Variable annuities allow the contractholder to allocate deposits into various investment options in a separate account, as determined by the contractholder. In certain variable annuity products, contractholders may also choose to allocate all or a portion of their account to the Company’s general account and are credited with interest at rates we determine, subject to specified minimums. Contractholders may also elect certain minimum death benefit and minimum living benefit guarantees for which additional fees are charged and where asset allocation restrictions may apply.
<i>Fixed and Indexed-Linked Annuities</i>	Fixed annuities provide for both asset accumulation and asset distribution needs. Deposits made into deferred annuity contracts are allocated to the Company’s general account and are credited with interest at rates we determine, subject to specified minimums. Fixed income annuities provide a guaranteed monthly income for a specified period of years and/or for the life of the annuitant. Additionally, the Company has issued indexed-linked annuities which allow the contractholder to participate in returns from equity indices.
<i>Long-term Care</i>	Provides protection against the potentially high costs of long-term health care services. Generally pay benefits to insureds who need assistance with activities of daily living or have a cognitive impairment.

Corporate & Other

Overview

Corporate & Other contains the excess capital, as well as certain charges and activities, not allocated to the segments, including external integration and disposition costs, internal resource costs for associates committed to acquisitions and dispositions, enterprise-wide strategic initiative restructuring charges and various start-up businesses (including expatriate benefits insurance and the investment management business through which the Company offers fee-based investment management services to institutional clients, as well as the direct to consumer portion of the U.S. Direct business). Corporate & Other also includes interest expense related to the majority of the Company’s outstanding debt, as well as expenses associated with certain legal proceedings and income tax audit issues. In addition, Corporate & Other includes the elimination of intersegment amounts, which generally relate to affiliated reinsurance and intersegment loans, which bear interest rates commensurate with related borrowings. As a result of the Separation, for the years ended 2016 and 2015, Corporate & Other includes corporate overhead costs previously allocated to the former Brighthouse Financial segment.

Policyholder Liabilities

We establish, and carry as liabilities, actuarially determined amounts that are calculated to meet policy obligations when a policy matures or is surrendered, an insured dies or becomes disabled or upon the occurrence of other covered events, or to provide for future annuity payments. Our liabilities for future policy benefits and claims are established based on estimates by actuaries of how much we will need to pay for future benefits and claims. For life insurance and annuity products, we calculate these liabilities based on assumptions and estimates, including estimated premiums to be received over the assumed life of the policy, the timing of the event covered by the insurance policy, the amount of benefits or claims to be paid and the investment returns on the investments we make with the premiums we receive. We establish liabilities for claims and benefits based on assumptions and estimates of losses and liabilities incurred. Amounts for actuarial liabilities are computed and reported on the consolidated financial statements in conformity with GAAP. For more details on policyholder liabilities see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Liability for Future Policy Benefits” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Policyholder Liabilities.”

Pursuant to applicable insurance laws and regulations, MetLife, Inc.’s insurance subsidiaries, including affiliated captive reinsurers, establish statutory reserves, reported as liabilities, to meet their obligations on their respective policies. These statutory reserves are established in amounts sufficient to meet policy and contract obligations, when taken together with expected future premiums and interest at assumed rates. Statutory reserves and actuarial liabilities for future policy benefits generally differ based on accounting guidance.

U.S. state insurance laws and regulations require certain MetLife entities to submit to superintendents of insurance, with each annual report, an opinion and memorandum of a qualified actuary that the statutory reserves and related actuarial amounts recorded in support of specified policies and contracts, and the assets supporting such statutory reserves and related actuarial amounts, make adequate provision for their statutory liabilities with respect to these obligations. See “— Regulation — U.S. Regulation — Insurance Regulation — Policy and Contract Reserve Adequacy Analysis.”

Insurance regulators in many of the non-U.S. jurisdictions in which we operate require certain MetLife entities to prepare a sufficiency analysis of the reserves presented in the locally required regulatory financial statements, and to submit that analysis to the regulatory authorities. See “— Regulation — International Regulation.”

Underwriting and Pricing

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

Underwriting

Underwriting generally involves an evaluation of applications by a professional staff of underwriters and actuaries, who determine the type and the amount of insurance risk that we are willing to accept. We employ detailed underwriting policies, guidelines and procedures designed to assist the underwriter to properly assess and quantify such risks before issuing policies to qualified applicants or groups.

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

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

We have established oversight of the underwriting process that facilitates quality sales and serves the needs of our customers, while supporting our financial strength and business objectives. Our goal is to achieve the underwriting, mortality and morbidity levels reflected in the assumptions in our product pricing. This is accomplished by determining and establishing underwriting policies, guidelines, philosophies and strategies that are competitive and suitable for the customer, the agent and us.

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

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

Pricing

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

Rates for group benefit products are based on anticipated earnings and expenses for the book of business being underwritten. Renewals are generally reevaluated annually or biannually and are re-priced to reflect actual experience on such products. Products offered by Retirement and Income Solutions are priced on demand. Pricing reflects expected investment returns, as well as mortality, longevity and expense assumptions appropriate for each product. This business is generally nonparticipating and illiquid, as policyholders have few or no options or contractual rights to cash values.

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

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

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

Reinsurance Activity

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

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

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

U.S.

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

- Employer sponsored captive programs: through these programs, employers buy a group life insurance policy with the condition that a portion of the risk is reinsured back to a captive insurer sponsored by the client.
- Risk-sharing agreements: through these programs, clients require that we reinsure a portion of the risk back to third parties, such as minority-owned reinsurers.
- Multinational pooling: through these agreements, employers buy many group insurance policies which are aggregated in a single insurer via reinsurance.

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

For our Property & Casualty business, we purchase reinsurance to manage our exposure to large losses (primarily catastrophe losses) and to protect statutory surplus. We cede losses and premiums based upon the exposure of the policies subject to reinsurance. To manage exposure to large property & casualty losses, we purchase property catastrophe, casualty and property per risk excess of loss reinsurance protection.

For our Retirement and Income Solutions business, we have periodically engaged in reinsurance activities on an opportunistic basis. There were no such transactions during the periods presented.

Asia, Latin America and EMEA

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

For selected large corporate clients, we reinsure group employee benefits or credit insurance business with various client-affiliated reinsurance companies, covering policies issued to the employees or customers of the clients. Additionally, we cede and assume risk with other insurance companies when either company requires a business partner with the appropriate local licensing to issue certain types of policies in certain jurisdictions. In these cases, the assuming company typically underwrites the risks, develops the products and assumes most or all of the risk.

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

MetLife Holdings

For our life products, we have historically reinsured the mortality risk primarily on an excess of retention basis or on a quota share basis. For the periods presented, we reinsured 90% of the mortality risk in excess of \$2 million for most products. In addition to reinsuring mortality risk as described above, we reinsure other risks, as well as specific coverages. Placement of reinsurance is done primarily on an automatic basis and also on a facultative basis for risks with specified characteristics. On a case by case basis, we may retain up to \$20 million per life and reinsure 100% of amounts in excess of the amount we retain. We also assume portions of the risk associated with certain whole life policies issued by a former affiliate and reinsure certain term life policies and universal life policies with secondary death benefit guarantees to such former affiliate. We evaluate our reinsurance programs routinely and may increase or decrease our retention at any time.

For our other products, we have a reinsurance agreement in-force to reinsure the living and death benefit guarantees issued in connection with certain variable annuity guarantees from our former operating joint venture in Japan. Under this agreement, we receive reinsurance fees associated with the guarantees collected from policyholders, and provide reimbursement for benefits paid or accrued in excess of account values, subject to certain limitations.

Catastrophe Coverage

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

Reinsurance Recoverables

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

Regulation

Overview

In the U.S., our life insurance companies are regulated primarily at the state level, with some products and services also subject to federal regulation. In addition, MetLife, Inc. and its U.S. insurance subsidiaries are subject to regulation under the insurance holding company laws of various U.S. jurisdictions. Furthermore, some of MetLife's operations, products and services are subject to consumer protection laws, securities, broker-dealer and investment adviser regulations, environmental and unclaimed property laws and regulations, and to the Employee Retirement Income Security Act of 1974 ("ERISA"). See "— U.S. Regulation."

Our international insurance operations are principally regulated by insurance regulatory authorities in the jurisdictions in which they are located or operate. In addition, our investment and pension companies outside of the U.S. are subject to oversight by the relevant securities, pension and other authorities of the jurisdictions in which the companies operate. Our non-U.S. insurance businesses are also subject to current and developing solvency regimes which impose various capital and other requirements. Additionally, we may be subject in the future to enhanced capital standards, supervision and additional requirements of other international and global regulatory initiatives. See "— International Regulation."

U.S. Regulation

Insurance Regulation

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

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

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

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

State and federal insurance and securities regulatory authorities and other state law enforcement agencies and attorneys general from time to time make inquiries regarding compliance by MetLife, Inc. and its insurance subsidiaries with insurance, securities and other laws and regulations regarding the conduct of our insurance and securities businesses. We cooperate with such inquiries and take corrective action when warranted. See Note 20 of the Notes to the Consolidated Financial Statements. In addition, we have informed the New York State Department of Financial Services (the “NYDFS”) about our practices in connection with the payment of pension benefits to annuitants and related matters, and the NYDFS is examining the issue. The U.S. Securities and Exchange Commission (“SEC”) staff is also investigating this matter, and several additional regulators have made inquiries into these practices, including as to related disclosures. Similarly, the SEC staff is investigating the matter relating to our calculation of certain reserves associated with variable annuity guarantees assumed from a former operating joint venture in Japan. We have also informed other regulators of this matter. We are fully cooperating with each. See “Controls and Procedures” and “Risk Factors — Risks Related to the Material Weaknesses — We Have Identified Material Weaknesses in Our Internal Control over Financial Reporting, Which Could Adversely Affect Our Business, Reputation, Results of Operations and Stock Price.”

Holding Company Regulation

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

State insurance statutes also typically place restrictions and limitations on the amount of dividends or other distributions payable by insurance company subsidiaries to their parent companies, as well as on transactions between an insurer and its affiliates. Dividends in excess of prescribed limits and transactions above a specified size between an insurer and its affiliates require the approval of the insurance regulator in the insurer’s state of domicile. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — MetLife, Inc. — Liquidity and Capital Sources — Dividends from Subsidiaries.” See also “Dividend Restrictions” in Note 15 of the Notes to the Consolidated Financial Statements for further information regarding such limitations, as well as the New York Insurance Law, which permits MLIC to pay stockholder dividends to MetLife, Inc. in any calendar year without prior insurance regulatory clearance under one of two alternative formulations.

Federal Initiatives

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

The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”) effected the most far-reaching overhaul of financial regulation in the United States in decades, including the creation of the Financial Stability Oversight Council (“FSOC”), which was given the authority to designate certain financial companies as non-bank systemically important financial institutions (“non-bank SIFI”) subject to supervision by the Federal Reserve Board and the Federal Reserve Bank of New York (collectively with the Federal Reserve Board, the “Federal Reserve”). The Trump Administration has released a memorandum that generally delayed all pending regulations from publication in the Federal Register pending their review and approval by a department or agency head appointed or designated by President Trump. Additionally, President Trump and the majority party have expressed goals to amend Dodd-Frank. On October 26, 2017, the Secretary of the Treasury issued a report on asset management and insurance that recommended activities-based evaluations of systemic risk in the insurance industry rather than an entity-based approach. The report also supported primary regulation of the U.S. insurance industry by the states rather than the federal government. On November 17, 2017, the Secretary also issued a report recommending changes to the FSOC non-bank SIFI designations, including prioritizing an activities-based approach instead of individual designations, and enhancing the analytical process, engagement, and transparency of the designation process. We are not able to predict with certainty whether such actions would have a material effect on our business operations and cannot currently identify all of the risks or opportunities, if any, that may be posed to our businesses as a result of changes to, or legislative replacements for, Dodd-Frank. See “Risk Factors — Regulatory and Legal Risks — Our Insurance, Pensions and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.” On January 23, 2018, the U.S. Court of Appeals for the District of Columbia Circuit dismissed the FSOC appeal of the district court’s decision rescinding MetLife, Inc.’s designation as a non-bank SIFI. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Other Key Information — Non-Bank SIFI.”

Dodd-Frank established the Federal Insurance Office (“FIO”) within the Department of the Treasury, which has the authority to participate in the negotiations of international insurance agreements with foreign regulators for the U.S., as well as to collect information about the insurance industry and recommend prudential standards. While not having a general supervisory or regulatory authority over the business of insurance, the director of this office performs various functions with respect to insurance, including serving as a non-voting member of the FSOC and making recommendations to the FSOC regarding insurers to be designated for more stringent regulation. On December 12, 2013, the FIO issued a report, mandated by Dodd-Frank, which, among other things, urged the states to modernize and promote greater uniformity in insurance regulation. The report also discussed potential federal solutions if states failed to modernize and improve regulation, and some of the report’s recommendations, for instance, favored a greater federal role in monitoring financial stability and identifying issues or gaps in the regulation of large national and internationally active insurers. We cannot predict with certainty whether such recommendations will be adopted or what impact they may have on us.

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

Dodd-Frank also includes provisions that may impact the investments and investment activities of MetLife, Inc. and its subsidiaries, including the federal regulation of such activities. Until the various final regulations are promulgated pursuant to Dodd-Frank, and perhaps for some time thereafter, the full impact of Dodd-Frank on such activities will remain unclear.

Health Care Regulation

The Patient Protection and Affordable Care Act (“PPACA”), signed into law on March 23, 2010, and The Health Care and Education Reconciliation Act of 2010, signed into law on March 30, 2010 (together, the “Affordable Care Act”), impose obligations on MetLife as an enterprise, and as a provider of non-medical health insurance benefits and as a purchaser of certain of these products. In 2014, we became subject to an excise tax called the “health insurer fee,” the cost of which is primarily passed on to group purchasers of certain of our dental and vision insurance products. The health insurer fee was suspended pursuant to legislation during the 2017 calendar year but is in force for the 2018 calendar year. On January 22, 2018, the health insurer fee was suspended for the 2019 calendar year. The Affordable Care Act and its related regulations have resulted in increased and unpredictable costs to provide certain products and may have additional adverse effects. See “Risk Factors — Regulatory and Legal Risks — Legislative and Regulatory Activity in Health Care and Other Employee Benefits Could Affect our Profitability as a Provider of Life Insurance, Annuities, and Non-Medical Health Insurance Benefit Products.” It has also harmed our competitive position, as the Affordable Care Act has a disparate impact on our products compared to products offered by our not-for-profit competitors. On December 22, 2017, President Trump signed into law H.R.1, commonly referred to as the Tax Cuts and Jobs Act of 2017 (“U.S. Tax Reform”) which, among other things, reduced the penalties imposed by the Affordable Care Act for failure to obtain health insurance to zero, effectively repealing the “individual mandate.” Congress has yet to develop a consensus on whether to make additional changes to the Affordable Care Act.

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

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

Guaranty Associations and Similar Arrangements

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

We have established liabilities for guaranty fund assessments that we consider adequate. See Note 20 of the Notes to the Consolidated Financial Statements for additional information on the guaranty association assessments.

Insurance Regulatory Examinations and Other Activities

As part of their regulatory oversight process, state insurance departments conduct periodic detailed examinations of the books, records, accounts, and business practices of insurers domiciled in their states. State insurance departments also have the authority to conduct examinations of non-domiciliary insurers that are licensed in their states. Except as otherwise disclosed in Note 20 of the Notes to the Consolidated Financial Statements, during the years ended December 31, 2017, 2016 and 2015, MetLife did not receive any material adverse findings resulting from state insurance department examinations of its insurance subsidiaries.

Regulatory authorities in a small number of states, Financial Industry Regulatory Authority (“FINRA”) and, occasionally, the SEC, have had investigations or inquiries relating to sales of individual life insurance policies or annuities or other products issued by MLIC, General American Life Insurance Company (“GALIC”) and MetLife Securities, Inc. (“MSI”), a broker-dealer which was part of the U.S. Retail Advisor Force Divestiture. These investigations have focused on the conduct of particular financial services representatives, the sale of unregistered or unsuitable products, the misuse of client assets, and sales and replacements of annuities and certain riders on such annuities. Over the past several years, these and a number of investigations by other regulatory authorities were resolved for monetary payments and certain other relief, including restitution payments. We may continue to receive, and may resolve, further investigations and actions on these matters in a similar manner. See Note 20 of the Notes to the Consolidated Financial Statements.

In addition, claims payment practices by insurance companies have received increased scrutiny from regulators. See Note 20 of the Notes to the Consolidated Financial Statements for further information regarding retained asset accounts and unclaimed property inquiries, including pension benefits, and related litigation and sales practices claims.

The International Association of Insurance Supervisors (“IAIS”) has encouraged U.S. insurance supervisors, such as the NYDFS, to establish Supervisory Colleges for U.S.-based insurance groups with international operations, including MetLife, to facilitate cooperation and coordination among the insurance groups’ supervisors and to enhance the member regulators’ understanding of an insurance group’s risk profile. In October 2017, a Supervisory College meeting was chaired by the NYDFS and attended by MetLife’s key U.S. and international regulators. We have not received any reports or recommendations from the Supervisory College meeting, and we do not expect any outcome of the meeting to have a material adverse effect on our business.

Policy and Contract Reserve Adequacy Analysis

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

NAIC

The NAIC’s mission is to assist state insurance regulatory authorities in serving the public interest and achieving the insurance regulatory goals of its members, the state insurance regulatory officials. State insurance regulators may act independently or adopt regulations proposed by the NAIC. State insurance regulators and the NAIC regularly re-examine existing laws and regulations applicable to insurance companies and their products. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate their regulatory oversight. The NAIC provides standardized insurance industry accounting and reporting guidance through its Accounting Practices and Procedures Manual (the “Manual”), which states have largely adopted by regulation. However, statutory accounting principles continue to be established by individual state laws, regulations and permitted practices, which may differ from the Manual. Changes to the Manual or modifications by the various state insurance departments may impact the statutory capital and surplus of MetLife, Inc.’s U.S. insurance subsidiaries.

The Model Holding Company Act and Regulation include a requirement that the ultimate controlling person of a U.S. insurer file an annual enterprise risk report with the lead state of the insurance holding company system identifying risks likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole. To date, all of the states where MetLife has domestic insurers have enacted a version of the revised Model Holding Company Act, including the enterprise risk reporting requirement. The Model Holding Company Act also authorizes state insurance commissioners to act as global group-wide supervisors for internationally active insurance groups, as well as other insurers that choose to opt in for the group-wide supervision. The Model Holding Company Act creates a selection process for the group-wide supervisor, extends confidentiality protection to communications with the group-wide supervisor, and outlines the duties of the group-wide supervisor. To date, a number of jurisdictions have adopted laws and regulations enhancing group-wide supervision.

The NAIC has concluded its “Solvency Modernization Initiative,” which was designed to review the U.S. financial regulatory system and all aspects of financial regulation affecting insurance companies. Though broad in scope, the NAIC’s Solvency Modernization Initiative focused on: (i) capital requirements; (ii) corporate governance and risk management; (iii) group supervision; (iv) statutory accounting and financial reporting; and (v) reinsurance. In furtherance of this initiative, the NAIC adopted the Corporate Governance Annual Disclosure Model Act and Regulation. The model, which requires insurers to make an annual confidential filing regarding their corporate governance policies, has been adopted in nineteen states as of January 2018, including certain of our insurance subsidiaries’ domiciliary states. In addition, the NAIC adopted the Risk Management and Own Risk and Solvency Assessment Model Act (“ORSA Model Act”), which has been enacted by our insurance subsidiaries’ domiciliary states. The ORSA Model Act requires that insurers maintain a risk management framework and conduct an internal own risk and solvency assessment of the insurer’s material risks in normal and stressed environments. The assessment must be documented in a confidential annual summary report, a copy of which must be made available to regulators as required or upon request. MetLife, Inc. has submitted on behalf of the enterprise an Own Risk and Solvency Assessment (“ORSA”) summary report to the NYDFS annually since this requirement became effective.

The NAIC has approved a new valuation manual containing a principle-based approach to the calculation of life insurance reserves. Principle-based reserving is designed to better address reserving for products, including the current generation of products for which the current formulaic basis for reserve determination does not work effectively. The principle-based approach became effective on January 1, 2017 in the states where it had been adopted, to be followed by a three-year phase-in period (at the option of insurance companies on a product-by-product basis) for new business since it was enacted into law by the required number of state legislatures. To date, principle-based reserving has been adopted by all of the states where our insurance subsidiaries are domiciled, except in New York where the NYDFS has publicly stated its intention to implement this approach, subject to a working group of the NYDFS establishing the necessary reserves safeguards and the adoption of enabling legislation by the New York legislature, which is currently pending.

In 2015, the NAIC commenced an initiative to study variable annuity solvency regulations, with the goal of curtailing the use of variable annuity captives. In connection with this initiative, the NAIC engaged a third-party consultant to develop recommendations regarding reserve and capital requirements, which the NAIC exposed for comment on December 1, 2017. The NAIC is expected to consider the recommendations, which, if adopted, likely would apply to insurers’ existing and new business and likely would materially change the sensitivity of the balance sheet (including reserve and capital requirements) to capital markets. It is not possible to predict whether the amount of reserves or capital required to support our variable annuity contracts would increase or decrease if the NAIC adopts any new model laws, regulations and/or other standards applicable to variable annuity business after considering such recommendations, nor is it possible to predict the extent to which any such recommendations would affect the effectiveness and design of our risk mitigation and hedging programs. Furthermore, no assurances can be given to whether any such model laws, regulations and/or other standards will be adopted or to the timing of any such adoption.

In August of 2017, the NAIC released a paper on macro-prudential initiatives, in which they proposed potential enhancements in supervisory practices related to liquidity, recovery and resolution, capital stress testing and exposure concentrations. We expect the NAIC to further develop these proposed enhancements during 2018.

We currently utilize capital markets solutions to finance a portion of our statutory reserve requirements for several products, including, but not limited to, our level premium term life subject to the NAIC Model Regulation Valuation of Life Insurance Policies (commonly referred to as XXX), and universal and variable life policies with secondary guarantees (“ULSG”) subject to NAIC Actuarial Guideline 38 (commonly referred to as AXXX), as well as MLIC’s closed block. Future capacity for these statutory reserve funding structures in the marketplace is not guaranteed. In 2014, the NAIC approved a new regulatory framework applicable to the use of captive insurers in connection with Regulation XXX and Guideline AXXX transactions. Among other things, the framework called for more disclosure of an insurer’s use of captives in its statutory financial statements, and narrows the types of assets permitted to back statutory reserves that are required to support the insurer’s future obligations. In 2014, the NAIC implemented the framework through an actuarial guideline (“AG 48”), which requires the actuary of the ceding insurer that opines on the insurer’s reserves to issue a qualified opinion if the framework is not followed. The requirements of AG 48 became effective as of January 1, 2015 in all states without any further action necessary by state legislatures or insurance regulators to implement them, and apply prospectively to new policies issued and new reinsurance transactions entered into on or after January 1, 2015. The NAIC has adopted an update to AG 48 and a model regulation that contains the same substantive requirements as the updated AG 48. The states have started to adopt the model regulation.

We cannot predict the capital and reserve impacts or compliance costs, if any, that may result from the above initiatives, or what impact these initiatives will have on our business, financial condition or results of operations, although since the Separation, principle-based reserving and the potential limitations on the use of variable annuity captives have less of an impact, given our discontinuance of retail life sales.

Surplus and Capital; Risk-Based Capital

Insurers are required to maintain their capital and surplus at or above minimum levels prescribed by the laws of their respective jurisdictions. Regulators have discretionary authority, in connection with the continued licensing of our U.S. insurance subsidiaries, to limit or prohibit an insurer’s sales to policyholders if, in their judgment, the regulators determine that such insurer has not maintained the minimum surplus or capital or that the further transaction of business will be hazardous to policyholders. Most of our U.S. insurance subsidiaries are subject to risk-based capital (“RBC”) requirements that were developed by the NAIC and adopted by their respective states of domicile. RBC is based on a formula calculated by applying factors to various asset, premium, claim, expense and statutory reserve items. The formula takes into account the risk characteristics of the insurer and is calculated on an annual basis. The major categories of risk involved are asset risk, insurance risk, interest rate risk, market risk and business risk. The formula is used as an early warning regulatory tool to identify possible inadequately capitalized insurers for purposes of initiating regulatory action, and not as a means to rank insurers generally. State insurance laws provide insurance regulators the authority to require various actions by, or take various actions against, insurers whose total adjusted capital does not meet or exceed certain RBC levels. As of the date of the most recent annual statutory financial statements filed with insurance regulators, the total adjusted capital of each of our subsidiaries subject to these requirements was in excess of each of those RBC levels. See “Statutory Equity and Income” in Note 15 of the Notes to the Consolidated Financial Statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Capital — Statutory Capital and Dividends.” The NAIC is also studying RBC adjustments for bonds, real estate, equity and collateral pledged to support FHLB advances, as well as longevity risk. It is premature to project the impact of any potential regulatory changes resulting from such studies. The NAIC is also studying RBC revisions for operational risk.

The NAIC has been considering development of a methodology for the calculation of capital for all the entities in an insurance holding company group, including non-U.S. entities. The goal is to provide U.S. regulators with a method to aggregate the available capital and the minimum capital of each entity in a group in a way that applies to all groups regardless of their structure. The NAIC has stated that the calculation will be a regulatory tool and will not constitute a requirement or standard. Nonetheless, any new group capital calculation methodology may incorporate existing risk-based capital concepts. It is not possible to predict what impact any such regulatory tool may have on our business.

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

NAIC-Based Combined RBC Ratios and Statement-Based Combined RBC Ratios were both negatively impacted by the Separation and the group annuity reserve increase. The NAIC-Based Combined RBC Ratio was in excess of 400% at both December 31, 2017 and 2016, and the Statement-Based Combined RBC Ratio was in excess of 390% and 400% at December 31, 2017 and 2016, respectively. We are not aware of any NAIC adoptions or state insurance department regulation changes that would have a material impact on the Combined RBC Ratios of our U.S. insurance subsidiaries.

Regulation of Investments

Each of our U.S. insurance subsidiaries is subject to state laws and regulations that require diversification of investment portfolios and limit the amount of investments that an insurer may have in certain asset categories, such as below investment grade fixed income securities, real estate equity, other equity investments, and derivatives. Failure to comply with these laws and regulations would cause investments exceeding regulatory limitations to be treated as non-admitted assets for purposes of measuring surplus and, in some instances, would require divestiture of such non-qualifying investments. We believe that the investments made by each of MetLife, Inc.'s U.S. insurance subsidiaries complied, in all material respects, with such regulations at December 31, 2017.

Cybersecurity Regulation

Pursuant to U.S. federal and state laws, and laws of other jurisdictions in which we operate, various government agencies have established rules protecting the privacy and security of personal information. In addition, most U.S. states and a number of jurisdictions outside the United States have enacted laws, which vary significantly from jurisdiction to jurisdiction, to safeguard the privacy and security of personal information. The area of cybersecurity has also come under increased scrutiny by insurance regulators. On March 1, 2017, New York's new cybersecurity regulation for financial services institutions, including banking and insurance entities under its jurisdiction, became effective. Among other things, this new regulation requires these entities to establish and maintain a cybersecurity program designed to protect consumers' private data. The new regulation specifically provides for: (i) controls relating to the governance framework for a cybersecurity program, including funding and staffing requirements, management oversight, and periodic reporting to senior management; (ii) risk-based minimum standards for technology systems, including access controls, for data protection; (iii) minimum standards for cyber breach responses, including an incident response plan, preservation of data to respond to such breaches, and notice to NYDFS of material events; and (iv) identification and documentation of material deficiencies, remediation plans and annual certifications of regulatory compliance to the NYDFS.

In addition, on October 24, 2017, the NAIC adopted the Insurance Data Security Model Law (the "Cybersecurity Model Law"), which establishes standards for data security and for the investigation of and notification of insurance commissioners of cybersecurity events involving unauthorized access to, or the misuse of, certain nonpublic information. The Cybersecurity Model Law now goes on to the states for adoption into state law. If adopted as state legislation, the Cybersecurity Model Law would impose significant new regulatory burdens intended to protect the confidentiality, integrity and availability of information systems.

New York Insurance Regulation 210

Insurance Regulation 210 will go into effect in New York on March 19, 2018. Insurance Regulation 210 establishes standards for the determination and any readjustment of non-guaranteed elements ("NGEs") that may vary at the insurer's discretion for life insurance policies and annuity contracts delivered or issued for delivery in New York State. Examples of NGEs include cost of insurance for life insurance policies or crediting rates for annuities. The regulation requires insurers to notify policyholders at least 60 days in advance of any adverse change in NGEs and, with respect to life insurance, to notify the NYDFS at least 120 days prior to any such changes. Additionally, the regulation requires insurers to file annually with NYDFS to inform the NYDFS of any adverse changes made in the prior year. The regulation does not permit insurers to increase profit margins for in-force policies or to adjust NGEs in order to recoup past losses.

ERISA and Fiduciary Considerations

We provide products and services to certain employee benefit plans that are subject to ERISA and the Internal Revenue Code of 1986, as amended (the "Code"). As such, our activities are subject to the restrictions imposed by ERISA and the Code, including the requirement under ERISA that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and that fiduciaries may not cause a covered plan to engage in certain prohibited transactions. The applicable provisions of ERISA and the Code are subject to enforcement by the Department of Labor ("DOL"), the Internal Revenue Service ("IRS") and the Pension Benefit Guaranty Corporation.

The prohibited transaction rules of ERISA and the Code generally restrict the provision of investment advice to ERISA plans and participants and Individual Retirement Accounts (“IRAs”) if the investment recommendation results in fees paid to an individual advisor, the firm that employs the advisor or their affiliates that vary according to the investment recommendation chosen, unless an exemption or exception is available. Similarly, without an exemption or exception, fiduciary advisors are prohibited from receiving compensation from third parties in connection with their advice. ERISA also affects certain of our in-force insurance policies and annuity contracts, as well as insurance policies and annuity contracts we may sell in the future.

The DOL issued regulations, which became for the most part applicable on June 9, 2017, that substantially expanded the definition of “investment advice” and require that an impartial or “best interests” standard be met in providing such advice, thereby broadening the circumstances under which MetLife or its representatives, in providing investment advice with respect to ERISA plans, plan participants or IRAs, could be deemed a fiduciary under ERISA or the Code. Pursuant to the final regulations, certain communications with plans, plan participants and IRA holders, including the sales of products and investment management or advisory services, could be deemed fiduciary investment advice, thus causing increased exposure to fiduciary liability if the distributor does not recommend what is in the client’s best interests. While the final regulations also provide that, to a limited extent, contracts sold and advice provided prior to the applicable date do not have to be modified to comply with the new investment advice regulations, there is a lack of clarity surrounding some of the conditions for qualifying for this limited exception. The DOL also issued amendments to certain of its prohibited transaction exemptions and issued a new exemption that applies more onerous disclosure and contract requirements to, and increases fiduciary requirements and fiduciary liability exposure in respect of, certain transactions involving ERISA plans, plan participants and IRAs. On November 27, 2017, the changes the rule made to existing prohibited transaction exemptions and contract and disclosure requirements of the new exemption (other than the impartial interest standard) were delayed until July 1, 2019 in order to give the DOL the time necessary to consider public comments made in July and September 2017, as well as a February 2017 directive from the President to analyze the rule’s impact on access to retirement information and financial advice. The rule is also being challenged in the Fifth Circuit Court of Appeals (and elsewhere), where a decision is expected during the first quarter of 2018.

Concurrent with the rule delay, on November 24, 2017 the NAIC issued an exposure draft of an expanded Suitability in Annuity Transactions Model Regulation, intended to result in the adoption of a “best interest” standard on a nationwide basis. We are working with industry trade associations to provide comments on the draft. In addition, on December 27, 2017 the NYDFS proposed revisions to Insurance Regulation 187, which not only incorporate the “best interest” standard, but also would expand the scope of the regulations to include sales of life insurance policies, as well as annuities to consumers. The NYDFS proposed revisions to Insurance Regulation 187 are open for public comment until February 25, 2018. These developments leave open the possibility of further modifications to the federal rule. In addition, Insurance Regulation 187 may result in additional requirements on insurers and agents concerning both new and in-force annuity and life insurance products. We cannot predict what other proposals may be made, what legislation or regulations may be introduced or enacted, or what impact any such legislation or regulations may have on our business, product sales, results of operations and financial condition. See “Risk Factors — Regulatory and Legal Risks — Our Insurance, Pensions and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.”

On December 14, 2017, the DOL released its semiannual regulatory agenda, which proposes revisions to Form 5500, the form used for ERISA annual reporting, proposed jointly with the IRS and the Pension Benefit Guaranty Corporation in 2016. The revisions affect employee pension and welfare benefit plans, including our ERISA plans, and require audits of information, self-directed brokerage account disclosure and additional extensive disclosure. We cannot predict the effect these proposals will have on our business, if enacted, or what other proposals may be made, what legislation may be introduced or enacted, or what impact any such legislation may have on our results of operations and financial condition.

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

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

Consumer Protection Laws

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

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

Regulation of Over-the-Counter Derivatives

Dodd-Frank includes a framework of regulation of the over-the-counter (“OTC”) derivatives markets which requires clearing of certain types of transactions currently traded OTC and which imposes additional costs, including new reporting and margin requirements, and will likely impose additional regulation on the Company, including new capital requirements. Our costs of risk mitigation are increasing under Dodd-Frank. For example, Dodd-Frank imposes requirements to pledge variation and/or initial margin (i) for “OTC-cleared” transactions (OTC derivatives that are cleared and settled through central clearing counterparties), and (ii) for “OTC-bilateral” transactions (OTC derivatives that are bilateral contracts between two counterparties); the margin requirements for OTC-cleared transactions and the variation margin requirements for OTC-bilateral derivatives are already in effect, while the initial margin requirements for OTC-bilateral transactions will likely be applicable to us in September 2020. These increased margin requirements, combined with increased capital charges for our counterparties and central clearinghouses with respect to non-cash collateral, will likely require increased holdings of cash and highly liquid securities with lower yields causing a reduction in income and less favorable pricing for OTC-cleared and OTC-bilateral transactions. Centralized clearing of certain OTC derivatives exposes us to the risk of a default by a clearing member or clearinghouse with respect to our cleared derivative transactions. We use derivatives to mitigate a wide range of risks in connection with our businesses, including the impact of increased benefit exposures from certain of our annuity products that offer guaranteed benefits. We have always been subject to the risk that hedging and other management procedures might prove ineffective in reducing the risks to which insurance policies expose us or that unanticipated policyholder behavior or mortality, combined with adverse market events, could produce economic losses beyond the scope of the risk management techniques employed. Any such losses could be increased by higher costs of writing derivatives (including customized derivatives) and the reduced availability of customized derivatives that might result from the implementation of Dodd-Frank and comparable international derivatives regulations.

Dodd-Frank also expanded the definition of “swap” and mandated the SEC and U.S. Commodity Futures Trading Commission (“CFTC”) (collectively, the “Commissions”) to study whether “stable value contracts” should be treated as swaps. Pursuant to the new definition and the Commissions’ interpretive regulations, products offered by our insurance subsidiaries other than stable value contracts might also be treated as swaps, even though we believe otherwise. Should such products become regulated as swaps, we cannot predict how the rules would be applied to them or the effect on such products’ profitability or attractiveness to our clients. Federal banking regulators have recently adopted new rules that will apply to certain qualified financial contracts, including many derivatives contracts, securities lending agreements and repurchase agreements, with certain banking institutions and certain of their affiliates. These new rules, which will begin to go into effect in 2019, will generally require the banking institutions and their applicable affiliates to include contractual provisions in their qualified financial contracts that limit or delay certain rights of their counterparties including counterparties’ default rights (such as the right to terminate the contracts or foreclose on collateral) and restrictions on assignments and transfers of credit enhancements (such as guarantees) arising in connection with the banking institution or an applicable affiliate becoming subject to a bankruptcy, insolvency, resolution or similar proceeding. To the extent that any of the derivatives, securities lending agreements or repurchase agreements that we enter into are subject to these new rules, it could limit our recovery in the event of a default and increase our counterparty risk.

Securities, Broker-Dealer and Investment Adviser Regulation

Federal and state securities laws and regulations apply to insurance products that are also “securities,” including variable annuity contracts and variable life insurance policies, as well as certain fixed interest rate or index-linked contracts with features that require them to be registered as securities (“registered fixed contracts”). As a result, some of MetLife, Inc.’s subsidiaries and their activities in offering and selling variable insurance contracts and policies are subject to extensive regulation under these securities laws.

Federal and state securities laws and regulations generally grant regulatory agencies broad rulemaking and enforcement powers, including the power to adopt new rules impacting new or existing products, regulate the issuance, sale and distribution of our products and limit or restrict the conduct of business for failure to comply with such laws and regulations. We may also be subject to similar laws and regulations in the foreign countries in which we provide investment advisory services, offer products similar to those described above, or conduct other activities.

Some of our subsidiaries are registered as investment advisers with the SEC under the Investment Advisers Act of 1940, as amended, and are also registered as investment advisers in various states, as applicable.

Some of our subsidiaries and their activities in offering and selling variable insurance products and certain fixed interest rate or index-linked contracts are subject to extensive regulation under the federal securities laws administered by the SEC. These subsidiaries issue variable annuity contracts and variable life insurance policies through separate accounts that are registered with the SEC as investment companies under the Investment Company Act of 1940 (the “Investment Company Act”). Each registered separate account is generally divided into sub-accounts, each of which invests in an underlying mutual fund which is itself a registered investment company under the Investment Company Act. In addition, the variable annuity contracts and variable life insurance policies issued by these registered separate accounts are registered with the SEC under the Securities Act of 1933 (“Securities Act”). Some of our subsidiaries also issue fixed interest rate or index-linked contracts with features that require them to be registered as securities under the Securities Act. Other subsidiaries are registered with the SEC as broker-dealers under the Securities Exchange Act of 1934 (“Exchange Act”), and are members of, and subject to regulation by, FINRA. Certain variable contract separate accounts sponsored by our subsidiaries are exempt from registration, but may be subject to other provisions of the federal securities laws. As a result of Dodd-Frank, there have been a number of changes proposed or adopted to the laws and regulations that govern the conduct of our variable and registered fixed insurance products business and the firms that distribute these products. The future impact of recently adopted revisions to laws and regulations, as well as revisions that are still in the proposal stage, on the way we conduct our business and the products we sell is unclear.

Federal and state securities regulatory authorities and FINRA from time to time make inquiries and conduct examinations regarding compliance by MetLife, Inc. and its subsidiaries with securities and other laws and regulations. We cooperate with such inquiries and examinations and take corrective action when warranted.

Environmental Considerations

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

Unclaimed Property

We are subject to the laws and regulations of states and other jurisdictions concerning identification, reporting and escheatment of unclaimed or abandoned funds, and are subject to audit and examination for compliance with these requirements. See “Controls and Procedures” and “Risk Factors — Risks Related to the Material Weaknesses — We Have Identified Material Weaknesses in Our Internal Control over Financial Reporting, Which Could Adversely Affect Our Business, Reputation, Results of Operations and Stock Price.” See also Note 20 of the Notes to the Consolidated Financial Statements.

International Regulation

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

Our international operations are exposed to increased political, legal, financial, operational and other risks. See “Risk Factors — Risks Related to Our Business — Our International Operations Face Political, Legal, Operational and Other Risks, Including Exposure to Local and Regional Economic Conditions, That Could Negatively Affect Those Operations or Our Profitability” and “Risk Factors — Regulatory and Legal Risks — Our Insurance, Pensions and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.”

On June 23, 2016, the U.K. held a referendum regarding its membership in the European Union (“EU”), resulting in a vote in favor of leaving the EU. The U.K. government triggered the withdrawal process by notifying the EU on March 29, 2017 of the U.K.’s intention to withdraw from the EU. The member withdrawal provisions in the applicable EU treaty provide that the U.K. and the EU will negotiate a withdrawal agreement during a maximum two-year period (unless such period is extended by unanimous vote of the other EU member states). In the meantime, the U.K. remains a member of the EU with unchanged rights to access the single EU market in goods and services. Our U.K. business model utilizes certain rights to operate cross-border insurance and investment operations which may be modified or eliminated as a result of the U.K. exiting the EU. Operating expenses within our businesses could increase as a result of uncertainties during the negotiation period and upon the U.K.’s withdrawal.

Other changes in the laws and regulations of jurisdictions that affect our customers and independent sales intermediaries or their operations also may affect our business relationships with them and their ability to purchase or distribute our products. Such actions may negatively affect our business in these jurisdictions.

In Chile, in September 2015, a Presidential Advisory Committee issued several recommendations to reform the pension system and on August 10, 2017, Chilean President Bachelet submitted a pension reform proposal comprised of three legislative components: (i) a 5% additional contribution from employers; (ii) a public independent entity to manage the additional funds; and (iii) legislative text that modifies pension fund administrator regulations. When President-elect Piñera assumes office in March 2018, it is unclear whether he will introduce amendments to the existing bill in Congress or submit a new proposal. Certain of these proposals, if enacted, may have a significant adverse effect on our business in Chile.

The European Insurance and Occupational Pensions Authority (“EIOPA”), along with European legislation, requires European regulators, such as the Central Bank of Ireland (“CBI”), to establish Supervisory Colleges for European Economic Area (“EEA”)-based insurance groups with significant European operations, including MetLife, to facilitate cooperation and coordination among the insurance groups’ European supervisors and to enhance the member regulators’ understanding of an insurance group’s risk profile. A November 2017 Supervisory College was chaired by the CBI and was attended by MetLife’s key European regulators. We do not expect the outcome of the meeting to have a material adverse effect on our business. The next European Supervisory College is scheduled to take place in the second half of 2018.

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

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

Solvency Regimes

Our insurance business throughout the EEA is subject to Solvency II and its implementing rules, which cover the capital adequacy, risk management and regulatory reporting for issuers and reinsurers. Solvency II codifies and harmonizes the EU insurance regulation. Capital requirements are forward-looking and based on the risk profile of each individual insurance company in order to promote comparability, transparency and competitiveness. In line with the requirements, MetLife entities calculate and report their solvency capital requirement using a standard formula prescribed by the EU Directive and further regulation by the EIOPA.

Mexico adopted a reform of its Insurance Law in February 2013. In accordance with this reform, a Solvency II-type regulatory framework became effective on January 1, 2016, which instituted changes to reserve and capital requirements and corporate governance and fostered greater transparency. In line with the requirements of the local Solvency II, insurance companies calculate and report their capital requirement using a standard formula designed by the local regulators (“CNSF”). In addition, as required, certain MetLife entities must submit annual ORSA reports to the CNSF on an ongoing basis.

In Chile, the law implementing Solvency II-like regulation continues in the studies stage. However, the Chilean insurance regulator has already issued two resolutions, one for governance and the other for risk management and control framework requirements. MetLife Chile has already implemented governance changes and risk policies to comply with these resolutions. A fifth impact study was completed and submitted in July 2017. On March 31, 2016, the local regulator issued a final regulation that requires insurance companies to implement a risk appetite framework and produce an ORSA. The first such report was submitted to the local regulator in September 2017. Even though a formal implementation date has not yet been set, it is estimated that the new solvency and supervisory regime could be in force by 2020.

In July 2015, the Superintendence of Private Insurance, the Brazilian insurance regulator (“SUSEP”), issued a regulation establishing (i) a framework for minimum capital requirements based on risk and (ii) criteria for investment activities in insurance companies. In November 2015, SUSEP issued an additional regulation requiring insurance companies operating in Brazil to adopt a formal risk management function by the end of 2016 and to implement a formal enterprise risk management framework in 2017. In December 2016, MetLife Brazil formalized the designation of a local Risk Manager in Brazil in compliance with local regulation and in 2017 completed the implementation of governance structures and risk management framework components in accordance with local regulatory requirements.

In China, the business of our joint venture (as well as the industry) has been implementing China Risk Oriented Solvency System (“C-ROSS”), a new risk-based solvency regime, which became effective on January 1, 2016. Like Solvency II, C-ROSS focuses on risk management and has three pillars (strengthen quantitative capital requirements, enhance qualitative supervision and establish a governance and market discipline process). In September 2017, the regulator announced a three-year plan aimed at improving C-ROSS rules in line with the changing market environment.

Other International and Global Regulatory Initiatives

The IAIS, an association of insurance supervisors and regulators and a member of the Financial Stability Board (“FSB”), an international entity established to coordinate, develop and promote regulatory, supervisory and other financial sector policies in the interest of financial stability, is participating in the FSB’s initiative to identify and manage systemic risk globally. Beginning in 2013, the FSB annually designated certain insurers as globally systemically important insurers (“G-SIIs”) using an assessment methodology developed and implemented by the IAIS. In November 2016, MetLife, Inc. and eight other firms were designated as G-SIIs; in November 2017, the FSB announced it would not publish a new list of G-SIIs pending further consideration in late 2018. The FSB also recommended that the IAIS continue development of an activities-based approach to assessing and managing potential systemic risk in the insurance sector.

Current standards call for additional requirements for G-SIIs, which include higher loss absorbency (“HLA”) requirements, and more intensive supervision, among other requirements. In February 2017 the IAIS confirmed that the risk-based global insurance capital standard (“ICS”) will replace basic capital requirements as the basis for a revised HLA and that work on revisions is deferred until adoption of the ICS by the IAIS in 2019. HLA implementation is to be delayed until 2022 for the 2020 group of G-SIIs. In November 2017, the IAIS announced an agreement regarding further development and implementation of the ICS, and the impact on timing of further development and implementation of HLA requirements is unclear.

All IAIS proposals would need to be implemented at the consolidated group level by legislation or regulation in each applicable jurisdiction. As MetLife, Inc. is no longer a U.S. non-bank SIFI and none of its regulators have proposed implementing the G-SII or other capital requirements, the impact on MetLife, Inc. of such global proposals is uncertain.

Japan

Our operations in Japan are subject to regulation and examination by Japan’s Financial Services Agency (“FSA”). Our operations in Japan are required to file with the FSA annual reports for each fiscal year (ending March 31) which include financial statements. These annual reports are not prepared on a U.S. GAAP basis. Similar to the U.S., Japanese law provides that insurers in Japan must maintain specified solvency standards for the protection of policyholders and to support the financial strength of licensed insurers. As of September 30, 2017, the solvency margin ratio of our Japan operations was in excess of four times the 200% solvency margin ratio that would require corrective action, as disclosed in our most recent regulatory filing in Japan. Most Japanese life insurers maintain a solvency margin ratio well in excess of the legally mandated minimum.

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

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

Company Ratings

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

Rating Stability Indicators

Rating agencies use an “outlook statement” of “positive,” “stable,” “negative” or “developing” to indicate a medium- or long-term trend in credit fundamentals which, if continued, may lead to a rating change. A rating may have a “stable” outlook to indicate that the rating is not expected to change; however, a “stable” rating does not preclude a rating agency from changing a rating at any time, without notice. Certain rating agencies assign rating modifiers such as “CreditWatch” or “under review” to indicate their opinion regarding the potential direction of a rating. These ratings modifiers are generally assigned in connection with certain events such as potential mergers, acquisitions, dispositions or material changes in a company’s results, in order for the rating agency to perform its analysis to fully determine the rating implications of the event.

Insurer Financial Strength Ratings

The following insurer financial strength ratings represent each rating agency’s opinion of MetLife, Inc.’s principal insurance subsidiaries’ ability to pay obligations under insurance policies and contracts in accordance with their terms and are not evaluations directed toward the protection of investors in MetLife, Inc.’s securities. Insurer financial strength ratings are not statements of fact nor are they recommendations to purchase, hold or sell any security, contract or policy. Each rating should be evaluated independently of any other rating.

Our insurer financial strength ratings at the date of this filing are indicated in the following table. Outlook is stable unless otherwise indicated. Additional information about financial strength ratings can be found on the websites of the respective rating agencies.

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

NR = Not rated

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

Competition

The life insurance industry remains highly competitive. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Competitive Pressures.” We believe that the competition we face is based on a number of factors, including service, product features, scale, price, financial strength, claims-paying ratings, credit ratings, e-business capabilities and name recognition. We compete globally with a large number of other insurance companies, as well as non-insurance financial services companies, such as banks, broker-dealers and asset managers, for individual consumers, employer and other group customers, as well as agents and other distributors of insurance and investment products. Some of these companies offer a broader array of products, have more competitive pricing or, with respect to other insurance companies, have higher claims paying ability ratings. In the United States and Japan, we compete with a large number of domestic and foreign-owned life insurance companies, many of which offer products in categories on which we focus. Elsewhere, we compete with the foreign insurance operations of large U.S. insurers and with global insurance groups and local companies. Many of our group insurance products are underwritten annually and, accordingly, there is a risk that group purchasers may be able to obtain more favorable terms from competitors rather than renewing coverage with us.

We believe that the continued volatility of the financial markets and its impact on the capital position of many competitors will continue to strain the competitive environment. Although the U.S. regulatory environment has improved at the federal level, the life insurance industry continues to face challenges globally and, within the U.S., at the state level. In the current environment, we believe that financial strength, technological efficiency and organizational agility are the most significant differentiators and that we are building a company that is well positioned to succeed in any environment. For example, the Company primarily distributes its products through a variety of third-party distribution channels, including banks and broker-dealers. These distribution partners are currently placing greater emphasis on the financial strength of the company whose products they sell. An increase in bank and broker-dealer consolidation activity could increase competition for access to distributors. The effects of financial market volatility may also lead to consolidation in the life insurance industry.

Competition for employees in our industry is intense, and we need to be able to attract and retain highly skilled people with knowledge of our business and industry experience to support our business. In selected global markets, we continue to undertake several initiatives to grow our career agency forces, while continuing to enhance the efficiency and production of our sales representatives. These initiatives may not succeed in attracting and retaining productive agents. See “— Segments and Corporate & Other” for information on sales distribution.

Numerous aspects of our business are subject to regulation. Legislative and other changes affecting the regulatory environment can affect our competitive position within the life insurance industry and within the broader financial services industry. See “— Regulation.”

Employees

At October 1, 2017, we had approximately 49,000 employees, calculated consistent with Regulation S-K Item 402(u) without exempting any employees under Regulation S-K Item 402(u)(4). We believe that our relations with our employees are satisfactory.

Executive Officers

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

Name	Age	Position with MetLife and Business Experience
Steven A. Kandarian	65	<ul style="list-style-type: none"> Chairman of the Board of MetLife, Inc. (January 2012-present) (Director of MetLife, Inc. since 2011) President and Chief Executive Officer (May 2011-present) of MetLife, Inc. Executive Vice President and Chief Investment Officer of MetLife, Inc. (April 2005-April 2011)
Stephen W. Gauster	47	<ul style="list-style-type: none"> Senior Vice President and Interim General Counsel of MetLife, Inc. (July 2017-present) Senior Vice President and Chief Counsel, General Corporate Section of the Law Department (January 2016-June 2017) Senior Vice President, Chief Corporate Counsel and Assistant Secretary, Assurant, Inc., an insurance company (September 2008-December 2015)
Steven J. Goulart	59	<ul style="list-style-type: none"> Executive Vice President and Chief Investment Officer of MetLife, Inc. (May 2011-present) Head of the Portfolio Management Unit as Senior Managing Director of MLIC (January 2011-April 2011) Senior Vice President and Treasurer, MetLife, Inc. (July 2009-April 2011)
John C.R. Hele	59	<ul style="list-style-type: none"> Executive Vice President and Chief Financial Officer of MetLife, Inc. (September 2012-present) Executive Vice President, Chief Financial Officer and Treasurer, Arch Capital Group Ltd., an insurance and reinsurance company (April 2009-August 2012)
Michel Khalaf	54	<ul style="list-style-type: none"> President, U.S. Business of MetLife, Inc. (July 2017-present) President, EMEA of MetLife, Inc. (November 2011-present) Executive Vice President of MLIC (January 2011-November 2011) Regional President, Middle East, Africa and South Asia, ALICO (November 2008-November 2011) (Mr. Khalaf joined MetLife as a result of the acquisition of ALICO)
Esther S. Lee	59	<ul style="list-style-type: none"> Executive Vice President and Global Chief Marketing Officer of MetLife, Inc. (January 2015-present) Senior Vice President, Brand Marketing, Advertising and Sponsorships of AT&T, Inc., a communications company (August 2011-December 2014) Senior Vice President, Brand Marketing and Advertising of AT&T, Inc. (June 2009-July 2011)
Martin J. Lippert	58	<ul style="list-style-type: none"> Executive Vice President and Head of Global Technology and Operations of MetLife, Inc. (November 2011-present) Executive Vice President and Head of Global Technology of MetLife, Inc. (September 2011-November 2011)
Ramy Tadros	42	<ul style="list-style-type: none"> Executive Vice President and Chief Risk Officer of MetLife, Inc. (September 2017-present) Management Consultant, Oliver Wyman, Inc., a consulting company (September 1997-July 2017)
Susan Podlogar	54	<ul style="list-style-type: none"> Executive Vice President and Chief Human Resources Officer of MetLife, Inc. (July 2017-present) Vice President Human Resources Global Medical Devices, Human Resources Executive Committee, Johnson & Johnson, a medical devices, pharmaceutical and consumer products company (May 2016-June 2017) Vice President Human Resources EMEA, Global Total Rewards, Human Resources Executive Committee, Johnson & Johnson (January 2015-May 2016) Vice President Human Resources Global Total Rewards, Human Resources Executive Committee, Johnson & Johnson (January 2012-May 2015)

Trademarks

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

Available Information

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

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

Item 1A. Risk Factors

Risks Related to the Material Weaknesses

We Have Identified Material Weaknesses in Our Internal Control over Financial Reporting, Which Could Adversely Affect Our Business, Reputation, Results of Operations and Stock Price

We have identified material weaknesses in MetLife, Inc.’s internal control over financial reporting related to the administrative and accounting practices of certain Retirement and Income Solutions (“RIS”) group annuity reserves, the untimely communication and escalation of issues regarding those reserves throughout the Company, and controls over the calculation of reserves relating to variable annuity guarantees assumed from a former operating joint venture in Japan and included within MetLife Holdings. Based on the material weaknesses, our management has determined that MetLife, Inc. has not maintained effective internal control over financial reporting as of December 31, 2017, and our independent registered public accounting firm, Deloitte and Touche LLP, has expressed an adverse opinion on MetLife Inc.’s internal control over financial reporting as of December 31, 2017. See “Controls and Procedures” for a discussion of MetLife Inc.’s internal control over financial reporting and the material weaknesses.

The material weaknesses, or a failure to promptly remediate them, may adversely affect our business, our reputation, our results of operations and the market price of our common stock. If we are unable to remediate the material weaknesses in a timely manner, our investors, regulators, customers and other business partners may lose confidence in our business or our financial reports, and our access to capital markets may be adversely affected. In addition, our ability to record, process, and report financial information accurately, and to prepare financial statements within the time periods specified by the rules and regulations of the SEC and other regulatory authorities, could be adversely affected, which may result in violations of applicable securities laws, state insurance laws and regulations, stock exchange listing requirements and the covenants under our debt agreements. We are also exposed to lawsuits and investigations, and we could be exposed to additional legal actions. In such actions, a governmental authority may interpret a law, regulation or accounting principle differently than we have, exposing us to different or additional risks. Legal actions against us may result in payments including damages, fines, penalties, interest and other amounts assessed or awarded by courts or regulatory authorities under applicable escheat, tax, securities, ERISA, or other laws and regulations. We could incur significant costs in connection with these actions. We have not accrued for any such liabilities.

The control deficiencies resulting in the material weaknesses, in the aggregate, if not effectively remediated could also result in misstatements of accounts or disclosures related to liabilities for certain RIS group annuity contracts or certain assumed variable annuity guarantees that would result in a material misstatement of the annual or interim consolidated financial statements that would not be prevented or detected.

We have informed the New York State Department of Financial Services (the “NYDFS”) about our practices in connection with the payment of pension benefits to annuitants and related matters, and the NYDFS is examining the issue. The SEC staff is also investigating this matter, and several additional regulators have made inquiries into these practices, including as to related disclosures. Similarly, the SEC staff is investigating the matter relating to our calculation of certain reserves associated with variable annuity guarantees assumed from the former operating joint venture in Japan. We have also informed other regulators of this matter. We are fully cooperating with each. It is possible that other jurisdictions may pursue similar investigations or inquiries. See “Controls and Procedures.”

In addition, we cannot be certain that we will not identify additional control deficiencies or material weaknesses in the future. If we identify future control deficiencies or material weaknesses, these may lead to additional adverse effects on our business, our reputation, our results of operations, and the market price of our common stock.

Economic Environment and Capital Markets-Related Risks

Difficult Conditions in the Global Capital Markets and the Economy Generally May Materially Adversely Affect Our Business and Results of Operations

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility and disruptions in financial asset classes or various markets, including global capital markets, can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities are sensitive to changing market factors. Global market factors, including interest rates, credit spreads, equity prices, derivative prices and availability, real estate markets, foreign currency exchange rates, consumer spending, business investment, government spending, the volatility and strength of the capital markets, and deflation and inflation, all affect our financial condition, as well as the volume, profitability and results of our business operations and our ability to receive dividends from our insurance subsidiaries and meet our obligations at MetLife, Inc., either directly or by virtue of their impact on the business and economic environment generally and on general levels of economic activity, employment and customer behavior specifically. Disruptions in one market or asset class can also spread to other markets or asset classes. Upheavals in the financial markets can also affect our financial condition (including our liquidity and capital levels) as a result of mismatched impacts on the value of our assets and our liabilities. While our diversified business mix and geographically diverse business operations partially mitigate these risks, correlation across regions, countries and global market factors may reduce the benefits of diversification.

At times throughout the past several years, volatile conditions have characterized financial markets, including in recent months. Significant market volatility, and government actions taken in response, may exacerbate some of the risks we face. Concerns about political, security and/or economic conditions in the U.K., Mexico and South Korea have recently contributed to global market volatility. This market volatility has affected the performance of various asset classes at various times, and it could continue. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment.” Events following the U.K.’s referendum on June 23, 2016 and the uncertainties, including foreign currency exchange risks, associated with its withdrawal from the EU, have contributed to market volatility, both in the United States and beyond. Such events and uncertainties could contribute to weakening gross domestic product (“GDP”) growth, primarily in the U.K. and Europe. The magnitude and longevity of the potential negative economic impacts would depend on the detailed agreements reached by the U.K. and EU as a result of the exit negotiations and negotiations regarding trade and other arrangements. In addition, the impact on global capital markets, the economy and MetLife of the transition occurring in the United States government and the priorities of the Trump Administration remains uncertain. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Financial and Economic Environment.” Any of these factors could have significant adverse effects on the economy and financial markets generally.

To the extent these uncertain financial market conditions persist, our revenues, reserves and net investment income, as well as the demand for certain of our products, are likely to remain under pressure. Similarly, sustained periods of low interest rates and risk asset returns could reduce income from our investment portfolio, increase our liabilities for claims and future benefits, and increase the cost of risk transfer measures such as hedging, causing our profit margins to erode as a result of reduced income from our investment portfolio and increase in insurance liabilities. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate Environment.” Also, in the event of extreme prolonged market events, such as the global credit crisis, we could incur significant capital and/or operating losses due to, among other reasons, losses incurred in our general account and as a result of the impact on us of guarantees, including increases in liabilities, capital maintenance obligations and/or collateral requirements associated with our affiliated reinsurers and other similar arrangements. Even in the absence of a market downturn, we are exposed to substantial risk of loss due to sustained periods of low market returns, low levels of U.S. interest rates, and/or heightened market volatility, which may also increase the cost and limit the availability of the hedging instruments and other protective measures we take to mitigate such risk, or increase the cost of our insurance liabilities, which could have a material adverse effect on the statutory capital and earnings of our insurance subsidiaries, as well as impair our financial strength ratings.

Following the Separation, we continue to hold a block of variable insurance products and certain other products issued through separate accounts. The account values of these products decrease as a result of declining equity markets. Lower interest rates generally increase account values in the near term, but may result in lower returns in fixed income vehicles in the future. Decreases in account values reduce certain fees generated by these products, cause the amortization of deferred policy acquisition costs (“DAC”) to accelerate, may increase the level of insurance liabilities we must carry to support such products issued with any associated guarantees and could require us to provide additional funding to our captive reinsurers.

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

Difficult conditions in the global capital markets and the economy may continue to raise the possibility of legislative, judicial, regulatory and other governmental actions. The Trump Administration has released a memorandum that generally delayed all pending regulations from publication in the Federal Register pending their review and approval by a department or agency head appointed or designated by President Trump. See “Business — Regulation — U.S. Regulation — Insurance Regulation — Federal Initiatives.” In addition, the Trump Administration is currently renegotiating certain international trade agreements with other countries, including the North American Free Trade Agreement (“NAFTA”) with Canada and Mexico. We cannot predict with certainty what other proposals may be made or what legislation or regulations may be introduced or enacted, or what impact any such legislation or regulations may have on our business, results of operations and financial condition. See “— Regulatory and Legal Risks — Our Insurance, Pensions and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth,” and “— Risks Related to Our Business — Competitive Factors May Adversely Affect Our Market Share and Profitability” below.

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

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

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

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

Our liquidity requirements may change if, among other things, we are required to return significant amounts of cash collateral on short notice under securities lending or derivatives agreements or we are required to post collateral or make payments related to declines in market value of specified counterparty credit risk. See “— Investments-Related Risks — Should the Need Arise, We May Have Difficulty Selling Certain Holdings in Our Investment Portfolio or in Our Securities Lending Program in a Timely Manner and Realizing Full Value Given Their Illiquid Nature,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Securities Lending” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity.”

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

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

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

Interest Rate Risk

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

In a low interest rate environment, we may be forced to reinvest proceeds from investments that have matured or have been prepaid or sold at lower yields, which will reduce our investment margin. Moreover, borrowers may prepay or redeem the fixed income securities and commercial, agricultural or residential mortgage loans in our investment portfolio with greater frequency in order to borrow at lower market rates, thereby exacerbating this risk. Although lowering interest crediting rates can help offset decreases in spreads on some products, our ability to lower these rates is limited to the portion of our in-force product portfolio that has adjustable interest crediting rates, and could be limited by competition or contractually guaranteed minimum rates and may not match the timing or magnitude of changes in asset yields. As a result, our spread could decrease or potentially become negative, which could have a material adverse effect on our results of operations and financial condition. See “— Risks Related to Our Business — Guarantees Within Certain of Our Products May Decrease Our Earnings, Increase the Volatility of Our Results, Result in Higher Risk Management Costs and Expose Us to Increased Counterparty Risk.”

Our expectation for future spreads is an important component in the amortization of DAC and value of business acquired (“VOBA”). Significantly lower spreads may cause us to accelerate amortization, thereby reducing net income in the affected reporting period and potentially negatively affecting our credit instrument covenants or rating agency assessment of our financial condition. In addition, during periods of declining interest rates, life insurance and annuity products may be relatively more attractive investments to consumers. This could result in increased premium payments on products with flexible premium features, repayment of policy loans and increased persistency, or a higher percentage of insurance policies remaining in-force from year to year, during a period when our new investments carry lower returns. A decline in market interest rates could also reduce our return on investments that do not support particular policy obligations. During periods of sustained lower interest rates, our reserves for policy liabilities may not be sufficient to meet future policy obligations and may need to be strengthened. Accordingly, declining and sustained lower interest rates may materially affect our results of operations, financial position, cash flows, and ability to take dividends from operating insurance companies, as well as significantly reduce our profitability. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate Environment.”

As a global insurance company, we are also affected by the monetary policies of the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”) and of central banks around the world. Actions resulting from these policies may have an impact on the pricing levels of risk-bearing investments, and may adversely impact the income we earn on our investments or the level of product sales. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment.”

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

We manage interest rate risk as part of our asset and liability management strategies, which include maintaining an investment portfolio with diversified maturities that has a weighted average duration that reflects the duration of our estimated liability cash flow profile. We also use derivatives to mitigate interest rate risk. Although we take measures to manage the economic risks of investing in a changing interest rate environment, we may not be able to mitigate the interest rate risk of our fixed income investments relative to our interest rate sensitive liabilities. In addition, asymmetrical and non-economic accounting may cause material changes to our net income and stockholders’ equity in any given period because our non-qualified derivatives are recorded at fair value through earnings, while the related hedged items either follow an accrual-based accounting model, such as insurance liabilities, or are recorded at fair value through other comprehensive income. See Note 9 of the Notes to the Consolidated Financial Statements for the primary reasons why many of the Company’s derivatives do not qualify for hedge accounting, even though they may be effective economic hedges.

Significant volatility in the markets could cause changes in the risks set forth above which, individually or in tandem, could have a material adverse effect on our results of operations, financial condition, liquidity or cash flows through realized investment losses, derivative losses, changes in insurance liabilities, impairments, increased valuation allowances, increases in reserves for future policyholder benefits, reduced net investment income and changes in unrealized gain or loss positions.

Credit Spreads

Our exposure to credit spreads primarily relates to market price volatility and cash flow variability associated with changes in such spreads. Market price volatility can make it difficult to value certain of our securities if trading becomes less frequent, as was the case, for example, during the financial crisis which commenced in 2008. In such case, valuations may include assumptions or estimates that may have significant period-to-period changes, which could have a material adverse effect on our results of operations or financial condition and may require additional reserves. If there is a resumption of significant volatility in the markets, it could cause changes in credit spreads and defaults and a lack of pricing transparency which, individually or in tandem, could have a material adverse effect on our results of operations, financial condition, liquidity or cash flows. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Investment Risks.” An increase in credit spreads relative to U.S. Treasury benchmarks can also adversely affect the cost of our borrowing should we need to access credit markets.

Equity Risk

Our primary exposure to equity risk relates to the potential for lower earnings associated with certain of our businesses where fee income is earned based upon the estimated fair value of the assets under management. Downturns and volatility in equity markets can have a material adverse effect on the revenues and investment returns from our savings and investment products and services. The retail variable annuity business in particular is highly sensitive to equity markets, and a sustained weakness or stagnation in the equity markets could decrease revenues and earnings with respect to those products. Furthermore, certain of our variable annuity products offer guaranteed benefits which increase our potential benefit exposure should equity markets decline or stagnate. We use derivatives and reinsurance to mitigate the impact of such increased potential benefit exposures.

We are also exposed to interest rate and equity risk based upon the discount rate and expected long-term rate of return assumptions associated with our pension and other postretirement benefit obligations. Sustained declines in long-term interest rates or equity returns likely would have a negative effect on the funded status of these plans.

In addition, we invest a portion of our investments in leveraged buy-out funds, hedge funds and other private equity funds. The amount and timing of net investment income from such funds tends to be uneven as a result of the performance of the underlying investments. The timing of distributions from such funds, which depends on particular events relating to the underlying investments, as well as the funds’ schedules for making distributions and their needs for cash, can be difficult to predict. As a result, the amount of net investment income from these investments can vary substantially from period to period. Significant volatility could adversely impact returns and net investment income on these alternative investment classes. In addition, the estimated fair value of such investments or other equity securities we hold may be impacted by downturns or volatility in equity markets. See “Quantitative and Qualitative Disclosures About Market Risk.” Additionally, an increase in equity markets could increase settlement payments on equity futures, which may result in increased cash outflows and increase our liquidity needs.

Real Estate Risk

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

Obligor-Related Risks

Country specific volatility due to local economic and/or political concerns may affect the performance of certain of our investments. We have exposure to such volatility, as we maintain general account investments in such countries to support our insurance operations and related policyholder liabilities in these countries and we also have exposure through our global portfolio diversification. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Financial and Economic Environment” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment — Selected Country Investments.”

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

Fixed income securities and mortgage loans represent a significant portion of our investment portfolio. We are subject to the risk that the issuers, or guarantors, of fixed income securities and mortgage loans we own may default on principal and interest payments they owe us. We are also subject to the risk that the underlying collateral within asset-backed securities, including mortgage-backed securities, may default on principal and interest payments causing an adverse change in cash flows. The occurrence of a major economic downturn, acts of corporate malfeasance, widening mortgage or credit spreads, or other events that adversely affect the issuers, guarantors or underlying collateral of these securities and mortgage loans could cause the estimated fair value of our portfolio of fixed income securities and mortgage loans and our earnings to decline and the default rate of the fixed income securities and mortgage loans in our investment portfolio to increase.

Foreign Currency Exchange Rate Risks

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

Derivatives Risk

We use the payments we receive from counterparties pursuant to derivative instruments into which we have entered to offset future changes in the fair value of our assets and liabilities and current or future changes in cash flows. We enter into a variety of derivative instruments, including options, futures, forwards, and interest rate and credit default swaps with a number of counterparties. Amounts that we expect to collect under current and future derivatives are subject to counterparty risk. Our obligations under our products are not changed by our hedging activities and we are liable for our obligations even if our derivative counterparties do not pay us. Such defaults could have a material adverse effect on our financial condition and results of operations. Substantially all of our derivatives require us to pledge or receive collateral or make payments related to any decline in the net estimated fair value of such derivatives executed through a specific broker at a clearinghouse or entered into with a specific counterparty on a bilateral basis. In addition, ratings downgrades or financial difficulties of derivative counterparties may require us to utilize additional capital with respect to the impacted businesses. Furthermore, the valuation of our derivatives could change based on changes to our valuation methodology or the discovery of errors.

Federal banking regulators have recently adopted new rules that will apply to certain qualified financial contracts, including many derivatives contracts, securities lending agreements and repurchase agreements, with certain banking institutions and certain of their affiliates. These new rules, which will be applicable beginning in 2019, will generally require the banking institutions and their applicable affiliates to include contractual provisions in their qualified financial contracts that limit or delay certain rights of their counterparties including counterparties’ default rights (such as the right to terminate the contracts or foreclose on collateral) and restrictions on assignments and transfers of credit enhancements (such as guarantees) arising in connection with the banking institution or an applicable affiliate becoming subject to a bankruptcy, insolvency, resolution or similar proceeding. To the extent that any of the derivatives, securities lending agreements or repurchase agreements that we enter into are subject to these new rules, it could increase our counterparty risk or limit our recovery in the event of a default.

Summary

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

Regulatory and Legal Risks

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

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

U.S. Regulation

Insurance Regulation

The NAIC is an organization whose mission is to assist state insurance regulatory authorities in serving the public interest and achieving the insurance regulatory goals of its members, the state insurance regulatory officials. State insurance regulators may act independently or adopt regulations proposed by the NAIC. State insurance regulators and the NAIC regularly re-examine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof, can sometimes lead to additional expense for the insurer and, thus, could have a material adverse effect on our financial condition and results of operations.

In 2015, the NAIC commenced an initiative to study variable annuity solvency regulations, with the goal of curtailing the use of variable annuity captives. In connection with this initiative, the NAIC engaged a third-party consultant to conduct two quantitative impact studies over a two-year period. The NAIC has exposed the consultant’s recommendations for comment which, if adopted, likely would apply to insurers’ existing and new business and likely would materially change the sensitivity of the balance sheet (including reserve and capital requirements) to capital markets. It is not possible to predict whether the amount of reserves or capital required to support our variable annuity contracts would increase or decrease if the NAIC adopts any new model laws, regulations and/or other standards applicable to variable annuity business after considering such recommendations, nor is it possible to predict the extent to which any such model laws, regulations and/or other standards would affect the effectiveness and design of our risk mitigation and hedging programs. Furthermore, no assurances can be given as to whether any such model laws, regulations and/or other standards will be adopted or to the timing of any such adoption.

The NAIC is also studying RBC revisions for bonds, real estate, equity and collateral pledged to support FHLB advances, as well as longevity risk. It is premature to project the impact of any potential regulatory changes resulting from such studies. The NAIC is also studying RBC revisions for operational risk.

The NAIC has modernized the calculation of life insurance reserves through the introduction of principle-based reserving, which became operative on January 1, 2017 in those states where it has been adopted, with a three-year phase-in period, at the option of insurance companies on a product-by-product basis, for new business. To date, principle-based reserving has been adopted by all of the states where our insurance subsidiaries are domiciled, except in New York where the NYDFS has publicly stated its intention to implement this approach, subject to a working group of the NYDFS establishing the necessary reserves safeguards and the adoption of enabling legislation by the New York legislature, which is currently pending. We cannot predict how principle-based reserving will impact the reserves or compliance costs, if any, of our insurance subsidiaries. See “Business — Regulation — U.S. Regulation — Insurance Regulation — NAIC.”

The NAIC has been considering development of the group capital calculation assessment tool, a methodology for the calculation of capital for all the entities in an insurance holding company group, including non-U.S. entities. The goal is to provide U.S. regulators with a method to aggregate the available capital and the minimum capital of each entity in a group in a way that applies to all groups regardless of their structure. The NAIC has stated that the calculation will be a regulatory tool and will not constitute a requirement or standard. Nonetheless, any new group capital calculation methodology may incorporate existing risk-based capital concepts. It is not possible to predict what impact any such regulatory tool may have on our business. In August of 2017, the NAIC released a paper on macro-prudential initiatives, in which it proposed potential enhancements in supervisory practices related to liquidity, recovery and resolution, capital stress testing and counterparty exposure concentrations. We expect the NAIC to develop these proposals during 2018. We cannot predict the capital and reserve impacts or compliance costs, if any, that may result from the above initiatives, or what impact these initiatives will have on our business, financial condition or results of operations.

In addition, following the reduction in the federal corporate income tax rate pursuant to U.S. Tax Reform, the NAIC may revise the methodology or factors used to calculate RBC, which is the denominator of the RBC ratio. If such potential revisions to the NAIC's RBC calculation would result in a reduction in the RBC ratio for one or more of our insurance subsidiaries below certain prescribed levels, we may be required to hold additional capital in such subsidiary or subsidiaries. Although we do not expect that such potential revisions would impact our current dividend or capital plans, any increase in the amount of capital our insurance subsidiaries are required to hold could reduce the amount of dividends such subsidiaries are able to distribute to MetLife, Inc. Any reduction in the RBC ratios of our insurance subsidiaries could adversely affect their financial strength ratings. For more information regarding U.S. Tax Reform, see “— U.S. Tax Reform Could Have an Impact on Us” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Overview — U.S. Tax Reform.”

U.S. Federal Regulation Affecting Insurance

Currently, the business of insurance is primarily regulated at the state level. However, Dodd-Frank established the FIO within the Department of the Treasury, which has the authority to participate in the negotiations of international insurance agreements with foreign regulators for the U.S., as well as to collect information about the insurance industry and recommend prudential standards. On December 12, 2013, the FIO issued a report, mandated by Dodd-Frank, which, among other things, urged the states to modernize and promote greater uniformity in insurance regulation. The report raised the possibility of a greater role for the federal government if states do not achieve greater uniformity in their laws and regulations. We cannot predict with certainty whether any such legislation or regulatory changes will be adopted, or what impact they will have on our business, financial condition or results of operations. Dodd-Frank also created the FSOC, which has the authority to designate certain financial companies as non-bank SIFIs subject to Federal Reserve supervision. On January 23, 2018, the United States District Court of Appeals for the District of Columbia dismissed the FSOC's appeal of the D.C. Circuit Court's March 30, 2016 decision that rescinded the FSOC's designation of MetLife, Inc. as a non-bank SIFI. There can be no assurance that the FSOC will not seek to again designate MetLife, Inc. as a non-bank SIFI subject to regulation that could materially and adversely affect our business and competitive position, such as RBC requirements and leverage limits, liquidity requirements, overall risk management requirements, resolution plan and credit exposure requirements, concentration limits, and other requirements. See “Business — Regulation — U.S. Regulation — Insurance Regulation — Federal Initiatives.”

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

ERISA and Fiduciary Considerations

We provide products and services to certain employee benefit plans that are subject to ERISA and the Code. As such, our activities are subject to the restrictions imposed by ERISA and the Code, including the requirement under ERISA that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and those fiduciaries may not cause a covered plan to engage in certain prohibited transactions. The prohibited transaction rules of ERISA and the Code generally restrict the provision of investment advice to ERISA plans and participants and IRAs if the investment recommendation results in fees paid to the individual advisor, the firm that employs the advisor or their affiliates that vary according to the investment recommendation chosen, unless an exemption or exception is available. Similarly, without an exemption or exception, fiduciary advisors are prohibited from receiving compensation from third parties in connection with their advice. ERISA also affects certain of our in-force insurance policies and annuity contracts, as well as insurance policies and annuity contracts we may sell in the future.

The DOL issued new regulations, which became for the most part applicable on June 9, 2017, that substantially expanded the definition of “investment advice” and require that an impartial or “best interests” standard be met in providing such advice, thereby broadening the circumstances under which MetLife or its representatives, in providing investment advice with respect to ERISA plans, plan participants or IRAs, could be deemed a fiduciary under ERISA or the Code. Pursuant to the final regulations, certain communications with plans, plan participants and IRA holders, including the sales of products, and investment management or advisory services, could be deemed fiduciary investment advice, thus causing increased exposure to fiduciary liability if the distributor does not recommend what is in the client’s best interests. While the final regulations also provide that, to a limited extent, contracts sold and advice provided prior to the applicable date do not have to be modified to comply with the new investment advice regulations, there is lack of clarity surrounding some of the conditions for qualifying for this limited exception. There can be no assurance that the DOL will agree with our interpretation of the provisions of the new regulations, in which case the DOL and IRS could assess significant penalties against a portion of products sold prior to the applicable date. The assessment of such penalties could also trigger substantial litigation risk. Any such penalties and related litigation could adversely affect our results of operations and financial condition.

The DOL also issued amendments to certain of its prohibited transaction exemptions, and issued a new exemption that applies more onerous disclosure and contract requirements to, and increases fiduciary requirements and fiduciary liability exposure in respect of, certain transactions involving ERISA plans, plan participants and IRAs. On November 27, 2017, the changes the rule made to existing prohibited transaction exemptions and contract and disclosure requirements of the new exemption (other than the impartial interest standard) were delayed until July 1, 2019, in order to give the DOL the time necessary to consider public comments made in July and September 2017, as well as a February 2017 directive from the President to analyze the rule’s impact to access to retirement information and financial advice. The rule is also being challenged in the Fifth Circuit Court of Appeals (and elsewhere), where a decision is expected during the first quarter of 2018.

Concurrent with the rule delay, on November 24, 2017 the NAIC issued an exposure draft of an expanded Suitability in Annuity Transactions Model Regulation, intended to result in the adoption of a “best interest” standard on a nationwide basis. We are working with industry trade groups to provide comments to this draft. In addition, on December 27, 2017 the NYDFS proposed revisions to Insurance Regulation 187, which not only incorporate the “best interest” standard, but also would expand the scope of the regulations to include sales of life insurance policies and annuities to consumers. The NYDFS proposed revisions to Regulation 187 are open for public comment until February 25, 2018. These developments leave open the possibility of further modifications to the federal rule. In addition, Insurance Regulation 187 may result in additional requirements on insurers and agents concerning both new and in-force annuity and life insurance products. We cannot predict what other proposals may be made, what legislation or regulations may be introduced or enacted, or what impact any such legislation or regulations may have on our business, product sales, results of operations and financial condition.

While we continue to analyze the impact of the final regulations on our business, we believe they could have an adverse effect in their present form on sales of annuity products to ERISA qualified plans through our independent distribution partners. Under the new regulations, advisors (including independent distributors) who sell fixed index-linked annuities to IRAs, IRA rollovers or 401(k) plans are deemed to be fiduciaries and are prohibited from receiving compensation unless they comply with a prohibited transaction exemption. The exemption requires advisors to comply with impartial conduct standards and may require us to exercise additional oversight of the sales process. Compliance with the prohibited transaction exemption will likely result in increased regulatory burdens on us and our independent distribution partners, changes to our compensation practices and product offerings and increased litigation risk, which could adversely affect our results of operations and financial condition. See “Business — Regulation — U.S. Regulation — ERISA and Fiduciary Considerations.”

There remains uncertainty over whether the regulations will be substantially modified or repealed. Application of a portion of the rules on June 9, 2017 and an additional 18-month delay on the remaining components, in light of the overall reconsideration of the rules requested by President Trump, could create confusion among our distribution partners which could negatively impact product sales. We cannot predict what other proposals may be made, what legislation may be introduced or enacted, or what impact any such legislation may have on our business, results of operations and financial condition.

International Regulation

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

Solvency Regimes

Certain of our businesses are subject to Solvency II, which became effective on January 1, 2016 in the EEA and covers the capital adequacy, risk management and regulatory reporting for issuers and reinsurers, and are subject to Solvency II-like frameworks in Mexico and China, with other similar solvency standards under development in other markets such as Brazil and Chile. See “Business — Regulation — International Regulation — Solvency Regimes.” As requirements are finalized by the regulators, capital requirements might be impacted in a number of jurisdictions. In addition, our legal entity structure throughout Europe may impact our capital requirements, risk management infrastructure and reporting by country.

Other International and Global Regulatory Initiatives

In the wake of the financial crisis, national and international authorities have proposed measures intended to increase the intensity of regulation of large financial institutions, requiring greater coordination among regulators and efforts to harmonize regulatory regimes. There can be no assurance that MetLife will not in the future be subject to enhanced capital standards, supervision and additional requirements, such as G-SII requirements or other group capital standards or insurer capital standards outside of the U.S. See “Business — Regulation — International Regulation — Other International and Global Regulatory Initiatives.”

General

From time to time, regulators raise issues during examinations or audits of MetLife, Inc.’s regulated subsidiaries that could, if determined adversely, have a material impact on us. In addition, the interpretations of regulations by regulators may change and statutes may be enacted with retroactive impact, particularly in areas such as accounting or statutory reserve requirements. Further, a particular regulator or other governmental authority may interpret a law, regulation or accounting principle differently than we have, exposing us to different or additional risks. Compliance with applicable laws and regulations, including regulatory and securities filings requirements, is time consuming and personnel-intensive, and changes in these laws and regulations may materially increase our direct and indirect compliance and other expenses of doing business. Additionally, any failure to strictly comply with regulatory or securities filing requirements, or any other legal or regulatory requirements, could harm our reputation or result in regulatory sanctions or legal claims. Changes to or failure to comply with applicable laws and regulations could thus have a material adverse effect on our financial condition and results of operations.

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

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

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

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

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

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

Changes in U.S. Federal, State Securities and State Insurance Laws and Regulations May Affect Our Operations and Our Profitability

Federal and state securities laws and regulations apply to insurance products that are also "securities," including variable annuity contracts and variable life insurance policies, as well as certain fixed interest rate or index-linked contracts with features that require them to be registered as securities ("registered fixed contracts"). As a result, some of MetLife, Inc.'s subsidiaries and their activities in offering and selling variable insurance contracts and policies are subject to extensive regulation under these securities laws.

Federal and state securities laws and regulations are primarily intended to ensure the integrity of the financial markets and to protect investors in the securities markets, and to protect investment advisory or brokerage clients. These laws and regulations generally grant regulatory agencies broad rulemaking and enforcement powers, including the power to adopt new rules impacting new and/or existing products, regulate the issuance, sales and distribution of our products and limit or restrict the conduct of business for failure to comply with the securities laws and regulations.

As a result of Dodd-Frank, there have been a number of changes proposed or adopted to the laws and regulations that govern the conduct of our variable and registered fixed insurance products business and the firms that distribute these products. The future impact of recently adopted revisions to laws and regulations, as well as revisions that are still in the proposal stage, on the way we conduct our business and the products we sell is unclear. Such impact could adversely affect our operations and profitability, including increasing the regulatory and compliance burden upon us, resulting in increased costs, or limiting the type, amount or structure of compensation arrangements into which we may enter with certain of our employees, negatively impacting our ability to compete with other companies in recruiting and maintaining key personnel. See “Business — Regulation — U.S. Regulation — ERISA and Fiduciary Considerations” and “Business — Regulation — U.S. Regulation — Securities, Broker-Dealer and Investment Adviser Regulation.” However, following the change of Administration, we cannot predict with certainty whether any such proposals will be adopted, or what impact adopted revisions will have on our business, financial condition or results of operations. See “— Our Insurance, Pensions and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth” for information regarding the Trump Administration’s expressed goals to amend Dodd-Frank. We also may be subject to similar laws and regulations in the foreign countries in which we offer products or conduct other activities similar to those described above. See “Business — Regulation — International Regulation.”

The global financial crisis has led to significant changes in economic and financial markets that have, in turn, led to a dynamic competitive landscape for variable and registered fixed product issuers. Our ability to react to rapidly changing market and economic conditions will depend on the continued efficacy of provisions we have incorporated into our product design allowing frequent and contemporaneous revisions of key pricing elements and our ability to work collaboratively with federal securities regulators. Changes in regulatory approval processes, rules and other dynamics in the regulatory process could adversely impact our ability to react to such changing conditions.

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

Changes in domestic or foreign tax laws or interpretations of such laws could increase our corporate taxes and reduce our earnings. Global budget deficits make it likely that governments’ need for additional offsetting revenue will result in future tax proposals that will increase our effective tax rate or have product implications. However, it remains difficult to predict the timing and effect that future tax law changes could have on our earnings both in the U.S. and in foreign jurisdictions. Such changes could not only directly impact our corporate taxes but also could adversely impact our products (both life insurance and retirement plans) by making some of our products less attractive to consumers. A shift away from life insurance and annuity contracts and other tax-deferred products by our customers would reduce our income from sales of these products, as well as the asset base upon which we earn investment income and fees, thereby reducing our earnings and potentially affecting the value of our deferred tax assets.

On December 22, 2017, U.S. Tax Reform was signed into law. See “— U.S. Tax Reform Could Have an Impact on Us” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Overview — U.S. Tax Reform.”

U.S. Tax Reform Could Have an Impact on Us

U.S. Tax Reform includes numerous changes in tax law, including a permanent reduction in the federal corporate income tax rate from 35% to 21%, which took effect for taxable years beginning on or after January 1, 2018, and a participation exemption system which generally eliminates U.S. federal income tax on dividends received from foreign subsidiaries. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Overview — U.S. Tax Reform.”

The overall effect of U.S. Tax Reform may be positive for MetLife. However, U.S. Tax Reform also includes particular changes that may not be positive for MetLife, including changes to the amortization periods for deferred acquisition costs, the computation of insurance tax reserves, deductibility of certain corporate expenses, two new international revenue-raising provisions, and rules relating to the dividends received deduction. In addition, U.S. Tax Reform contains provisions whose meaning is subject to differing interpretations, and future guidance may differ adversely from our current interpretation.

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

We face a significant risk of litigation and regulatory investigations and actions in the ordinary course of operating our businesses, including the risk of class action lawsuits. Our pending legal and regulatory actions include proceedings specific to us and others generally applicable to business practices in the industries in which we operate. In connection with our insurance or pension operations, plaintiffs' lawyers may bring or are bringing class actions and individual suits alleging, among other things, issues relating to sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, investments, denial or delay of benefits and breaches of fiduciary or other duties to customers. Plaintiffs in class action and other lawsuits against us may seek very large and/or indeterminate amounts, including punitive and treble damages. Due to the vagaries of litigation, the outcome of a litigation matter and the amount or range of potential loss at particular points in time may normally be difficult to ascertain. Uncertainties can include how fact finders will evaluate documentary evidence and the credibility and effectiveness of witness testimony, and how trial and appellate courts will apply the law in the context of the pleadings or evidence presented, whether by motion practice, or at trial or on appeal. In addition, a court or other governmental authority may interpret a law, regulation or accounting principle differently than we have, exposing us to different or additional risks. Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel will themselves view the relevant evidence and applicable law. Material pending litigation and regulatory matters affecting us and risks to our business presented by these proceedings are discussed in Note 20 of the Notes to the Consolidated Financial Statements. Updates are provided in the notes to our interim condensed consolidated financial statements regarding contingencies, commitments and guarantees included in our subsequently filed quarterly reports on Form 10-Q, as well as in Part II, Item 1 ("Legal Proceedings") of those quarterly reports. See also "— Risks Related to the Material Weaknesses — We Have Identified Material Weaknesses in Our Internal Control over Financial Reporting, Which Could Adversely Affect Our Business, Reputation, Results of Operations and Stock Price."

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

Current claims, litigation, unasserted claims probable of assertion, investigations and other proceedings against us could have a material adverse effect on our business, financial condition or results of operations. It is also possible that related or unrelated claims, litigation, unasserted claims probable of assertion, investigations and proceedings may be commenced in the future, and we could become subject to further investigations and have lawsuits filed or enforcement actions initiated against us. We currently have a market presence in numerous non-U.S. jurisdictions and may be subject to additional investigations and lawsuits in these jurisdictions. Increased regulatory scrutiny and any resulting investigations or proceedings in any of the jurisdictions in which we operate could result in new legal actions and precedents and industry-wide regulations that could adversely affect our business, financial condition and results of operations.

Investments-Related Risks

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

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

Similarly, we loan blocks of our securities to third parties (primarily brokerage firms and commercial banks) through our securities lending program, including fixed maturity (primarily U.S. government and U.S. government-backed securities) and equity securities, short-term investments and cash equivalents. Under this program, we obtain collateral, usually cash, at the inception of a loan and typically purchase securities with the cash collateral. Upon the return to us of these loaned securities, we must return to the third party the cash collateral we received. If the cash collateral has been invested in securities, we need to sell the securities. However, in some cases, the maturity of those securities may exceed the term of the related securities on loan and the estimated fair value of the securities we need to sell may fall below the amount of cash received.

If we are required to return significant amounts of cash collateral under our securities lending program or otherwise need significant amounts of cash on short notice and we are forced to sell securities, we may have difficulty selling such collateral that is invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than we otherwise would have been able to realize under normal market conditions, or both. In the event of a forced sale, accounting guidance requires the recognition of a loss for securities in an unrealized loss position and may require the impairment of other securities based on our ability to hold those securities, which would negatively impact our financial condition, as well as our financial ratios, which could affect compliance with our credit instruments and rating agency capital adequacy measures. In addition, under stressful capital market and economic conditions, liquidity broadly deteriorates, which may further restrict our ability to sell securities. Furthermore, if we decrease the amount of our securities lending activities over time, the amount of net investment income generated by these activities will also likely decline. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Securities Lending.”

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

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

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

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

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

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

Fixed maturity, equity, and fair value option (“FVO”) securities, as well as short-term investments that are reported at estimated fair value represent the majority of our total cash and investments. We define fair value generally as the price that would be received to sell an asset or paid to transfer a liability. Considerable judgment is often required in interpreting market data to develop estimates of fair value, and the use of different assumptions or valuation methodologies may have a material effect on the estimated fair value amounts. During periods of market disruption including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain of our securities if trading becomes less frequent and/or market data becomes less observable. In addition, in times of financial market disruption, certain asset classes that were in active markets with significant observable data may become illiquid. In those cases, the valuation process includes inputs that are less observable and require more subjectivity and management judgment. Valuations may result in estimated fair values which vary significantly from the amount at which the investments may ultimately be sold. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported within our consolidated financial statements and the period-to-period changes in estimated fair value could vary significantly. Decreases in the estimated fair value of securities we hold may have a material adverse effect on our results of operations or financial condition. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments” and Notes 1 and 10 of the Notes to the Consolidated Financial Statements.

The determination of the amount of allowances and impairments varies by investment type and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. We reflect any changes in allowances and impairments in earnings as such evaluations are revised. However, historical trends may not be indicative of future impairments or allowances. In addition, any such future impairments or allowances could have a materially adverse effect on our earnings and financial position. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Investment Impairments” and Note 8 of the Notes to the Consolidated Financial Statements.

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

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

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

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

We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, central clearinghouses, commercial banks, investment banks, hedge funds and investment funds and other financial institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty. In addition, with respect to secured transactions, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to us. We also have exposure to these financial institutions in the form of unsecured debt instruments, non-redeemable and redeemable preferred securities, derivatives, joint venture, hedge fund and equity investments. Further, potential action by governments and regulatory bodies in response to the financial crisis affecting the global banking system and financial markets, such as investment, nationalization, conservatorship, receivership and other intervention, whether under existing legal authority or any new authority that may be created, or lack of action by governments and central banks, as well as deterioration in the banks' credit standing, could negatively impact these instruments, securities, transactions and investments or limit our ability to trade with them. Any such losses or impairments to the carrying value of these investments or other changes may materially and adversely affect our business and results of operations.

Risks Related to Our Business

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

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

The United States, Mexico, and Canada are currently renegotiating NAFTA, which had eliminated most trade tariffs between the three countries. While our current business in Mexico is not directly dependent upon any specific trade agreement provision, and is tied to the general economy and the growth of the market, if the current rules on government procurement under NAFTA were modified or eliminated, it could have a material adverse impact on our business in Mexico, given our business model. We cannot predict with certainty what proposals may be made in connection with international trade agreements or what legislation or regulations may be introduced or enacted, or what impact any such legislation or regulations may have on our business, results of operations and financial condition.

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

We have market presence in numerous jurisdictions and increased exposure to risks posed by local and regional economic conditions. Concerns about the political, security and/or economic conditions in the U.K., Mexico and South Korea have recently contributed to global market volatility. Lack of legal certainty and stability in these regions exposes our operations there to increased risk of disruption and to adverse or unpredictable actions by regulators and may make it more difficult for us to enforce our contracts, which may negatively impact our business in these regions. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Financial and Economic Environment.”

On June 23, 2016, the U.K. held a referendum regarding its membership in the EU, resulting in a vote in favor of leaving the EU. The U.K. government triggered the withdrawal process by notifying the EU on March 29, 2017 of the U.K.’s intention to withdraw from the EU. The member withdrawal provisions in the applicable EU treaty provide that the U.K. and the EU will negotiate a withdrawal agreement during a maximum two-year period (unless such period is extended by unanimous vote of the EU member states). In the meantime, the U.K. remains a member of the EU with unchanged rights to access the single EU market in goods and services. Our U.K. business model utilizes certain rights to operate cross-border insurance and investment operations which may be modified or eliminated as a result of the U.K. exiting the EU. Operating expenses within our businesses could increase as a result of uncertainties during the negotiation period and upon the U.K.’s withdrawal.

Economic slowdowns and volatility may impact markets where we have a material presence, including Japan, Latin America and Europe. Unfavorable economic conditions could adversely impact the demand for our products, negatively impact earnings, adversely affect the performance of our investments or result in impairments, all of which could have a material adverse effect on our business, results of operations and financial condition. See “— Economic Environment and Capital Markets-Related Risks — Difficult Conditions in the Global Capital Markets and the Economy Generally May Materially Adversely Affect Our Business and Results of Operations” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment — Selected Country Investments.”

Furthermore, we rely on local sales forces in these jurisdictions and may encounter labor problems resulting from workers' associations and trade unions in some jurisdictions. Additionally, if associates fail to adhere to local regulatory requirements or our policies and procedures, we may be subject to penalties, restrictions or other sanctions by local regulators in such jurisdictions, and we may suffer reputational harm. If our business model is not successful in a particular jurisdiction, we may lose all or most of our investment in building and training the sales force in that jurisdiction.

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

Fluctuations in Foreign Currency Exchange Rates Could Negatively Affect Our Profitability

We are exposed to risks associated with fluctuations in foreign currency exchange rates against the U.S. dollar resulting from our holdings of non-U.S. dollar denominated investments, investments in foreign subsidiaries, net income from foreign operations and issuance of non-U.S. dollar denominated instruments, including guaranteed interest contracts and funding agreements. In general, the weakening of foreign currencies versus the U.S. dollar will adversely affect the estimated fair value of our non-U.S. dollar denominated investments, our investments in foreign subsidiaries, and our net income from foreign operations. In addition, from time to time, various emerging market countries have experienced severe economic and financial disruptions, including significant devaluations of their currencies. Our exposure to foreign currency exchange rate risk is exacerbated by our investments in these emerging markets. See "Quantitative and Qualitative Disclosures About Market Risk."

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

We match substantially all of our foreign currency denominated liabilities in our foreign subsidiaries with investments denominated in their respective foreign currency, which limits the effect of currency exchange rate fluctuations on local operating results; however, fluctuations in such rates affect the translation of these results into our U.S. dollar basis consolidated financial statements. Although we take certain actions to address this risk, including entering into foreign currency derivatives, foreign currency exchange rate fluctuations could materially adversely affect our reported results due to unhedged positions, asymmetrical and non-economic accounting resulting from derivative gains (losses) on non-qualifying hedges, or the failure of hedges to effectively offset the impact of the foreign currency exchange rate fluctuation. Our reported results could also be adversely affected if the economy of one or more of our foreign subsidiaries is determined to be "highly inflationary," generally defined by a cumulative inflation rate of approximately 100% or more over a three-year period.

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

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

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

We rely on our \$3.0 billion unsecured credit facility maintained by MetLife, Inc. and MetLife Funding, Inc. (“MetLife Funding”), an indirect wholly-owned subsidiary of MetLife, Inc. (the “Credit Facility”), as a potential source of liquidity. The availability of the Credit Facility could be critical to our credit and financial strength ratings and our ability to meet our obligations as they come due in a market when alternative sources of credit are tight. The Credit Facility contains certain administrative, reporting, legal and financial covenants, including a requirement to maintain a specified minimum consolidated net worth. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity and Capital Sources — Global Funding Sources — Credit and Committed Facilities” and Note 12 of the Notes to the Consolidated Financial Statements.

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

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

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

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

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

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

Downgrades in our financial strength or credit ratings or changes to our ratings outlooks could have a material adverse effect on our financial condition and results of operations in many ways, including:

- reducing new sales of insurance products, annuities and other investment products;
- impacting the cost and availability of financing for MetLife, Inc. and its subsidiaries;
- adversely affecting our relationships with our sales force and independent sales intermediaries;
- materially increasing the number or amount of policy surrenders and withdrawals by contractholders and policyholders;
- requiring us to post additional collateral under certain of our financing and derivative transactions;
- requiring us to reduce prices for many of our products and services to remain competitive;
- providing termination rights for the benefit of our derivative instrument counterparties;
- adversely affecting our ability to obtain reinsurance at reasonable prices or at all;
- limiting our access to the capital markets;
- increasing the cost of debt;
- requiring us to post collateral; and
- subjecting us to increased regulatory scrutiny.

In addition to the financial strength ratings of our insurance subsidiaries, various NRSROs also publish credit ratings for MetLife, Inc. and several of its subsidiaries. Credit ratings indicate the NRSROs' opinion regarding a debt issuer's ability to meet the terms of debt obligations in a timely manner and are important factors in our overall funding profile and ability to access certain types of liquidity. See Note 9 of the Notes to the Consolidated Financial Statements for information regarding the impact of a one-notch downgrade with respect to derivative transactions with financial strength or credit rating downgrade triggers and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Pledged Collateral" for further information on the impact of a one-notch downgrade. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Capital — Rating Agencies."

In view of the difficulties experienced by many financial institutions as a result of the financial crisis and ensuing global recession, including our competitors in the insurance industry, we believe it is possible that the NRSROs will continue to heighten the level of scrutiny that they apply to insurance companies, will continue to increase the frequency and scope of their credit reviews, will continue to request additional information from the companies that they rate, and may adjust upward the capital and other requirements employed in the models for maintenance of certain ratings levels. In addition, the material weaknesses in our internal control over financial reporting could result in downgrades in our financial strength or credit ratings. See "Controls and Procedures" and "— Risks Related to the Material Weaknesses — We Have Identified Material Weaknesses in Our Internal Control over Financial Reporting, Which Could Adversely Affect Our Business, Reputation, Results of Operations and Stock Price." Our ratings could be downgraded at any time and without notice by any NRSRO.

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

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

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

We use reinsurance, indemnification and derivatives to mitigate our risks in various circumstances. In general, reinsurance, indemnification and derivatives do not relieve us of our direct liability to our policyholders, even when the reinsurer is liable to us. Accordingly, we bear credit risk with respect to our reinsurers, indemnitors, counterparties and central clearinghouses. A reinsurer's, indemnitor's, counterparty's or central clearinghouse's insolvency, inability or unwillingness to make payments under the terms of reinsurance agreements, indemnity agreements or derivatives agreements with us or inability or unwillingness to return collateral could have a material adverse effect on our financial condition and results of operations, including our liquidity. See "Business — Reinsurance Activity."

In addition, we use derivatives to hedge various business risks. We enter into a variety of derivatives, including options, forwards, interest rate, credit default and currency swaps with a number of counterparties on a bilateral basis for uncleared OTC derivatives and with clearing brokers and central clearinghouses for OTC-cleared derivatives. We also enter into futures and exchange-traded options with clearing brokers and central clearinghouses. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Derivatives." If our counterparties, clearing brokers or central clearinghouses fail or refuse to honor their obligations under these derivatives, our hedges of the related risk will be ineffective. This risk is more pronounced in light of the stresses suffered by financial institutions over the past few years. Such failure could have a material adverse effect on our financial condition and results of operations.

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

Our earnings significantly depend upon the extent to which our actual claims experience is consistent with the assumptions we use in setting prices for our products and establishing liabilities for future policy benefits and claims. Such amounts are established based on estimates by actuaries of how much we will need to pay for future benefits and claims. To the extent that actual claims experience is less favorable than the underlying assumptions we used in establishing such liabilities, we could be required to reduce DAC and/or VOBA, increase our liabilities and/or incur higher costs.

Due to the nature of the underlying risks and the uncertainty associated with the determination of liabilities for future policy benefits and claims, we cannot determine precisely the amounts which we will ultimately pay to settle our liabilities. Such amounts may vary from the estimated amounts, particularly when those payments may not occur until well into the future. We evaluate our liabilities periodically based on accounting requirements, which change from time to time, the assumptions used to establish the liabilities, as well as our actual experience. Reserve estimates in some instances are affected by our operating practices and procedures that are used, among other things, to support our assumptions with respect to the Company's obligations to its policyholders and contractholders. These practices and procedures include our use of technology, such as database analysis and electronic communications. To the extent that these practices and procedures do not accurately produce the data to support our assumptions or cause us to change our assumptions, or to the extent that enhanced technological tools become available to us, such assumptions and procedures, as well as our reserves, may require adjustment. Furthermore, to the extent that any of our operating practices and procedures do not accurately produce, or reproduce, data that we use to conduct any or all aspects of our business, such errors may negatively impact our business, reputation, results of operations, and financial condition. If the liabilities originally established for future benefit payments prove inadequate, we must increase them and/or reduce associated DAC and/or VOBA. Such adjustments could affect earnings negatively and have a material adverse effect on our business, results of operations and financial condition. See "Business — Policyholder Liabilities" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Policyholder Liabilities." See also "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Deferred Policy Acquisition Costs and Value of Business Acquired," "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Derivatives," and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Consolidated Results — Year Ended December 31, 2017 Compared with the Year Ended December 31, 2016 — Actuarial Assumption Review" for further information regarding the manner in which policyholder behavior and other events may differ from our assumptions and, thereby affect our financial results.

Catastrophes May Adversely Impact Liabilities for Policyholder Claims and Reinsurance Availability

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

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

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

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

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

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

While in the past five years, the aggregate assessments levied against MetLife have not been material, it is possible that a large catastrophic event could render such guaranty funds inadequate and we may be called upon to contribute additional amounts, which may have a material impact on our financial condition or results of operations in a particular period. We have established liabilities for guaranty fund assessments that we consider adequate, but additional liabilities may be necessary. See Note 20 of the Notes to the Consolidated Financial Statements.

Our ability to manage this risk and the profitability of our property & casualty, health and life insurance businesses depends in part on our ability to obtain catastrophe reinsurance, which may not be available at commercially acceptable rates in the future. See “— Reinsurance May Not Be Available, Affordable or Adequate to Protect Us Against Losses.”

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

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

Future capacity for these statutory reserve funding structures in the marketplace is not guaranteed. In 2014, the NAIC approved a new regulatory framework applicable to the use of captive insurers in connection with Regulation XXX and Guideline AXXX transactions. Among other things, the framework called for more disclosure of an insurer’s use of captives in its statutory financial statements, and narrows the types of assets permitted to back statutory reserves that are required to support the insurer’s future obligations. In 2014, the NAIC implemented the framework through AG 48, which requires the actuary of the ceding insurer that opines on the insurer’s reserves to issue a qualified opinion if the framework is not followed. The requirements of AG 48 became effective as of January 1, 2015 in all states without any further action necessary by state legislatures or insurance regulators to implement them, and apply prospectively to new policies issued and new reinsurance transactions entered into on or after January 1, 2015. The NAIC has adopted an update to AG 48 and a model regulation that contains the same substantive requirements as the updated AG 48. The states have started to adopt the model regulation. To the extent the types of assets permitted under AG 48 and the recent updates are not available in the future to back statutory reserves, we would not be able to take some or all statutory reserve credit for such transactions and this could materially affect the statutory capitalization of certain of our insurance subsidiaries.

Competitive Factors May Adversely Affect Our Market Share and Profitability

We believe competition amongst insurance companies is based on a number of factors, including service, product features, scale, price, financial strength, claims-paying ratings, credit ratings, e-business capabilities and name recognition. We compete globally with a large number of other insurance companies, as well as non-insurance financial services companies, such as banks, broker-dealers and asset managers, for individual consumers, employers and other group customers and agents and other distributors of insurance and investment products. Some of these companies offer a broader array of products, have more competitive pricing or, with respect to other insurance companies, have higher claims paying ability ratings. Some may also have greater financial resources with which to compete. In some circumstances, national banks that sell annuity products of life insurers may also have pre-existing customer bases for financial services products. Additionally, many of our group insurance products are underwritten annually. There is a risk that group purchasers may be able to obtain more favorable terms from competitors than they could by renewing coverage with us. These competitive pressures may adversely affect the persistency of these and other products, as well as our ability to sell our products in the future. Furthermore, the investment management and securities brokerage businesses have relatively low barriers to entry and continually attract new entrants. In addition, the material weaknesses in our internal control over financial reporting could harm our reputation or financial condition, which in turn could negatively affect our competitive position. See “Business — Competition,” “Controls and Procedures” and “— Risks Related to the Material Weaknesses — We Have Identified Material Weaknesses in Our Internal Control over Financial Reporting, Which Could Adversely Affect Our Business, Reputation, Results of Operations and Stock Price.”

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

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

If Our Business Does Not Perform Well, We May Be Required to Recognize an Impairment of Our Goodwill or Other Long-Lived Assets or to Establish a Valuation Allowance Against the Deferred Income Tax Asset, Which Could Adversely Affect Our Results of Operations or Financial Condition

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

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

Long-lived assets, including but not limited to assets such as real estate, also require impairment testing. This testing is done to determine whether changes in circumstances indicate that we will be unable to recover the carrying amount of the asset group. Such writedowns could have a material adverse effect on our results of operations or financial position.

Deferred income tax represents the tax effect of the differences between the book and tax bases of assets and liabilities. Deferred tax assets are assessed periodically by management to determine if they are realizable. Factors in management's determination include the performance of the business including the ability to generate future taxable income. If, based on available information, it is more likely than not that the deferred income tax asset will not be realized then a valuation allowance must be established with a corresponding charge to net income. Such charges could have a material adverse effect on our results of operations or financial position. In addition, changes in the corporate tax rates could affect the value of our deferred tax assets and may require a write-off of some of those assets. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Income Taxes." See also "Management's Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Overview — U.S. Tax Reform."

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

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

If actual gross profits or margins are less than originally expected, then the amortization of such costs would be accelerated in the period the actual experience is known and would result in a charge to net income. Significant or sustained equity market declines could result in an acceleration of amortization of DAC, DSI and VOBA related to variable annuity and variable universal life contracts, resulting in a charge to net income. Such adjustments could have a material adverse effect on our results of operations or financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate Environment" for a discussion of how significantly lower spreads may cause us to accelerate amortization, thereby reducing net income in the affected reporting period.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Deferred Policy Acquisition Costs and Value of Business Acquired" and Note 1 of the Notes to the Consolidated Financial Statements for further consideration of DAC and VOBA.

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

Certain of our variable annuity products, variable universal life products, assumed reinsurance contracts and other products contain guaranteed benefits, including guaranteed minimum death benefits ("GMDBs") (including but not limited to no-lapse guarantee benefits), guaranteed minimum withdrawal benefits ("GMWBs"), guaranteed minimum accumulation benefits ("GMABs") and guaranteed minimum income benefits ("GMIBs"). Certain of our interest rate sensitive products include a minimum crediting rate feature which could be guaranteed for a period of time or life time of the policies. These guarantees are designed to protect policyholders against significant downturns in equity markets and interest rates. Any such periods of significant and sustained downturns in equity markets, increased equity volatility, or reduced interest rates could result in an increase in the valuation of our liabilities associated with those products. An increase in these liabilities would result in a decrease in our net income.

We use derivatives and other risk management strategies to hedge the economic exposure inherent in these liabilities. These economically effective hedges do not generally qualify for hedge accounting treatment, and, as result, such non-qualifying derivatives may introduce volatility in the results of our operations, including net income, to the extent the financial measurement of the hedged liability does not fully reflect the sensitivity to the underlying economic exposure.

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

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

Risks Related to Acquisitions, Dispositions or Other Structural Changes

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

We have engaged in dispositions and acquisitions of businesses in the past, and expect to continue to do so in the future. See Note 3 of the Notes to the Consolidated Financial Statements for information regarding the Separation and the U.S. Retail Advisor Force Divestiture. Such activity exposes us to a number of risks arising from (i) potential difficulties achieving projected financial results, including the costs and benefits of integration or deconsolidation; (ii) unforeseen liabilities or asset impairments; (iii) the scope and duration of rights to indemnification for losses; (iv) the use of capital which could be used for other purposes; (v) rating agency reactions; (vi) regulatory requirements that could impact our operations or capital requirements; (vii) changes in statutory or U.S. GAAP accounting principles, practices or policies; and (viii) certain other risks specifically arising from activities relating to an initial public offering, spin-off, joint venture or legal entity reorganization, including in connection with the Separation.

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

Risks Relating to Acquisitions

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

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

- Loss of key personnel or higher than expected employee attrition rates could adversely affect the performance of the acquired business and our ability to integrate it successfully.
- Customers of the acquired business may reduce, delay or defer decisions concerning their use of its products and services as a result of the acquisition or uncertainty related to the consummation of the acquisition, including, for example, potential unfamiliarity with the MetLife brand in regions where we did not have a market presence prior to the acquisition.
- If the acquired business relies upon independent distributors to distribute its products, these distributors may not continue to generate the same volume of business for us after the acquisition. Independent distributors may reexamine the scope of their relationship with the acquired business or us as a result of the acquisition and decide to curtail or eliminate distribution of our products.
- If the acquired business relies on continued distribution access with another party, we are also exposed to the risk of loss of exclusivity or change in access due to regulatory changes.
- Integrating acquired operations with our existing operations may require us to coordinate geographically separated organizations, address possible differences in corporate culture and management philosophies, merge financial processes and risk and compliance procedures, combine separate information technology platforms and integrate operations that were previously closely tied to the former parent of the acquired business or other service providers.
- In cases where we or an acquired business operates in certain markets through joint ventures, the acquisition may affect the continued success and prospects of the joint venture.
- We may incur significant costs in connection with any acquisition and the related integration. The costs and liabilities actually incurred in connection with an acquisition and subsequent integration process may exceed those anticipated.

There could also be unforeseen liabilities or asset impairments, including goodwill impairments, which arise in connection with the businesses that we may sell or the businesses that we may acquire in the future.

In addition, there may be liabilities or asset impairments that we fail, or are unable, to discover in the course of performing acquisition-related due diligence investigations. Furthermore, even for obligations and liabilities that we do discover during the due diligence process, neither the valuation adjustment nor the contractual protections we negotiate may be sufficient to fully protect us from losses. Although we generally have rights to indemnification for certain losses, our rights may be limited by survival periods for bringing claims and limitations on the nature and amount of losses we may recover, and we cannot be certain that indemnification will be, among other things, collectible or sufficient in amount, scope or duration to fully offset any loss we may suffer. The use of our own funds as consideration in any acquisition would consume capital resources, which could affect our capital plan and render those funds unavailable for other corporate purposes. We also may not be able to raise sufficient funds to consummate an acquisition if, for example, we are unable to sell our securities or close related bridge credit facilities.

Risks Relating to Dispositions

We may from time to time dispose of business or blocks of in-force business through an outright sale, reinsurance transaction or by alternate means such as a public offering of shares in a publicly traded company or a spin-off, which would also result in a separate, publicly traded company. See Note 3 of the Notes to the Consolidated Financial Statements for information on the Separation and the U.S. Retail Advisor Force Divestiture. When we dispose of subsidiaries or operations, we may remain liable to the acquirer or to third parties for certain losses or costs arising from the divested business or on other bases. We may also not realize the anticipated profit on a disposition or incur a loss on the disposition. In anticipation of any disposition, we may need to restructure our operations, which could disrupt such operations and affect our ability to recruit key personnel needed to operate and grow such business pending the completion of such transaction. In addition, the actions of key employees of the business to be divested could adversely affect the success of such disposition as they may be more focused on obtaining employment, or the terms of their employment, than on maximizing the value of the business to be divested. Furthermore, transitional services or tax arrangements related to any such separation, including the Separation, could further disrupt our operations and may impose restrictions, liabilities, losses or indemnification obligations on us. Depending on its particulars, a separation could increase our exposure to certain risks, such as by decreasing the diversification of our sources of revenue or by changing the percentage of our revenue being derived from non-U.S. sources. See “— Risks Related to Our Business — Our International Operations Face Political, Legal, Operational and Other Risks, Including Exposure to Local and Regional Economic Conditions, That Could Negatively Affect Those Operations or Our Profitability.” Any such separation could also affect the dividends available to be paid to MetLife, Inc. by the subsidiaries that are part of such separation. Furthermore, we may be unable to timely dissolve all contractual relationships with the divested business in the course of the proposed transaction, which may materially adversely affect our ability to realize value from the disposition. Such restructuring could also adversely affect our internal controls and procedures and impair our relationships with key customers, distributors and suppliers. An interruption or significant change in certain key relationships could materially affect our ability to market our products and could have a material adverse effect on our business, operating results and financial condition. After any such disposition, shares of our common stock will represent an investment in a company different in size and characteristics from the present. These changes may cause some existing shareholders to sell their shares of our common stock, which could, if excessive, cause the market price of our common stock to decrease.

Risks Relating to Joint Ventures

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

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

Risks Relating to Legal Entity Reorganizations

In addition, we may reorganize or consolidate the legal entities through which we conduct business. The implementation of legal entity reorganizations is a complex undertaking and involves a number of risks similar to those outlined above that are present in the case of an acquisition, including additional costs and expenses, information technology-related delays and problems, loss of key personnel and distraction of management. For example, over the past several years, we have pursued three significant reorganizations. In 2015 and 2016, we substantially completed a reorganization of many of our foreign entities under a single holding company, in 2017, we effected the Separation, and in 2018, we announced plans to merge our subsidiary General American Life Insurance Company with and into another subsidiary, Metropolitan Tower Life Insurance Company. Many aspects of these types of transactions are subject to regulatory approvals from a number of different jurisdictions. We may not obtain needed regulatory approvals in the timeframe anticipated or at all, which could reduce or prevent us from realizing the anticipated benefits of these transactions. These transactions or the related regulatory approvals may entail modifications of certain aspects of our operations, the composition of certain of our investment portfolios, and/or the cost of our derivatives hedging activities, which could result in additional costs or reduce net investment income. These transactions are often effected to achieve certain operational, capital or tax benefits and to the extent not realized could affect the ongoing value and financial results of such entities. Any of these risks, if realized, could result in a material adverse effect on our business, results of operations or financial condition.

We May Not Achieve Expected Benefits of the Separation and Will Have Equity Market Exposure to Brighthouse

We believe that the Separation allows us and Brighthouse to pursue distinct strategies appropriate to our respective markets. However, there can be no assurance that we will realize any or all of the expected strategic, financial, operational or other benefits of the Separation. A failure to realize expected benefits of the Separation could result in a material adverse effect on our business, results of operations and financial condition. Additionally, we continue to have a significant equity ownership position in Brighthouse, and changes in the market price of Brighthouse common stock may have a material impact on us.

We May be Subject to Claims by Plaintiffs in the Event that Brighthouse is Not Successful as a Standalone Entity

We cannot guarantee that Brighthouse will be successful as a standalone entity. In the event that Brighthouse is not successful, it is possible that plaintiffs could assert a variety of claims against us. Depending on their nature and number, such claims could have a material adverse effect on our business, financial condition or results of operations.

We Could be Exposed to Claims from Brighthouse or Third Parties Under Our Agreements with Brighthouse or Otherwise

We have entered into agreements with Brighthouse and its subsidiaries, including among others a master separation agreement, registration rights agreement, transition services agreement, investment management agreements, investment finance services agreements, tax receivables agreement, tax separation agreement and intellectual property license agreement. Our agreements with Brighthouse or its subsidiaries may not reflect terms that would have resulted from negotiations between unaffiliated parties and, in certain instances, may relate to the continuation of certain business arrangements among us and Brighthouse in existence prior to the Separation. Such agreements include, among other things, the parties' respective indemnification rights and obligations with respect to certain losses relating to specified liabilities as well as certain losses relating to specified information included in certain securities filings, the allocations of assets and liabilities, payment obligations and other obligations between us and Brighthouse. There can be no assurance that any remedies available under these arrangements will be sufficient to compensate us in the event of a dispute or non-performance. In addition, there can be no assurance that the attention we must pay, and resources we must devote, to our obligations under one or more of these agreements, or the results of any failure to perform those obligations, or successful claim by Brighthouse that we have failed to perform those obligations or have an indemnification obligation under these agreements, will not have a material impact on our own business performance, results of operations or financial condition.

Under the master separation agreement, Brighthouse has agreed to indemnify us for certain liabilities. However, in certain instances, the indemnity from Brighthouse may be insufficient to fully protect us from such liabilities, and third parties may also seek to hold us responsible for liabilities not intended to be covered by the indemnity from Brighthouse. Additionally, under the tax separation agreement, Brighthouse could be required, under certain circumstances, to indemnify us against certain tax-related liabilities to the extent those liabilities result from an action or breach of the tax separation agreement by Brighthouse. Brighthouse may be unable to satisfy or have an adverse interpretation of or object to its indemnification obligations to us under one or more of these agreements and the underlying liabilities could have a material adverse effect on our financial condition and results of operations.

The transition services agreement provides for the performance of certain services by each of MetLife and Brighthouse, or their respective subsidiaries, for the benefit of the other. The investment management agreements and investment finance services agreements provide for the performance by us of certain services for Brighthouse. Further, under the tax receivables agreement, Brighthouse is expected to pay us certain tax benefits it realizes as a result of certain transactions involved in the Separation. We will rely on Brighthouse to satisfy its performance and payment obligations under these and all other agreements entered into in connection with the Separation. If Brighthouse fails to satisfy such obligations it could have a material adverse effect on our financial condition and results of operations.

If the Spin-off Distribution Were to Fail to Qualify for Non-recognition Treatment for U.S. Federal Income Tax Purposes, Then We and Our Shareholders Could be Subject to Significant Tax Liabilities

Prior to the spin-off distribution, we received a private letter ruling from the IRS regarding certain significant issues under the Code, as well as an opinion from tax counsel that the distribution qualified for non-recognition of gain or loss to us and our shareholders pursuant to Sections 355 and 361 of the Code, except to the extent of cash received in lieu of fractional shares, each subject to the accuracy of and compliance with certain representations, assumptions and covenants therein.

Notwithstanding the receipt of the private letter ruling and the tax opinion, the IRS could determine that the distribution should be treated as a taxable transaction, for example, if it determines that any of the representations, assumptions or covenants on which the private letter ruling is based are untrue or have been violated. Similarly, the IRS could determine that our disposal of (and MetLife, Inc. shareholders' receipt of) Brighthouse common stock in the potential exchange offer should be treated as a taxable transaction to both MetLife, Inc. and the exchanging shareholders. Furthermore, as part of the IRS's policy, the IRS did not determine whether the distribution or potential exchange offer satisfies certain conditions that are necessary to qualify for non-recognition treatment. Rather, the private letter ruling is based on representations by us and Brighthouse that these conditions have been satisfied. The tax opinion addressed the satisfaction of these conditions. If we do not divest our retained Brighthouse common stock in a timely manner, through an exchange offer for MetLife, Inc. common stock or otherwise, the ultimate disposition of these shares would likely be a taxable transaction for MetLife, Inc.

The tax opinion is not binding on the IRS or the courts, and there can be no assurance that the IRS or a court will not take a contrary position. In addition, the tax counsel relied on certain representations and covenants delivered by us and Brighthouse.

If the IRS ultimately determines that the distribution is taxable, the distribution could be treated as a taxable dividend or capital gain to MetLife shareholders who received shares of Brighthouse stock in the distribution for U.S. federal income tax purposes, and such shareholders could incur significant U.S. federal income tax liabilities. In addition, if the IRS ultimately determines that the distribution is taxable, we and Brighthouse could incur significant U.S. federal income tax liabilities, and either we or Brighthouse could have an indemnification obligation to the other, depending on the circumstances. Similarly, a potential exchange offer could be treated as a taxable transaction for both us and the exchanging shareholders.

We Have Agreed to Certain Restrictions to Preserve the Non-recognition Tax Treatment of the Transactions, Which May Reduce Our Strategic and Operating Flexibility

Even if the spin-off distribution otherwise qualifies for non-recognition of gain or loss under Section 355 of the Code, it may be taxable to us, but not our shareholders, under Section 355(e) of the Code if 50% or more (by vote or value) of our common stock or Brighthouse's common stock is acquired as part of a plan or series of related transactions that include the distribution. For this purpose, any acquisitions of our or Brighthouse's common stock within two years before or after the distribution are presumed to be part of such a plan, although we or Brighthouse may be able to rebut that presumption based on either applicable facts and circumstances or a "safe harbor" described in the tax regulations. Therefore, under the tax separation agreement with Brighthouse, we are restricted from certain activities and have indemnity obligations which may limit our ability to pursue strategic transactions or engage in new business or other transactions that may maximize the value of our business, and might discourage or delay a strategic transaction that our shareholders may consider favorable. Any payments required under these indemnity obligations could be significant and could materially adversely affect our business, results of operations and financial condition.

Capital-Related Risks

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

The declaration and payment of dividends is subject to the discretion of our Board of Directors, and will depend on our financial condition, results of operations, cash requirements, future prospects, regulatory restrictions on the payment of dividends by MetLife, Inc.'s insurance subsidiaries and other factors deemed relevant by the Board. There is no requirement or assurance that we will declare and pay any dividends. See “— Regulatory and Legal Risks — Our Insurance, Pensions and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.”

In addition, our ability to pay dividends on our common stock and repurchase our common stock is subject to restrictions under the terms of our preferred stock, junior subordinated debentures and trust securities. These instruments have so called “dividend stopper” provisions for situations where we may be experiencing financial stress. “Junior subordinated debentures” include MetLife’s Fixed-to-Floating Exchangeable Surplus Trust Securities, which are exchangeable for junior subordinated debentures, and which contain terms with the same substantive effects for these purposes as do the terms of MetLife, Inc.’s junior subordinated debentures. In addition, our ability to pay dividends on our preferred stock and interest on our junior subordinated debentures is also restricted by the terms of those securities.

We may also be restricted from time to time in our ability to repurchase shares or to enter into share repurchase programs under Rule 10b5-1 of the Exchange Act. That rule requires, among other things, that we establish any share repurchase program in good faith at a time when we are not aware of any material non-public information in order for us to have an affirmative defense against accusations of insider trading. Therefore, we may be unable to repurchase shares or to enter into share repurchase programs during various periods of time, including periods of significant corporate reorganization such as a spin-off or a sale of a substantial portion of the Company.

Regulatory Restrictions

MetLife, Inc. may not be able to pay dividends if it does not receive sufficient funds from its operating subsidiaries, which are themselves subject to separate regulatory restrictions on their ability to pay dividends. See “— As A Holding Company, MetLife, Inc. Depends on the Ability of Its Subsidiaries to Pay Dividends, a Major Component of Holding Company Free Cash Flow.” See also “— Regulatory and Legal Risks — Our Insurance, Pensions and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth,” and “Business — Regulation — U.S. Regulation — Insurance Regulation — Holding Company Regulation.”

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

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

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

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

In addition, the preferred stock and the junior subordinated debentures contain provisions that would automatically suspend the payment of preferred stock dividends and interest on junior subordinated debentures if MetLife, Inc. fails to meet certain tests (“Trigger Events”). In such cases, and subject to the terms of the instruments, MetLife, Inc. could make payments up to the amount of net proceeds from sales of (i) common stock during the 90 days preceding the dividend declaration date or (ii) common stock or certain kinds of warrants to purchase common stock generally during the 180 days prior to the interest payment date (the “New Equity Proceeds”). If the New Equity Proceeds were insufficient to make such payments, the “dividend stopper” provisions would come into effect and we would be unable to repurchase or pay dividends on our common stock.

A “Trigger Event” would occur if:

- the RBC ratio of MetLife’s largest U.S. insurance subsidiaries in the aggregate (as defined in the applicable instrument) were to be less than 175% of the company action level based on the subsidiaries’ prior year annual financial statements filed (generally around March 1) with state insurance commissioners; or
- at the end of a quarter (“Final Quarter End Test Date”), consolidated GAAP net income for the four-quarter period ending two quarters before such quarter-end (the “Preliminary Quarter End Test Date”) is zero or a negative amount and the consolidated GAAP stockholders’ equity, minus AOCI (the “adjusted stockholders’ equity amount”), as of the Final Quarter End Test Date and the Preliminary Quarter End Test Date, declined by 10% or more from (A) its level 10 quarters before the Final Quarter End Test Date (the “Benchmark Quarter End Test Date”), for Benchmark Quarter End Test Dates after August 4, 2017 (the date of the Separation), or (B) \$49,282,000,000, the consolidated GAAP stockholders’ equity, minus AOCI as of June 30, 2017 as reported on a pro forma basis reflecting the Separation in MetLife’s Form 8-K filed with the SEC on August 9, 2017, for Benchmark Quarter End Test Dates prior to August 4, 2017.

Once a Trigger Event occurs for a Final Quarter End Test Date, the suspension of payments of dividends and interest (in the absence of sufficient New Equity Proceeds) would continue until there is no Trigger Event at a subsequent Final Quarter End Test Date, and, if the test in the second paragraph above caused the Trigger Event, the adjusted stockholders’ equity amount is no longer 10% or more below its level at the Benchmark Quarter End Test Date that is associated with the Trigger Event. In the case of successive Trigger Events, the suspension would continue until MetLife satisfies these conditions for each of the Trigger Events.

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

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

Optional Deferral of Interest on the Junior Subordinated Debentures

The junior subordinated debentures provide that we may, at our option and provided that certain conditions are met, defer payment of interest without giving rise to an event of default for periods of up to 10 years. In that case, after five years MetLife, Inc. would be obligated to use commercially reasonable efforts to sell equity securities to raise proceeds to pay the interest. We would not be subject to limitations on the number of deferral periods that we could begin, so long as all accrued and unpaid interest is paid with respect to prior deferral periods. If we were to defer payments of interest, the “dividend stopper” provisions in the junior subordinated debentures would thus prevent us from repurchasing or paying dividends on our common stock or other capital stock (including the preferred stock) during the period of deferral, subject to exceptions.

See Note 14 of the Notes to the Consolidated Financial Statements for additional information about these restrictions.

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

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

The payment of dividends and other distributions to MetLife, Inc. by its U.S. insurance subsidiaries is regulated by insurance laws and regulations. In general, dividends in excess of prescribed limits require insurance regulatory approval. In addition, insurance regulators may prohibit the payment of dividends or other payments by its insurance subsidiaries to MetLife, Inc. if they determine that the payment could be adverse to our policyholders or contractholders. The payment of dividends and other distributions by insurance companies is also influenced by business conditions and rating agency considerations. See “Business — Regulation — U.S. Regulation — Insurance Regulation” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — MetLife, Inc. — Liquidity and Capital Sources — Dividends from Subsidiaries.” See also “— Regulatory and Legal Risks — Our Insurance, Pensions and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.”

Any payment of interest, dividends, distributions, loans or advances by our foreign subsidiaries and branches to MetLife, Inc. could be subject to taxation, insurance regulatory or other restrictions on dividends or repatriation of earnings under applicable law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdiction in which such foreign subsidiaries operate. See “Business — Regulation — International Regulation” and “— Risks Related to Our Business — Our International Operations Face Political, Legal, Operational and Other Risks, Including Exposure to Local and Regional Economic Conditions, That Could Negatively Affect Those Operations or Our Profitability.”

From time to time, MetLife, Inc. or its subsidiaries may establish net worth maintenance or other support agreements with other subsidiaries. Those commitments may limit such supported subsidiary’s ability to pay MetLife, Inc. dividends, or require MetLife, Inc. or another subsidiary to transfer capital to such supported subsidiary, in either case limiting capital that is available for other purposes. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — MetLife, Inc. — Liquidity and Capital Uses — Support Agreements.”

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

Operational Risks

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

Our enterprise risk management program is designed to mitigate material risks and loss to the Company. We have developed and continue to develop our risk management policies and procedures to reflect the ongoing review of our risks and expect to continue to do so in the future. Nonetheless, our policies and procedures may not be comprehensive and may not identify every risk to which we are exposed. Many of our methods for managing risk and exposures are based upon the use of observed historical market behavior to model or project potential future exposure.

Models used by our business are based on assumptions, projections and data which may be inaccurate. Business or other decisions, including determination of reserves, based on incorrect or misused model output and reports could have a material adverse impact on our results of operations. Model risk may be the result of a model being misspecified for its intended purpose, being misused or producing incorrect or inappropriate results. Models used by our business may not operate properly and could contain errors related to model inputs, data, assumptions, calculations, or output. We perform model reviews that could give rise to adjustments to models that may adversely impact our results of operations. Additionally, our model review process may not adequately identify or remediate errors in or related to our models. As a result, our models may not fully predict future exposures or correctly reflect past experience, which may have a material impact on our business, reputation, results of operations or financial condition.

Other risk management methods depend upon the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that are publicly available or otherwise accessible to us. This information may not always be accurate, complete, up-to-date or properly evaluated. Furthermore, there can be no assurance that we can effectively review and monitor all risks or that all of our employees will follow our risk management policies and procedures, nor can there be any assurance that our risk management policies and procedures will enable us to accurately identify all risks and limit our exposures based on our assessments. In addition, we may have to implement more extensive and perhaps different risk management policies and procedures under pending regulations. See “Business — Regulation — U.S. Regulation,” “Business — Regulation — International Regulation — Global Systemically Important Insurers” and “Quantitative and Qualitative Disclosures About Market Risk.”

We are highly dependent on our ability to process a large number of complex transactions across our businesses. The large number of transactions we process makes it possible that errors will occasionally occur, and the controls and procedures we have in place to prevent such errors may not be entirely effective. The occurrence of mistakes, particularly significant ones, can subject us to claims from our customers and may have a material adverse effect on our reputation, business, results of operations, or financial condition.

We are dependent on our group product customers or their employees for certain information to accurately review and pay claims on many of our products. If we are unable to obtain necessary and accurate information from our customers, we may be unable provide coverage and to pay claims, or we may pay claims without accurate or complete documentation, which may have a material adverse effect on our reputation, business, results of operations, or financial condition.

From time to time, we rely on vendors or other service providers for services related to the administration of our products, investment management, or other business operations. To the extent our efforts to ensure such vendors' controls meet our standards are inadequate, our vendors fail to perform their services accurately or timely, the exchange of information between us and our vendors is imperfect, or our vendors suffer financial or reputational distress, any errors or misconduct that result could have a material adverse effect on our business, reputation, results of operations, or financial condition.

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

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

The Failure in Cyber- or Other Information Security Systems, as well as the Occurrence of Events Unanticipated in Our Disaster Recovery Systems and Management Continuity Planning, Could Result in a Loss or Disclosure of Confidential Information, Damage to Our Reputation and Impairment of Our Ability to Conduct Business Effectively

Our business is highly dependent upon the effective operation of our computer systems. We rely on these systems throughout our business for a variety of functions, including processing claims, transactions and applications, providing information to customers and distributors, performing actuarial analyses and maintaining financial records. We also retain confidential and proprietary information on our computer systems and we rely on sophisticated technologies to maintain the security of that information. Our computer systems have been, and will likely continue to be, subject to computer viruses or other malicious codes, unauthorized or fraudulent access, cyberattacks or other computer-related penetrations. Publicly reported cyber-security threats and incidents have increased over recent periods. The administrative and technical controls and other preventive actions we take to reduce the risk of cyber-incidents and protect our information technology may be insufficient to prevent physical and electronic break-ins, cyber-attacks, compromised credentials, fraud, other security breaches or other unauthorized access to our computer systems. In some cases, such physical and electronic break-ins, cyber-attacks, compromised credentials, fraud, other security breaches or other unauthorized access may not be immediately detected. This may impede or interrupt our business operations and could adversely affect our business, financial condition and results of operations. In addition, the availability and cost of insurance for operational and other risks relating to our business and systems may change and any such change may affect our results of operations.

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

The failure of our computer systems and/or our disaster recovery plans for any reason could cause significant interruptions in our operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to our customers. Such a failure could harm our reputation, subject us to regulatory investigations and sanctions, expose us to legal claims, lead to a loss of customers and revenues and otherwise adversely affect our business and financial results. Although we conduct due diligence, negotiate contractual provisions and, in many cases, conduct periodic reviews of our vendors, distributors, and other third parties that provide operational or information technology services to us to confirm compliance with MetLife's information security standards, the failure of such third parties' computer systems and/or their disaster recovery plans for any reason might cause significant interruptions in our operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to our customers. Such a failure could harm our reputation, subject us to regulatory sanctions and legal claims, lead to a loss of customers and revenues and otherwise adversely affect our business and financial results. While we maintain cyber liability insurance that provides both third-party liability and first-party liability coverages, our insurance may not be sufficient to protect us against all losses. MetLife, Inc. and its subsidiaries maintain a primary cybersecurity and privacy liability insurance policy with a limit of \$15 million, and have additional coverage for cybersecurity and privacy liability available under blended professional liability excess coverage policies with a total limit of \$210 million. There can be no assurance that our information security policies and systems in place can prevent unauthorized access use or disclosure of confidential information, including nonpublic personal information, nor can we be certain that we will be able to reliably access all of the documents and records in the information storage systems we use, whether electronic or physical. In some circumstances, we may fail to obtain or maintain all of the records we need to accurately and timely administer, and establish appropriate reserves for benefits and claims with respect to, our products, which failure could adversely affect our business, reputation, results of operations or our financial condition.

We are continuously evaluating and enhancing systems and creating new systems and processes as our business depends on our ability to maintain and improve our technology systems. Due to the complexity and interconnectedness of our systems and processes, these changes, as well as changes designed to update and enhance our protective measures to address new threats, increase the risk of a system or process failure or the creation of a gap in our security measures. Any such failure or gap could adversely affect our business, reputation, results of operations or financial condition.

Any Failure to Protect the Confidentiality of Client Information Could Adversely Affect Our Reputation and Have a Material Adverse Effect on Our Business, Financial Condition and Results of Operations

Pursuant to U.S. federal and state laws, and laws of other jurisdictions in which we operate, various government agencies have established rules protecting the privacy and security of personal information. In addition, most U.S. states and a number of jurisdictions outside the United States have enacted laws, which vary significantly from jurisdiction to jurisdiction, to safeguard the privacy and security of personal information. The area of cybersecurity has also come under increased scrutiny by insurance regulators. On March 1, 2017, New York's cybersecurity regulation for financial services institutions, including banking and insurance entities, became effective, and on October 24, 2017, the NAIC adopted the Insurance Data Security Model Law, which, if adopted as state legislation, would establish standards for data security and for the investigation of and notification of insurance commissioners of cybersecurity events. See "Business — Regulation — U.S. Regulation — Insurance Regulation — Cybersecurity Regulation." Many of the associates who conduct our business have access to, and routinely process, personal information of clients through a variety of media, including information technology systems. We rely on various internal processes and controls to protect the confidentiality of client information that is accessible to, or in the possession of, our company and our associates. It is possible that an associate could, intentionally or unintentionally, disclose or misappropriate confidential client information or our data could be the subject of a cybersecurity attack. If we fail to maintain adequate internal controls or if our associates fail to comply with our policies and procedures, misappropriation or intentional or unintentional inappropriate disclosure or misuse of client information could occur. Such internal control inadequacies or non-compliance could materially damage our reputation or lead to regulatory, civil or criminal investigations and penalties, which, in turn, could have a material adverse effect on our business, financial condition and results of operations. In addition, we analyze customer data to better manage our business. There has been increased scrutiny, including from U.S. state and federal regulators, regarding the use of "big data" techniques such as price optimization. We cannot predict what, if any, actions may be taken with regard to "big data," but any inquiries could cause reputational harm and any limitations could have a material impact on our business, financial condition and results of operations.

Our Associates May Take Excessive Risks Which Could Negatively Affect Our Financial Condition and Business

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

Technological Changes May Present New and Increased Challenges to Our Business

Recent and future changes in technology may present us with new challenges and may intensify many of the challenges that we already face. For example, as a result of the availability of new technological tools for data collection and analysis, we have access to an increasing amount of data, from an increasing variety of sources, regarding deaths of our policyholders and annuitants. We may be unable to accurately or completely process this increased volume of information within the time periods required by applicable standards. Furthermore, the additional information that we obtain as a result of technological improvements may require us to modify our assumptions, models, or reserves. Changes in technology related to collection and analysis of data regarding customers could, in these ways or others, expose us to regulatory or legal actions and may have a material adverse effect on our business, reputation, results of operations, and financial condition. See “— Risks Related to Our Business — Differences Between Actual Claims Experience and Underwriting and Reserving Assumptions May Adversely Affect Our Financial Results.”

Technological changes may also impact the ways in which we interact with our customers. As technology evolves, customers may expect increased choices in the ways in which they interact with us. We may also be required to redesign certain of our products to meet changing customer preferences. Our distribution channels may become more automated in order to provide customers with increased flexibility to access our services and products at times and places of their choosing. Such changes may require significant costs to implement. If we are unsuccessful in implementing such changes, our competitive position may be harmed and our relationships with our distribution partners may suffer. See “— Risks Related to Our Business — Competitive Factors May Adversely Affect Our Market Share and Profitability” and “— General Risks — We May Experience Difficulty in Marketing and Distributing Products Through Our Distribution Channels.”

Technological advances may also impact the composition and results of our investment portfolio. For example, changes in energy technology may impact the relative attractiveness of investments in a variety of energy sources, and increasing consumer preferences for e-commerce may negatively impact the profitability of retail and commercial real estate. If we are unable to adjust our investments in reaction to such changes, our results of operations and financial condition may be materially and adversely affected.

Advances in medical technology may also adversely affect us. Improvements in medical technologies that extend lives may require us to modify our assumptions, models, or reserves. Additionally, increases in the prevalence and accuracy of genetic testing, or legislation or regulation regarding the use by insurers of information produced by such testing, may exacerbate adverse selection risks. Such changes in medical technologies may thus have a material adverse effect on our business, results of operations, and financial condition.

General Risks

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

Under the plan of reorganization, we established the MetLife Policyholder Trust to hold the shares of MetLife, Inc. common stock allocated to eligible policyholders not receiving cash or policy credits under the plan. As of February 16, 2018, the Trust held 154,420,615 shares, or 14.9%, of the outstanding shares of MetLife, Inc. common stock. Because of voting provisions of the Trust and the number of shares held by it, the Trust may affect the outcome of matters brought to a stockholder vote. Except on votes regarding certain fundamental corporate actions described below, the trustee will vote all of the shares of common stock held in the Trust in accordance with the recommendations given by MetLife, Inc.'s Board of Directors to its stockholders or, if the Board gives no such recommendations, as directed by the Board. As a result of the voting provisions of the Trust, the Board of Directors may be able to influence the outcome of votes on matters submitted to a vote of stockholders, excluding certain fundamental corporate actions, so long as the Trust holds a substantial number of shares of common stock.

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

- an election or removal of directors in which a stockholder has properly nominated one or more candidates in opposition to a nominee or nominees of MetLife, Inc.'s Board of Directors or a vote on a stockholder's proposal to oppose a Board nominee for director, remove a director for cause or fill a vacancy caused by the removal of a director by stockholders, subject to certain conditions;
- a merger or consolidation, a sale, lease or exchange of all or substantially all of the assets, or a recapitalization or dissolution, of MetLife, Inc., in each case requiring a vote of stockholders under applicable Delaware law;
- any transaction that would result in an exchange or conversion of shares of common stock held by the Trust for cash, securities or other property; and
- any proposal requiring MetLife, Inc.'s Board of Directors to amend or redeem the rights under MetLife, Inc.'s stockholder rights plan, other than a proposal with respect to which we have received advice of nationally-recognized legal counsel to the effect that the proposal is not a proper subject for stockholder action under Delaware law. MetLife, Inc. does not currently have a stockholder rights plan.

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

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

Changes in Accounting Standards Issued by the Financial Accounting Standards Board or Other Standard-Setting Bodies May Adversely Affect Our Financial Statements

Our financial statements are subject to the application of GAAP, which is periodically revised and/or expanded. Accordingly, from time to time we are required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the Financial Accounting Standards Board (the "FASB"). The impact of accounting pronouncements that have been issued but not yet implemented is disclosed in our reports filed with the SEC. See Note 1 of the Notes to the Consolidated Financial Statements. An assessment of proposed standards is not provided as such proposals are subject to change through the exposure process and official positions of the FASB are determined only after extensive due process and deliberations. Therefore, the effects on our financial statements cannot be meaningfully assessed. The required adoption of future accounting standards could have a material adverse effect on our financial condition and results of operations.

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

We determine our pension and other postretirement benefit plan costs based on our best estimates of future plan experience. These assumptions are reviewed regularly and include discount rates, expected rates of return on plan assets, mortality rates, expected increases in compensation levels and expected medical inflation. Changes in these assumptions may result in increased expenses and reduce our profitability. See Note 17 of the Notes to the Consolidated Financial Statements for details on how changes in these assumptions would affect plan costs.

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

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

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

We May Experience Difficulty in Marketing and Distributing Products Through Our Distribution Channels

Since the completion of the U.S. Retail Advisor Force Divestiture in July 2016, we primarily distribute our products through a variety of third-party distribution channels. We may periodically negotiate the terms of these relationships, and there can be no assurance that such terms will remain acceptable to us or such third parties. An interruption in certain key relationships could materially affect our ability to market our products and could have a material adverse effect on our business, operating results and financial condition. Distributors may elect to suspend, alter, reduce or terminate their distribution relationships with us for various reasons, including changes in our distribution strategy, adverse developments in our business, adverse rating agency actions or concerns about market-related risks. We are also at risk that key distribution partners may merge, change their business models in ways that affect how our products are sold, or terminate their distribution contracts with us, or that new distribution channels could emerge and adversely impact the effectiveness of our distribution efforts. Consolidation of distributors and/or other industry changes may also increase the likelihood that distributors will try to renegotiate the terms of any existing selling agreements to terms less favorable to us.

When our products are distributed through unaffiliated firms, we may not be able to monitor or control the manner of their distribution despite our training and compliance programs. If our products are distributed by such firms in an inappropriate manner, or to customers for whom they are unsuitable, we may suffer reputational and other harm to our business.

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

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

Any person seeking to acquire a controlling interest in us would face various regulatory obstacles, including:

- applicable state insurance laws and regulations may delay or impede a business combination involving us by prohibiting an entity from acquiring control (generally presumed to exist at direct or indirect ownership of 10% or more of voting stock) of an insurance company domiciled in the United States without the prior approval of the domestic insurance regulator. Many foreign jurisdictions in which we operate have similar regulatory approval requirements.
- if the acquiring entity is a bank or non-bank SIFI, Dodd-Frank provisions that restrict or impede consolidations, mergers and acquisitions by systemically significant firms.
- Provisions of the Investment Company Act that require approval by the contract owners of our variable contracts in order to effectuate a change of control of any affiliated investment adviser to a mutual fund underlying our variable contracts.
- FINRA approval requirements for a change of control of any FINRA registered broker-dealer that is a direct or indirect subsidiary of MetLife, Inc.
- Provisions of the Delaware General Corporation Law may affect the ability of an “interested stockholder” (the owner of 15% or more of the outstanding voting stock of a corporation) to engage in certain business combinations for a period of three years following the time that the stockholder becomes an “interested stockholder.”

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

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

Item 1B. Unresolved Staff Comments

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

Item 2. Properties

As of December 31, 2017, we leased our headquarters building located at 200 Park Avenue, New York, New York. Including our headquarters, throughout the U.S. we own eight buildings and have approximately 115 leases used in support of all segments, as well as Corporate & Other.

Also, as of December 31, 2017, we owned three properties and have approximately 180 leases in Japan, which are used primarily by our Asia segment. Excluding the U.S. and Japan, we own approximately 100 properties and have approximately 990 leases in various countries used primarily in support of our Asia, Latin America, and EMEA segments, as well as Corporate & Other.

We believe our properties are adequate and suitable for our business as currently conducted, and are adequately maintained. The above properties do not include properties we own for investment-only purposes.

Item 3. Legal Proceedings

See Note 20 of the Notes to the Consolidated Financial Statements.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

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

Issuer Common Equity

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

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

	2017			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Common Stock Price				
High	\$ 50.04	\$ 49.07	\$ 51.95	\$ 55.73
Low	\$ 45.80	\$ 44.39	\$ 46.68	\$ 50.56

	2016			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Common Stock Price				
High	\$ 42.17	\$ 41.80	\$ 39.84	\$ 51.15
Low	\$ 31.38	\$ 32.56	\$ 33.73	\$ 39.55

At February 16, 2018, there were 77,054 stockholders of record of our common stock.

The following table presents common stock dividend declaration, record and payment dates, as well as per share and aggregate dividend amounts, for the years ended December 31, 2017 and 2016:

Declaration Date	Record Date	Payment Date	Dividend	
			Per Share	Aggregate (In millions)
October 24, 2017	November 6, 2017	December 13, 2017	\$ 0.400	\$ 422
July 7, 2017	August 7, 2017	September 13, 2017	\$ 0.400	427
April 25, 2017	May 8, 2017	June 13, 2017	\$ 0.400	431
January 6, 2017	February 6, 2017	March 13, 2017	\$ 0.400	437
				<u>\$ 1,717</u>
October 25, 2016	November 7, 2016	December 13, 2016	\$ 0.400	\$ 441
July 7, 2016	August 8, 2016	September 13, 2016	\$ 0.400	441
April 26, 2016	May 9, 2016	June 13, 2016	\$ 0.400	441
January 6, 2016	February 5, 2016	March 14, 2016	\$ 0.375	413
				<u>\$ 1,736</u>

The declaration and payment of common stock dividends is subject to the discretion of our Board of Directors, and will depend on MetLife, Inc.’s financial condition, results of operations, cash requirements, future prospects, regulatory restrictions on the payment of dividends by MetLife, Inc.’s insurance subsidiaries and other factors deemed relevant by the Board. The payment of dividends is also subject to restrictions under the terms of our preferred stock and junior subordinated debentures in situations where we may be experiencing financial stress. See “Risk Factors — Capital-Related Risks — Legal and Regulatory Restrictions and Uncertainty and Restrictions Under the Terms of Certain of Our Securities May Prevent Us from Repurchasing Our Stock and Paying Dividends at the Level We Wish” and Note 15 of the Notes to the Consolidated Financial Statements. See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Dividends” and Note 22 of the Notes to the Consolidated Financial Statements for further information regarding preferred and common stock dividends.

See Item 12 for information about our equity compensation plans.

Issuer Purchases of Equity Securities

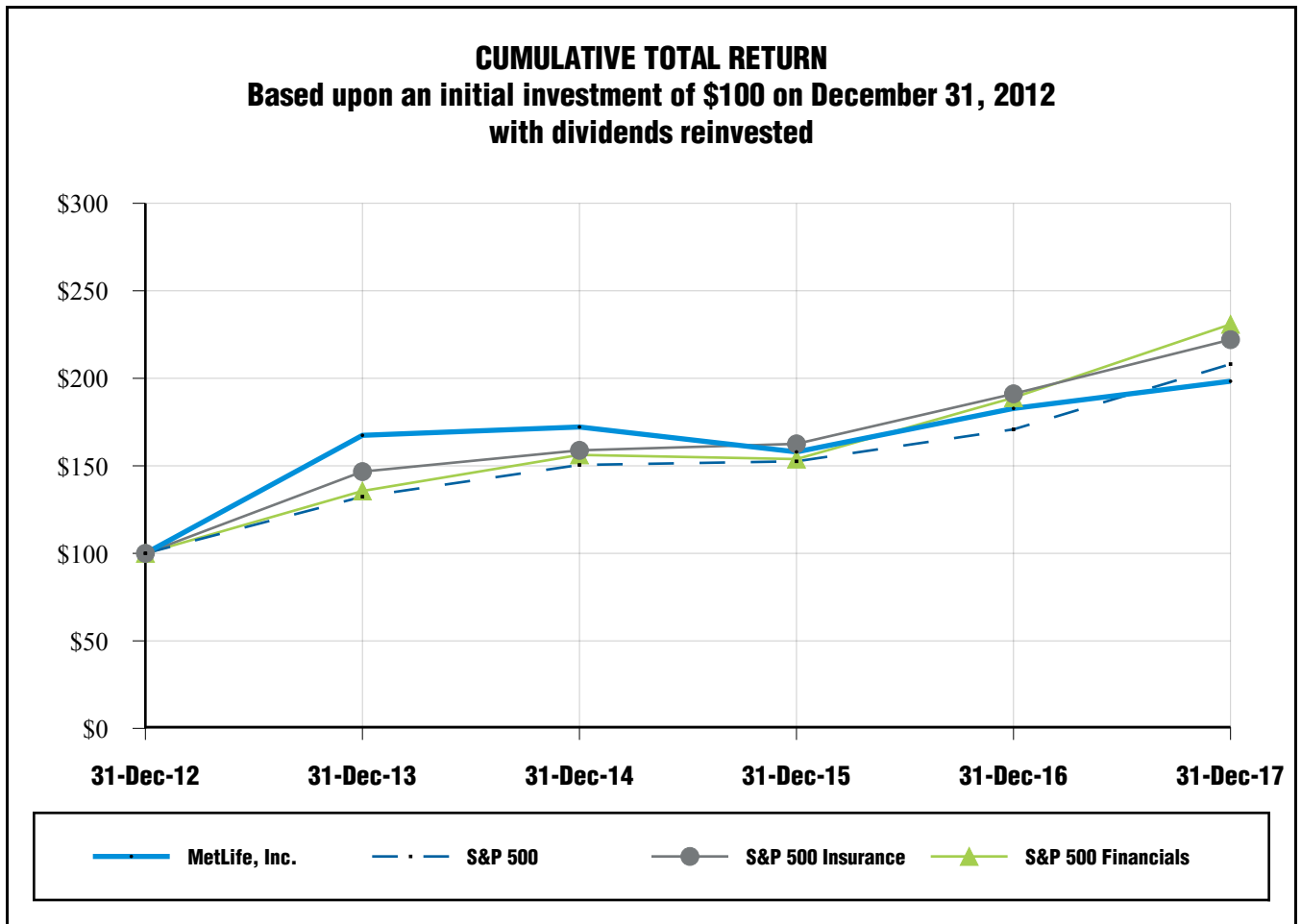
Purchases of MetLife, Inc. common stock made by or on behalf of MetLife, Inc. or its affiliates during the quarter ended December 31, 2017 are set forth below:

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (2)
October 1 - October 31, 2017	2,466,869	\$52.73	2,466,869	\$253,120,134
November 1 - November 30, 2017	1,664,085	\$52.16	1,664,085	\$2,166,319,397
December 1 - December 31, 2017	7,730,961	\$52.31	7,730,961	\$1,761,926,649

- (1) Except for the foregoing, there were no shares of MetLife, Inc. common stock repurchased by MetLife, Inc.
- (2) On November 1, 2017, MetLife, Inc. announced that its Board of Directors authorized \$2.0 billion of common stock repurchases. At December 31, 2017, MetLife, Inc. had \$1.8 billion of common stock repurchases remaining under the authorization. For more information on common stock repurchases, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Common Stock Repurchases,” “Risk Factors — Capital-Related Risks — Legal and Regulatory Restrictions and Uncertainty and Restrictions Under the Terms of Certain of Our Securities May Prevent Us from Repurchasing Our Stock and Paying Dividends at the Level We Wish” and Notes 15 and 22 of the Notes to the Consolidated Financial Statements.

Common Stock Performance Graph

The graph and table below compare the total return on our common shares with the total return on the S&P 500, S&P 500 Insurance, and S&P 500 Financials indices, respectively, for the five year period ended on December 31, 2017. The graph and table show the total return on a hypothetical \$100 investment in our common shares and in each index, respectively, on December 31, 2012, including the reinvestment of all dividends. The graph and table below shall not be deemed to be “soliciting material” or to be “filed,” or to be incorporated by reference in future filings with the SEC, or to be subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act or the Exchange Act.



As of December 31,

	2012	2013	2014	2015	2016	2017
MetLife, Inc. common stock	\$ 100.00	\$ 167.43	\$ 172.20	\$ 157.96	\$ 182.79	\$ 198.34
S&P 500	100.00	132.39	150.51	152.59	170.84	208.14
S&P 500 Insurance	100.00	146.71	158.86	162.56	191.15	222.09
S&P 500 Financials	100.00	135.63	156.25	153.86	188.94	230.85

Item 6. Selected Financial Data

The statement of operations data for the years ended December 31, 2017, 2016 and 2015, and the balance sheet data at December 31, 2017 and 2016 have been derived from the Company's audited consolidated financial statements included elsewhere herein. See Note 1 of the Notes to the Consolidated Financial Statements for revisions to prior periods. The statement of operations data for the years ended December 31, 2014 and 2013 have been derived from the Company's consolidated financial statements, without revisions for immaterial errors. The balance sheet data at December 31, 2015, 2014 and 2013 have also been immaterially revised as applicable. The Company's consolidated financial statements for such periods are not included herein. The selected financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and related notes included elsewhere herein.

	Years Ended December 31,				
	2017	2016	2015	2014	2013
	(In millions)				
Statement of Operations Data					
Revenues					
Premiums	\$ 38,992	\$ 37,202	\$ 36,403	\$ 36,970	\$ 36,222
Universal life and investment-type product policy fees	5,510	5,483	5,570	5,824	5,381
Net investment income	17,363	16,790	16,205	18,158	18,956
Other revenues	1,341	1,685	1,927	1,962	1,834
Net investment gains (losses)	(308)	317	609	338	198
Net derivative gains (losses)	(590)	(690)	629	722	(1,475)
Total revenues	62,308	60,787	61,343	63,974	61,116
Expenses					
Policyholder benefits and claims	38,313	36,358	35,144	35,393	34,239
Interest credited to policyholder account balances	5,607	5,176	4,415	5,726	6,881
Policyholder dividends	1,231	1,223	1,356	1,353	1,236
Other expenses	13,621	13,749	14,777	14,619	15,074
Total expenses	58,772	56,506	55,692	57,091	57,430
Income (loss) from continuing operations before provision for income tax	3,536	4,281	5,651	6,883	3,686
Provision for income tax expense (benefit)	(1,470)	693	1,590	1,936	687
Income (loss) from continuing operations, net of income tax	5,006	3,588	4,061	4,947	2,999
Income (loss) from discontinued operations, net of income tax	(986)	(2,734)	1,324	1,389	394
Net income (loss)	4,020	854	5,385	6,336	3,393
Less: Net income (loss) attributable to noncontrolling interests	10	4	12	27	25
Net income (loss) attributable to MetLife, Inc.	4,010	850	5,373	6,309	3,368
Less: Preferred stock dividends	103	103	116	122	122
Preferred stock repurchase premium	—	—	42	—	—
Net income (loss) available to MetLife, Inc.'s common shareholders	\$ 3,907	\$ 747	\$ 5,215	\$ 6,187	\$ 3,246

	Years Ended December 31,				
	2017	2016	2015	2014	2013
EPS Data					
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders per common share:					
Basic	\$ 4.57	\$ 3.16	\$ 3.48	\$ 4.25	\$ 2.58
Diluted	\$ 4.53	\$ 3.13	\$ 3.44	\$ 4.20	\$ 2.55
Income (loss) from discontinued operations, net of income tax, per common share:					
Basic	\$ (0.92)	\$ (2.48)	\$ 1.19	\$ 1.23	\$ 0.36
Diluted	\$ (0.91)	\$ (2.46)	\$ 1.18	\$ 1.22	\$ 0.36
Net income (loss) available to MetLife, Inc.'s common shareholders per common share:					
Basic	\$ 3.65	\$ 0.68	\$ 4.67	\$ 5.48	\$ 2.94
Diluted	\$ 3.62	\$ 0.67	\$ 4.62	\$ 5.42	\$ 2.91
Cash dividends declared per common share	\$ 1.600	\$ 1.575	\$ 1.475	\$ 1.325	\$ 1.010

	December 31,				
	2017	2016	2015 (1)	2014 (1)	2013 (1)
(In millions)					
Balance Sheet Data					
Assets of disposed subsidiary (2)	\$ —	\$ 216,983	\$ 216,437	\$ 219,937	\$ 225,223
Separate account assets	\$ 205,001	\$ 195,578	\$ 187,152	\$ 194,072	\$ 192,763
Total assets	\$ 719,892	\$ 898,764	\$ 877,912	\$ 902,322	\$ 886,826
Policyholder liabilities and other policy-related balances (3)	\$ 378,810	\$ 355,151	\$ 342,047	\$ 349,651	\$ 347,078
Short-term debt	\$ 477	\$ 242	\$ 100	\$ 100	\$ 175
Long-term debt	\$ 15,686	\$ 16,441	\$ 17,936	\$ 16,108	\$ 17,153
Collateral financing arrangement	\$ 1,121	\$ 1,274	\$ 1,342	\$ 1,399	\$ 1,399
Junior subordinated debt securities	\$ 3,144	\$ 3,169	\$ 3,194	\$ 3,193	\$ 3,193
Liabilities of disposed subsidiary (2)	\$ —	\$ 202,707	\$ 204,314	\$ 208,341	\$ 215,645
Separate account liabilities	\$ 205,001	\$ 195,578	\$ 187,152	\$ 194,072	\$ 192,763
Accumulated other comprehensive income (loss)	\$ 7,427	\$ 5,366	\$ 4,767	\$ 10,714	\$ 5,158
Total MetLife, Inc.'s stockholders' equity	\$ 58,676	\$ 67,531	\$ 68,098	\$ 72,208	\$ 61,711
Noncontrolling interests	\$ 194	\$ 171	\$ 470	\$ 507	\$ 543

	Years Ended December 31,				
	2017	2016	2015	2014	2013
Other Data (4)					
Return on MetLife, Inc.'s common stockholders' equity	6.3%	1.0%	7.7%	9.5%	5.3%

- (1) See Note 1 of the Notes to the Consolidated Financial Statements for information on prior period revisions.

The impact of the revisions is shown in the tables below:

	December 31, 2015			December 31, 2014			December 31, 2013		
	As Previously Reported	Revisions	As Revised	As Previously Reported	Revisions	As Revised	As Previously Reported	Revisions	As Revised
(In millions)									
Balance Sheet Data									
Assets of disposed subsidiary	216,437	—	216,437	219,951	(14)	219,937	225,226	(3)	225,223
Total Assets	877,933	(21)	877,912	902,337	(15)	902,322	886,825	1	886,826
Policyholder liabilities and other policy-related balances	342,279	(232)	342,047	349,845	(194)	349,651	347,281	(203)	347,078
Liabilities of disposed subsidiary	204,374	(60)	204,314	208,406	(65)	208,341	215,702	(57)	215,645
Accumulated other comprehensive income (loss)	4,771	(4)	4,767	10,649	65	10,714	5,104	54	5,158
Total MetLife, Inc.'s stockholders' equity	67,949	149	68,098	72,053	155	72,208	61,553	158	61,711

	Year Ended December 31, 2016			Year Ended December 31, 2015			Year Ended December 31, 2014			Year Ended December 31, 2013		
	As Previously Reported	Revisions	As Revised	As Previously Reported	Revisions	As Revised	As Previously Reported	Revisions	As Revised	As Previously Reported	Revisions	As Revised
Other Data												
Return on MetLife, Inc.'s stockholders' equity	1.0%	—%	1.0%	7.5%	0.2%	7.7%	9.4%	0.1%	9.5%	5.4%	(0.1%)	5.3%

- (2) See Note 3 of the Notes to the Consolidated Financial Statements.
- (3) Policyholder liabilities and other policy-related balances include future policy benefits, policyholder account balances, other policy-related balances, policyholder dividends payable and the policyholder dividend obligation.
- (4) Return on MetLife, Inc.'s common stockholders' equity is defined as net income (loss) available to MetLife, Inc.'s common shareholders divided by MetLife, Inc.'s average common stockholders' equity.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Index to Management’s Discussion and Analysis of Financial Condition and Results of Operations

	Page
Forward-Looking Statements and Other Financial Information	86
Executive Summary	87
Industry Trends	92
Summary of Critical Accounting Estimates	98
Economic Capital	106
Acquisitions and Dispositions	106
Results of Operations	108
Effects of Inflation	134
Investments	135
Derivatives	151
Off-Balance Sheet Arrangements	155
Insolvency Assessments	156
Policyholder Liabilities	156
Liquidity and Capital Resources	164
Adoption of New Accounting Pronouncements	185
Future Adoption of New Accounting Pronouncements	185
Non-GAAP and Other Financial Disclosures	185
Subsequent Events	190

Forward-Looking Statements and Other Financial Information

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

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

This Management’s Discussion and Analysis of Financial Condition and Results of Operations includes references to our performance measures, adjusted earnings and adjusted earnings available to common shareholders, that are not based on GAAP. These measures are used by management to evaluate performance and allocate resources. Consistent with GAAP guidance for segment reporting, adjusted earnings is also our GAAP measure of segment performance. Adjusted earnings and other financial measures based on adjusted earnings are also the measures by which senior management’s and many other employees’ performance is evaluated for the purposes of determining their compensation under applicable compensation plans. Adjusted earnings and other financial measures based on adjusted earnings allow analysis of our performance relative to our business plan and facilitate comparisons to industry results. Forward-looking guidance provided on a non-GAAP basis cannot be reconciled to the most directly comparable GAAP measures on a forward-looking basis because net income may fluctuate significantly if net investment gains and losses and net derivative gains and losses move outside of estimated ranges. See “— Non-GAAP and Other Financial Disclosures” for definitions and a discussion of these measures, and “— Results of Operations” for reconciliations of historical non-GAAP financial measures to the most directly comparable GAAP measures.

Executive Summary

Overview

MetLife is one of the world's leading financial services companies, providing insurance, annuities, employee benefits and asset management. MetLife is organized into five segments: U.S.; Asia; Latin America; EMEA; and MetLife Holdings. In addition, the Company reports certain of its results of operations in Corporate & Other. See "Business — Segments and Corporate & Other" and Note 2 of the Notes to the Consolidated Financial Statements for further information on the Company's segments and Corporate & Other. Management continues to evaluate the Company's segment performance and allocated resources and may adjust related measurements in the future to better reflect segment profitability.

Group Annuity Reserves, Assumed Variable Annuity Guarantee Reserves and Other Revisions

On December 15, 2017, the Company announced that it was undertaking a review of practices and procedures used to estimate its reserves related to certain RIS group annuitants who have been unresponsive or missing over time. As a result of this process, the Company increased reserves by \$510 million, before income tax, to reinstate reserves previously released, and to reflect accrued interest and other related liabilities. Of the increase of \$510 million (\$331 million, net of income tax), \$138 million (\$90 million, net of income tax) was incurred in 2017 and \$372 million (\$241 million, net of income tax) was considered an error and, recording this amount in the fourth quarter of 2017 financial statements would have had a material effect on the results of operations for 2017. Approximately 25 years ago, companies that are or have been MetLife, Inc. subsidiaries established a practice of releasing the full insurance liability after two attempts at contacting these annuitants, based on the presumption that these annuitants would never respond and had not become entitled to benefits based on certain contractual provisions. The number of impacted annuitants for whom the Company released the full insurance liability was no more than 1,000 in any one year, and over the entire period totaled approximately 13,500 as of December 31, 2017, which is approximately 2% of the total group annuitant population.

Further, an additional internal review of practices and procedures was completed in early 2018, focusing on the calculation of certain reserves associated with MetLife Holdings variable annuity guarantees assumed from a former operating joint venture in Japan. As a result, the Company reduced these reserves by \$896 million (\$582 million, net of income tax). Of this amount, \$214 million (\$139 million, net of income tax) was incurred in 2017 and \$682 million (\$443 million, net of income tax) was considered an error. Recording this amount in the fourth quarter of 2017 financial statements would have had a material effect on the results of operations for 2017. MetLife uses a valuation model to estimate the fair value of the embedded derivative portion of this reserve. In reviewing the model inputs, the Company determined that customer withdrawals were not properly incorporated into this valuation model, resulting in an overstatement of the reserve.

As a result of these adjustments, amounts previously reported have been immaterially restated. In addition, the Company has corrected other unrelated immaterial errors which were previously recorded in the periods the Company identified them.

Management, in consultation with the Audit Committee of MetLife, Inc.'s Board of Directors, had identified material weaknesses in the Company's internal control over financial reporting related to certain RIS group annuity reserves and assumed variable annuity guarantee reserves. See "Risk Factors" and "Controls and Procedures" for further information, as well as Note 1 of the Notes to the Consolidated Financial Statements for information regarding prior period revisions related to the Company's consolidated results.

U.S. Tax Reform

On December 22, 2017, U.S. Tax Reform was signed into law. U.S. Tax Reform includes numerous changes in tax law, including a permanent reduction in the U.S. federal corporate income tax rate from 35% to 21%, which took effect for taxable years beginning on or after January 1, 2018, a participation exemption system which generally eliminates U.S. federal income tax on dividends received from foreign subsidiaries, and a number of other revenue raisers.

The impact of U.S. Tax Reform was a net benefit of \$1.3 billion in 2017. U.S. GAAP requires that the impact of tax legislation be recognized in the period in which the law was enacted. As a result, in the fourth quarter of 2017 the Company revalued its net U.S. deferred tax liability to the new corporate tax rate of 21%, resulting in a one-time benefit of \$1.5 billion. Additionally, the Company also recorded a one-time charge of \$170 million related to the deemed repatriation of untaxed accumulated foreign earnings. Given the complexities of U.S. Tax Reform, amounts recorded may change, possibly materially, due to, among other things, changes in interpretations and assumptions made by the Company, additional guidance that may be issued and actions that the Company may take. See Note 18 of the Notes to the Consolidated Financial Statements for a further discussion of U.S. Tax Reform and the impact to the Company in the fourth quarter of 2017. See also “— Consolidated Company Outlook” for a discussion of U.S. Tax Reform’s projected near-term impacts to the Company.

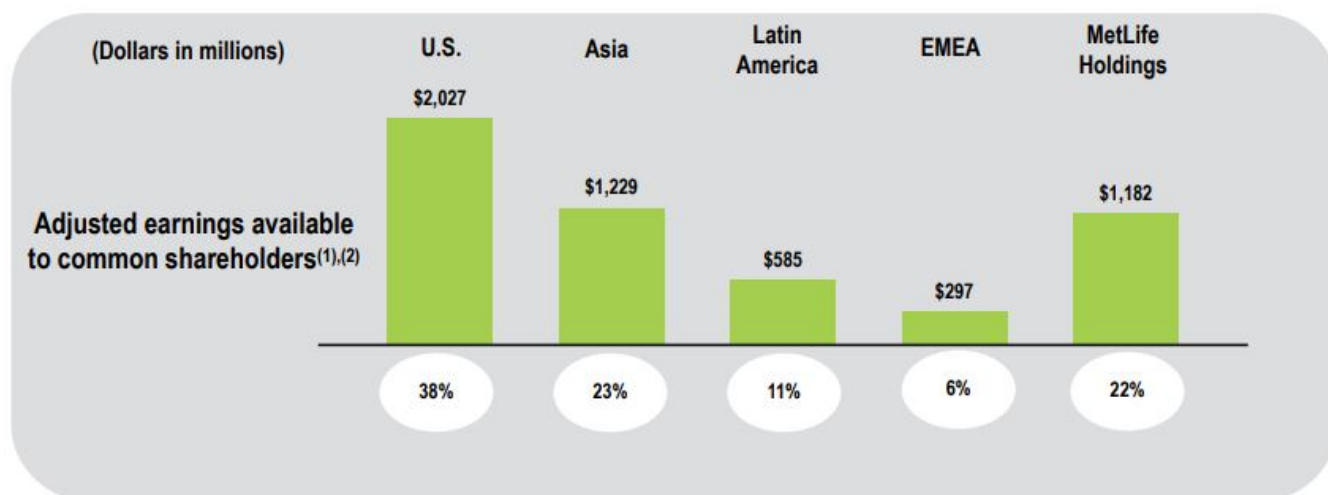
Separation of Brighthouse

On August 4, 2017, MetLife, Inc. completed the Separation. MetLife, Inc. retained the remaining ownership interest of 22,996,436 shares, or 19.2%, of Brighthouse Financial, Inc. common stock outstanding. The Separation resulted in the elimination of the Brighthouse Financial segment. The results of Brighthouse are reflected in the Company’s consolidated financial statements as discontinued operations and, therefore, are presented as assets and liabilities of disposed subsidiary on the consolidated balance sheets and income (loss) from discontinued operations on the consolidated statements of operations. The reporting of discontinued operations had no impact on total consolidated assets or liabilities or on total consolidated net income (loss) for any of the years presented. See Note 3 of the Notes to the Consolidated Financial Statements for further information.

Current Year Highlights

During the year ended December 31, 2017, overall sales increased compared to the year ended December 31, 2016, reflecting improved sales in our RIS and Group Benefits businesses, as well as in the majority of our segments abroad, largely offset by declines in sales of our U.S. life and annuity products due to the discontinued marketing of these products in connection with the Separation. U.S. Tax Reform positively impacted net income in 2017. In addition, while positive net flows drove an increase in our investment portfolio, investment yields were down despite improved equity market performance. Results improved due to the impact in both 2017 and 2016 of our annual actuarial assumption review. An unfavorable change in net investment gains (losses) was primarily the result of losses recognized in connection with the Separation. Despite the 2017 loss on Separation, income (loss) from discontinued operations increased due to significant net derivative losses in 2016.

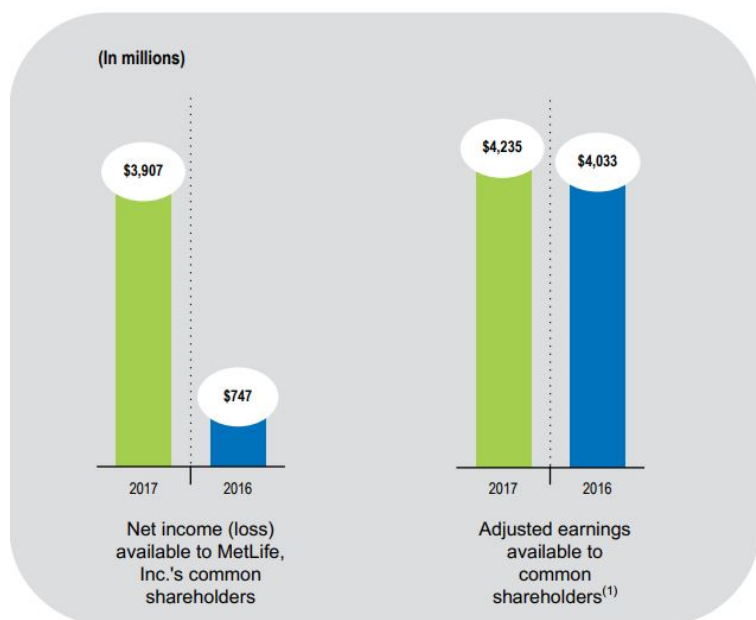
The following represents segment level results and percentage contributions to total segment level adjusted earnings available to common shareholders for the year ended December 31, 2017:



(1) Excludes Corporate & Other adjusted loss available to common shareholders of \$1.1 billion.

(2) Consistent with GAAP guidance for segment reporting, adjusted earnings is our GAAP measure of segment performance. See “— Non-GAAP and Other Financial Disclosures.”

Year Ended December 31, 2017 Compared with the Year Ended December 31, 2016



Consolidated Results - Highlights

Net income (loss) available to MetLife, Inc.'s common shareholders up \$3.2 billion:

- Lower losses from discontinued operations, net of income tax, of \$1.7 billion
- Net tax-related benefit of \$1.3 billion due to U.S. Tax Reform
- Unfavorable change in divested businesses of \$861 million (\$618 million, net of income tax)
- Unfavorable change in net investment gains (losses) of \$625 million (\$406 million, net of income tax)
- Adjusted earnings available to common shareholders up \$202 million

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

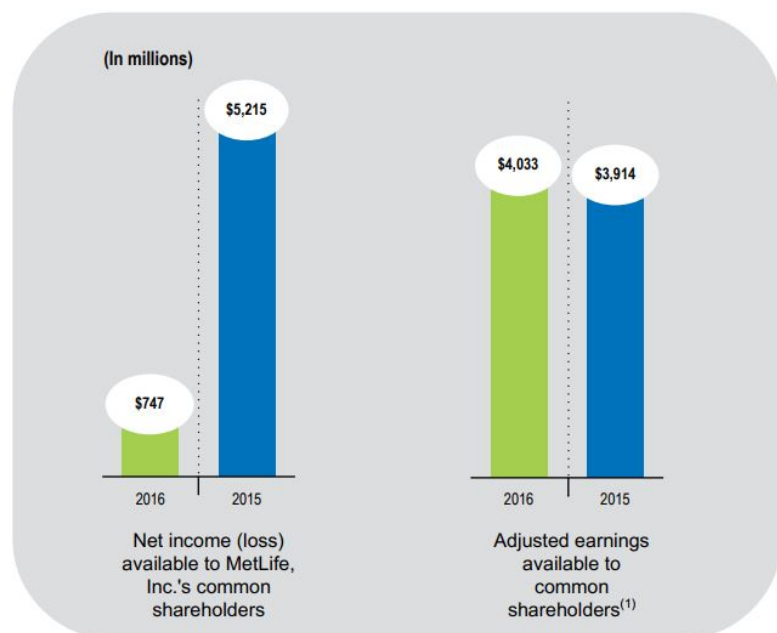
Consolidated Results - Adjusted Earnings

Adjusted earnings available to common shareholders up \$202 million:

- Results of operations positively impacted by annuities reinsurance activity with Brighthouse, the impact of 2017 and 2016 refinements made to DAC and certain insurance-related liabilities and the impact in both 2017 and 2016 of our annual actuarial assumption review, partially offset by the unfavorable impact of U.S. Tax Reform and other tax items
- Our results for 2017 included the following:
 - a tax charge of \$298 million related to U.S. Tax Reform
 - net tax charges of \$139 million consisting of (i) a \$180 million net tax charge related to the repatriation of approximately \$3.0 billion of cash following the post-Separation review of our capital needs, partially offset by a tax benefit associated with dividends from our non-U.S. operations, and (ii) a \$41 million tax benefit from the finalization of certain tax audits
 - a \$102 million, net of income tax, increase in expenses associated with our previously announced unit cost initiative
 - a \$73 million, net of income tax, charge for expenses incurred related to a guaranty fund assessment for Penn Treaty Network America Insurance Company (“Penn Treaty”) and increases in asbestos and litigation reserves
 - a \$90 million, net of income tax, charge to increase certain RIS policy reserves
 - a favorable reserve adjustment of \$55 million, net of income tax, resulting from modeling improvements in the reserving process for our life business
 - a charge of \$36 million, net of income tax, for lease impairments
 - a benefit of \$12 million, net of income tax, related to a refinement to prior period reinsurance receivables in Australia
- Our results for 2016 included the following:
 - unfavorable reserve adjustments of \$65 million, net of income tax, resulting from modeling improvements in the reserving process
 - a \$44 million, net of income tax, charge related to an adjustment to reinsurance receivables in Australia
 - tax benefit of \$25 million related to a change in tax rate in Japan, which includes a benefit of \$20 million that pertains to prior periods
 - a \$23 million, net of income tax, charge for an increase in litigation reserves
 - tax charge in Chile of \$12 million as a result of tax reform legislation, which includes a charge of \$10 million that pertains to prior periods

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

Year Ended December 31, 2016 Compared with the Year Ended December 31, 2015



Consolidated Results – Highlights

Net income (loss) available to MetLife, Inc.’s common shareholders down \$4.5 billion:

- Income (loss) from discontinued operations, net of income tax, down \$4.0 billion
- Unfavorable change in net derivative gains (losses) of \$1.3 billion (\$857 million, net of income tax) primarily driven by the impact of our variable annuity hedging program
- Unfavorable change in net investment gains (losses) of \$292 million (\$190 million, net of income tax)
- Adjusted earnings available to common shareholders up \$119 million
- Results for 2016 include the financial impact of converting the Company’s Japan operations to calendar year-end reporting without retrospective application of this change to prior years

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

Consolidated Results - Adjusted Earnings

Adjusted earnings available to common shareholders up \$119 million:

- Results of operations impacted by: (i) higher net investment income from portfolio growth; (ii) lower tax and related interest expense; (iii) lower investment yields; (iv) refinements made to DAC and certain insurance-related liabilities; (v) unfavorable underwriting; (vi) the impact of affiliated reinsurance activity; and (vii) the impact of our annual actuarial assumption review.
- Our 2016 results included the following:
 - unfavorable reserve adjustments of \$65 million, net of income tax, resulting from modeling improvements in the reserving process
 - a \$44 million, net of income tax, charge related to an adjustment to reinsurance receivables in Australia
 - tax benefit of \$25 million related to a change in tax rate in Japan, which includes a benefit of \$20 million that pertains to prior periods
 - a \$23 million, net of income tax, charge for an increase in litigation reserves
 - tax charge in Chile of \$12 million as a result of tax reform legislation, which includes a charge of \$10 million that pertains to prior periods
- Our 2015 results included the following:
 - a \$557 million tax charge and a \$362 million (\$235 million, net of income tax) charge for interest on uncertain tax positions that were recorded under accounting guidance for the recognition of tax uncertainties related to the U.S. tax treatment of taxes paid by a wholly-owned U.K. investment subsidiary of MLIC
 - \$183 million of tax benefits related to (i) restructuring in Chile; (ii) a change in tax rate in Japan; (iii) the repatriation of earnings from Japan; and (iv) the devaluation of the peso in Argentina

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

Consolidated Company Outlook

Our strategy is founded on the principle of One MetLife, where digital and simplified are the key enablers of our four strategic cornerstones: (i) optimizing value and risk by focusing on our businesses with higher internal rates of return, lower capital intensity, and maximum cash generation, (ii) driving operational excellence, by transforming into a high-performance operating company with a competitive cost structure, (iii) enabling our distribution channels to drive efficiency and productivity through digitalization and improved customer persistency, and (iv) undertaking a targeted approach to find the right solutions for the right customers through differentiated customer value propositions. This enterprise strategy will enhance our ability to focus on the right markets, build clear differentiators, and continue to make the right investments to deliver shareholder value.

We expect our results to be less sensitive to interest rates as we continue to position ourselves into less volatile and fee-based businesses. Assuming interest rates follow the observable forward yield curves as of the year ended December 31, 2017, we expect the average ratio of free cash flow to adjusted earnings over the two-year period of 2018 and 2019 to be at the lower end of the 65% to 75% range due to timing of tax cash flows in 2018 and dependent upon a 10-year U.S. Treasury rate between 1.5% and 4.0%. We believe that free cash flow is a key determinant of common share dividends and common share repurchases.

We anticipate U.S. Tax Reform will reduce our 2018 effective tax rate from an estimated 25% to a range of 18% to 20%. Based on this change over time, we target an adjusted return on equity, excluding AOCI other than FCTA, of 800 to 900 basis points above the risk-free rate as measured by the 10-year U.S. Treasury rate. Over the longer-term, we believe this can rise to 1,000 basis points as the impact of business growth compounds and our expense initiative takes hold. These targets reflect our unit cost improvement program and the related initiative to invest \$1.0 billion by 2020 to generate \$800 million pre-tax run rate annual savings, net of stranded overhead. Book value per share, excluding AOCI other than FCTA, was \$42.92 as of December 31, 2017. As of January 1, 2018, we expect this amount to decrease by approximately 2% reflecting the adoption of certain new accounting pronouncements, primarily relating to the impact of U.S. Tax Reform. See “— Overview — U.S. Tax Reform” for further information.

A key element of our enterprise strategy is to return excess capital to common shareholders through dividends and share repurchases. In 2018, we expect to complete repurchases under the current \$2.0 billion MetLife, Inc. common stock repurchase authorization, approved by the Board of Directors in November 2017. As previously announced, we intend to divest our retained Brighthouse common stock through an exchange offer for MetLife, Inc. common stock during 2018, subject to market conditions and regulatory approval. In 2018, our baseline capital management plan would result in a return of approximately \$5.0 billion to common shareholders through common stock dividends, common share repurchases, and the anticipated Brighthouse common stock exchange offer. Any shares of MetLife, Inc. common stock that MetLife, Inc. receives in the Brighthouse common stock exchange offer would be in addition to other share repurchase authorizations. Common stock repurchases and exchange offers are dependent upon several factors, which could include the necessary approval of our Board of Directors, our capital position, liquidity, financial strength and credit ratings, general market conditions, the market price of the related common stock compared to management’s assessment of the stock’s underlying value and applicable regulatory approvals, as well as other legal and accounting factors.

We anticipate the net impact to holding company cash from liability management transactions to be between \$1.0 billion to \$2.0 billion in 2018. This is in addition to the impact to net cash due to the repayment of \$1.0 billion debt maturity in December 2017. Further, we plan to maintain a liquidity buffer of \$3.0 to \$4.0 billion of liquid assets at the holding companies.

When making these and other projections, we must rely on the accuracy of our assumptions about future economic and business conditions, which can be affected by known and unknown risks and other uncertainties. For example, given the significant complexities and uncertainties of U.S. Tax Reform, additional guidance from the U.S. Treasury, Securities and Exchange Commission or the Financial Accounting Standards Board may require the Company to revise these estimates in future periods. See “Risk Factors — Regulatory and Legal Risks — U.S. Tax Reform Could Have an Impact on Us.” In addition, the group annuity reserve increase within RIS was substantially based on actuarial, legal, statistical, and other assumptions. If actual facts and factors differ from those we have assumed, the reserve established could be adversely or positively affected. For further information on this matter, see “— Overview — Group Annuity Reserves, Assumed Variable Annuity Guarantee Reserves and Other Revisions.”

Other Key Information

Basis of Presentation

Consolidation

Prior to January 1, 2016, certain international subsidiaries had a fiscal year cutoff of November 30th. The Company's consolidated financial statements reflect the operating results of such subsidiaries for the year ended November 30, 2015. Effective January 1, 2016, the Company converted its Japan operations to calendar year-end reporting. The Company reported the cumulative effect of the change in accounting principle in net income for the year ended December 31, 2016 and did not retrospectively apply the effects of this change to prior periods. See Notes 1 and 2 of the Notes to the Consolidated Financial Statements.

Discontinued Operations

As previously discussed, the results of Brighthouse are reflected in the Company's consolidated financial statements as discontinued operations. See “— Overview — Separation of Brighthouse” and Note 3 of the Notes to the Consolidated Financial Statements for information on discontinued operations and transactions with Brighthouse.

Revisions

See “— Overview — Group Annuity Reserves, Assumed Variable Annuity Guarantee Reserves and Other Revisions” and Note 1 of the Notes to the Consolidated Financial Statements for information regarding prior period revisions related to the Company's consolidated results.

Non-Bank SIFI

On January 23, 2018, the U.S. Court of Appeals for the District of Columbia Circuit dismissed the FSOC's appeal of the district court's decision rescinding MetLife, Inc.'s designation as a non-bank SIFI. As a result, MetLife, Inc.'s non-bank SIFI designation remains rescinded and MetLife, Inc. is not subject to regulation by the Federal Reserve and the FDIC, or to enhanced supervision and prudential standards. However, the FSOC could again seek to designate MetLife, Inc. as a non-bank SIFI as part of its ongoing review of non-bank financial companies.

Hurricanes

In the third quarter of 2017, Hurricanes Irma and Harvey made landfall in Florida and Texas, respectively, causing loss of life and extensive property damage. MetLife's property & casualty business' gross losses from Hurricanes Irma and Harvey were approximately \$65 million, before income tax. As of December 31, 2017, we recognized total net losses related to these hurricanes of \$42 million, net of income tax, which impacted the U.S. segment. Additional storm-related losses may be recorded in future periods as claims are received from insureds.

Industry Trends

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

Financial and Economic Environment

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility and disruptions in global capital markets, particular markets, or financial asset classes can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities and derivatives are sensitive to changing market factors. See “Risk Factors — Economic Environment and Capital Markets-Related Risks — We Are Exposed to Significant Global Financial and Capital Markets Risks Which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and May Cause Our Net Investment Income to Vary from Period to Period” and “Risk Factors — Economic Environment and Capital Markets-Related Risks — Difficult Conditions in the Global Capital Markets and the Economy Generally May Materially Adversely Affect Our Business and Results of Operations.”

We have market presence in numerous countries and, therefore, our business operations are exposed to risks posed by local and regional economic conditions. See “Risk Factors — Risks Related to Our Business — Our International Operations Face Political, Legal, Operational and Other Risks, Including Exposure to Local and Regional Economic Conditions, That Could Negatively Affect Those Operations or Our Profitability.” We are closely monitoring political and/or economic conditions in the U.K., Mexico, and South Korea that might contribute to global market volatility and impact our business operations, investment portfolio and derivatives. For example, events following the U.K.’s referendum on June 23, 2016 and the uncertainties, including foreign currency exchange risks, associated with its pending withdrawal from the EU, have contributed to market volatility, both in the U.S. and beyond. These factors could contribute to weakening GDP growth, primarily in the U.K. and, to a lesser degree, continental Europe. The magnitude and longevity of the potential negative economic impacts would depend on the detailed agreements reached by the U.K. and the EU as a result of the negotiations regarding future trade and other arrangements. See “— Investments — Current Environment — Selected Country Investments.”

Central banks around the world are using monetary policy to address regional economic conditions. For example, in the United States, citing a strengthening economy, the Federal Reserve Board has begun its balance sheet tapering and the Federal Reserve Board’s Federal Open Market Committee has continued to increase the federal funds rate, most recently in December 2017. While the European Central Bank has continued to implement support measures, it is doing so at a slower pace. In Japan, however, the Japanese government and the Bank of Japan are maintaining stimulus measures in order to boost inflation expectations and achieve sustainable economic growth in Japan. Such measures include the imposition of a negative rate on commercial bank deposits, continued government bond purchases and tax reform, including the lowering of the Japanese corporate tax rate and the delay until 2019 of an increase in the consumption tax to 10%. Going forward, Japan’s structural and demographic challenges may continue to limit its potential growth unless reforms that boost productivity are put into place. Japan’s high public sector debt levels are mitigated by low refinancing risks. Further actions by central banks in the future may affect interest rates and risk markets in the U.S., Europe, Japan and other developed and emerging economies, and may ultimately result in market volatility. We cannot predict with certainty the effect of these actions or the impact on our business operations, investment portfolio or derivatives. See “— Investments — Current Environment.”

Impact of a Sustained Low Interest Rate Environment

During periods of declining interest rates, we may have to invest insurance cash flows and reinvest the cash flows we received as interest or return of principal on our investments in lower yielding instruments. Moreover, borrowers may prepay or redeem the fixed income securities, mortgage loans and mortgage-backed securities in our investment portfolio with greater frequency in order to borrow at lower market rates. Therefore, some of our products expose us to the risk that a reduction in interest rates will reduce the difference between the amounts that we are required to credit on contracts in our general account and the rate of return we are able to earn on investments intended to support obligations under these contracts. This difference between interest earned and interest credited, or margin, is a key metric for the management of, and reporting for, many of our businesses.

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

Some of our separate account products, including variable annuities, have certain minimum guarantee benefits. Declining interest rates increase the reserves we need to set up to protect the guarantee benefits, thereby reducing net income in the affected reporting period.

Mitigating Actions

The Company continues to be proactive in its investment and interest crediting rate strategies, as well as its product design and product mix. To mitigate the risk of unfavorable consequences from the low interest rate environment in the U.S., the Company applies disciplined asset/liability management (“ALM”) strategies, including the use of interest rate derivatives. In some cases, the Company has entered into offsetting positions as part of its overall ALM strategy and to reduce volatility in net income. Lowering interest crediting rates on some products, or adjusting the dividend scale on traditional products, can help offset decreases in investment margins on some products. Our ability to lower interest crediting rates could be limited by competition, requirements to obtain regulatory approval, or contractual guarantees of minimum rates and may not match the timing or magnitude of changes in asset yields. As a result, our margins could decrease or potentially become negative. We are able to limit or close certain products to new sales in order to manage exposures. Business actions, such as shifting the sales focus to less interest rate sensitive products, can also mitigate this risk. In addition, the Company is well diversified across product, distribution, and geography. Certain of our non-U.S. businesses, reported within our Latin America, EMEA, and Asia (exclusive of our Japan business) segments, which accounted for approximately 26% of our adjusted earnings in 2017, are not significantly interest rate or market sensitive; in particular, they do not have any direct sensitivity to U.S. interest rates. The Company’s primary exposure within these segments is insurance risk. We expect our non-U.S. businesses to grow faster than our U.S. businesses and, over time, to become a larger percentage of our total business. As a result of the foregoing, the Company expects to be able to substantially mitigate the negative impact of a sustained low interest rate environment in the U.S. on the Company’s profitability. Based on a near to intermediate term analysis of a sustained lower interest rate environment in the U.S., the Company anticipates adjusted earnings will continue to increase, although at a slower growth rate.

Low Interest Rate Scenario

In formulating economic assumptions for its insurance contract assumptions, the Company uses projections that it makes regarding interest rates. Included in these assumptions is the projection that the 10-year Treasury rate will rise from 2.41% at December 31, 2017 to 4.25% in 10 years, by 2027 and that 10-year yields will reach 2.61%, 2.72% and 2.80% by December 31, 2018, 2019 and 2020, respectively. Also included is the projection that the three-month LIBOR rate will move from 1.69% at December 31, 2017 to 2.19%, 2.31% and 2.35% by December 31, 2018, 2019 and 2020, respectively. The low interest rate scenario reflects an assumed constant 10-year Treasury rate of 1.50% and a constant three-month LIBOR rate of 0.65%, with the corresponding consensus of interest rate views and credit spreads (the “Low Interest Rate Scenario”).

The following summarizes the impact of the Low Interest Rate Scenario on our U.S. dollar and non-U.S. dollar denominated positions. In addition, we have included disclosure on the potential impact on 2018, 2019 and 2020 net income using the same Low Interest Rate Scenario on the mark-to-market of derivative positions that do not qualify as accounting hedges.

Below is a summary of the rates we used for the Low Interest Rate Scenario versus our business plan through 2020. These rates represent the most relevant short-term and long-term rates for our business plan.

	Years Ended December 31,							
	2017		2018		2019		2020	
	Low Interest Rate Scenario	Business Plan	Low Interest Rate Scenario	Business Plan	Low Interest Rate Scenario	Business Plan	Low Interest Rate Scenario	Business Plan
Three-month LIBOR	0.65%	1.69%	0.65%	2.19%	0.65%	2.31%	0.65%	2.35%
10-year U.S. Treasury	1.50%	2.41%	1.50%	2.61%	1.50%	2.72%	1.50%	2.80%

The Low Interest Rate Scenario assumes three-month LIBOR to be 0.65% and the 10-year U.S. Treasury rate to be 1.50% at December 31, 2017 and remain constant at those levels until December 31, 2020. We make similar assumptions for interest rates at other maturities, and hold this interest rate curve constant through December 31, 2020. In addition, in the Low Interest Rate Scenario, we assume credit spreads remain constant from December 2017 through the end of 2020 as compared to our business plan which assumes rising credit spreads through 2018 and thereafter remaining constant through the end of 2020. Further, we also include the impact of low interest rates on our pension and postretirement plan expenses. We allocate this impact across our segments and it is included in the segment discussion below. The discount rate used to value these plans is tied to high quality corporate bond yields. Accordingly, an extended low interest rate environment will result in increased pension and other postretirement benefit liabilities. However, these liabilities are offset by corresponding returns on the fixed income portfolio of pension and other postretirement benefit plan assets resulting in an overall decrease in expense.

Hypothetical Impact to Adjusted Earnings

Based on the above assumptions, we estimate an unfavorable combined long-term and short-term interest rate impact on our consolidated adjusted earnings from the Low Interest Rate Scenario of approximately \$55 million in 2018, \$50 million in 2019 and \$260 million in 2020. Under the Low Interest Rate Scenario, our long-term businesses are negatively impacted by the larger gap between new money yields and the yield on assets rolling off the portfolio. However, there are positive offsets under the Low Interest Rate Scenario as short-term rates are much lower than the business plan rates and the yield curve is steeper than that of the business plan. For example, our securities lending business performs better than our business plan because it is driven by the slope of the yield curve rather than by the level of interest rates. In addition, derivative income is higher primarily due to our receiver swaps where we receive a fixed rate and pay a floating rate. Further, the favorable derivative impact under the flat rate scenario is lower in 2020 than in 2018 and 2019. This is driven by higher rates on forward derivative positions protection that begin in 2020.

Hypothetical Impact to Our Mark-to-Market Derivative Positions

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

Based on these additional assumptions, we estimate the combined long-term and short-term interest rate impact of the Low Interest Rate Scenario on the mark-to-market of our derivative positions that do not qualify as accounting hedges to be a decrease in net income of \$74 million in 2018, \$151 million in 2019 and \$34 million in 2020. See “— Results of Operations — Consolidated Results” for information regarding our actual gains and losses on the Company’s non-VA program derivatives due to interest rate changes which are included in net income.

Segments and Corporate & Other

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

U.S.

Group Benefits

In general, most of our group life insurance products in the U.S. segment are renewable term insurance and, therefore, have significant repricing flexibility. Interest rate risk arises mainly from minimum interest rate guarantees on retained asset accounts. These accounts have minimum interest crediting rate guarantees which range from 0.5% to 3.0%. All of these account balances are currently at their respective minimum interest crediting rates and we would expect to experience margin compression as we reinvest at lower interest rates. We have used interest rate derivatives to partially mitigate the risks of a sustained U.S. low interest rate environment. We also have exposure to interest rate risk in this business arising from our disability policy claim reserves. For these products, lower reinvestment rates cannot be offset by a reduction in liability crediting rates for established claim reserves. Group disability policies are generally renewable term policies. Rates may be adjusted on in-force policies at renewal based on the retrospective experience rating and current interest rate assumptions.

We estimate a favorable combined long-term and short-term interest rate impact on the adjusted earnings of our Group Benefits business from the Low Interest Rate Scenario of \$35 million, \$50 million and \$20 million in 2018, 2019 and 2020, respectively.

Retirement and Income Solutions

Retirement and Income Solutions contains both short and long-duration products consisting of capital market products, pension risk transfers, structured settlements, and other benefit funding products. The majority of short-duration products are managed on a floating rate basis, which mitigates the impact of the low interest rate environment in the U.S. The long-duration products have very predictable cash flows and we have matched these cash flows through our ALM strategies. We also use interest rate swaps to help protect income in this segment against a low interest rate environment in the U.S. Based on the cash flow estimates, only a small component is subject to reinvestment risk. Reinvestment risk is defined for this purpose as the amount of reinvestment in 2018, 2019 and 2020 that would impact adjusted earnings due to reinvesting cash flows in the Low Interest Rate Scenario.

We estimate the following combined long-term and short-term interest rate impact on adjusted earnings on our Retirement and Income Solutions business from the Low Interest Rate Scenario: (i) an unfavorable impact of \$15 million in 2018, (ii) a favorable impact of \$10 million in 2019 and (iii) an unfavorable impact of \$55 million in 2020.

Property & Casualty

The product portfolio within Property & Casualty is primarily made up of six-month and annual term renewable policies, which allow for significant re-pricing flexibility with no policyholder benefits tied to interest rates. As a result, the interest rate risk for the Property & Casualty business is minimal, tied only to our portfolio reinvestment rates and our ability to offset the change of those rates through re-pricing efforts.

We estimate an unfavorable combined long-term and short-term interest rate impact on adjusted earnings on our Property & Casualty business from the Low Interest Rate Scenario of \$5 million, \$5 million and \$10 million in 2018, 2019 and 2020, respectively.

Asia

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

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

We estimate an unfavorable combined long-term and short-term interest rate impact on the adjusted earnings of our Asia segment from the Low Interest Rate Scenario of \$25 million, \$45 million and \$70 million in 2018, 2019 and 2020, respectively.

MetLife Holdings

Our interest rate sensitive life products include traditional and universal life products. Because the majority of our traditional life insurance business is participating, we can largely offset lower investment returns on assets backing our traditional life products through adjustments to the applicable dividend scale. In our universal life products, we manage interest rate risk through a combination of product design features and ALM strategies, including the use of interest rate derivative hedges. While we have the ability to lower crediting rates on certain in-force universal life policies to mitigate margin compression, such actions would be partially offset by increases in our liabilities related to policies with secondary guarantees.

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

Long-term care and retained assets accounts are interest rate sensitive. Long-term care reserves have exposure to lower reinvestment rates that cannot be offset by a reduction in liability crediting rates for established claim reserves. Long-term care policies are guaranteed renewable, and rates may be adjusted on a class basis with regulatory approval to reflect emerging experience. Our long-term care block is closed to new business. We review the discount rate assumptions and other assumptions associated with our long-term disability claim reserves no less frequently than annually and, with respect to interest rates, we set the discount rate on these reserves based on the prevailing interest rate environment at the time. Our retained asset accounts have minimum interest crediting rate guarantees which range from 0.5% to 4.0%, all of which are currently at their respective minimum interest crediting rates. While we expect to experience margin compression as we reinvest at lower rates, the interest rate derivatives held in this portfolio should partially mitigate this risk.

Reinvestment risk is defined for this purpose as the amount of reinvestment in 2018, 2019 and 2020 that would impact adjusted earnings due to reinvesting cash flows in the Low Interest Rate Scenario. For the life business, \$2.4 billion, \$2.7 billion and \$4.4 billion in 2018, 2019 and 2020, respectively, of the asset base will be subject to reinvestment risk on an average asset base of \$60.8 billion, \$60.6 billion and \$60.4 billion in 2018, 2019 and 2020, respectively. For our deferred annuities business, \$1.1 billion, \$1.4 billion, and \$1.4 billion in 2018, 2019, and 2020, respectively, of the asset base will be subject to reinvestment risk on an average asset base of \$17.7 billion, \$17.5 billion and \$17.3 billion in 2018, 2019 and 2020, respectively. For our long-term care portfolio, \$0.4 billion, \$0.5 billion and \$0.4 billion of the asset base in 2018, 2019 and 2020, respectively, will be subject to reinvestment risk on an average asset base of \$12.1 billion, \$12.7 billion and \$13.4 billion in 2018, 2019 and 2020, respectively.

We estimate the following combined long-term and short-term interest rate impact on the adjusted earnings of our MetLife Holdings segment from the Low Interest Rate Scenario: (i) a favorable impact of \$5 million in 2018 and (ii) unfavorable impacts of \$30 million and \$110 million in 2019 and 2020, respectively.

Corporate & Other

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

We estimate an unfavorable combined long-term and short-term interest rate impact on the adjusted earnings of Corporate & Other from the Low Interest Rate Scenario of \$50 million, \$30 million and \$35 million in 2018, 2019 and 2020, respectively.

Competitive Pressures

The life insurance industry remains highly competitive. Product development is focused on differentiation leading to more intense competition with respect to product features and services. Several of the industry's products can be quite homogeneous and subject to intense price competition. Cost reduction efforts are a priority for industry players, with benefits resulting in price adjustments to favor customers and reinvestment capacity. Larger companies have the ability to invest in brand equity, product development, technology optimization, risk management, and innovation, which are among the fundamentals for sustained profitable growth in the life insurance industry. Insurers are focused on their core businesses, specifically in markets where they can achieve scale. Financial strength and flexibility, and technology modernization are prerequisites for sustainable growth in the life insurance industry. Larger market participants tend to have the capacity to invest in analytics, distribution, and information technology and have the capability to engage with the new digital entrants. There is a shift in distribution from proprietary to third party models in mature markets, due to the lower cost structure. Evolving customer expectations are having a significant impact on the competitive environment as insurers strive to offer the superior customer service demanded by an increasingly sophisticated industry client base. We believe that the continued volatility of the financial markets and its impact on the capital position of many competitors will continue to strain the competitive environment. Legislative and other changes affecting the regulatory environment can also affect the competitive environment within the life insurance industry and within the broader financial services industry. See "Business — Regulation." We believe that the aforementioned factors have highlighted financial strength, technology efficiency, and organizational agility as the most significant differentiators and, as a result, we believe the Company is well positioned to compete in this environment.

Regulatory Developments

In the United States, our life insurance companies are regulated primarily at the state level, with some products and services also subject to federal regulation. As life insurers introduce new and often more complex products, regulators refine capital requirements and introduce new reserving standards for the life insurance industry. Regulations recently adopted or currently under review can potentially impact the statutory reserve and capital requirements of the industry. See “Risk Factors — Regulatory and Legal Risks — Our Insurance, Pensions and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth.” Regulators have also undertaken market and sales practices reviews of several markets or products, including equity-indexed annuities, variable annuities and group products, as well as reviews of the utilization of affiliated captive reinsurers and offshore entities to reinsure insurance risks. See “Business — Regulation,” “Risk Factors — Risks Related to Our Business — Our Statutory Life Insurance Reserve Financings May Be Subject to Cost Increases and New Financings May Be Subject to Limited Market Capacity,” and “Risk Factors — Regulatory and Legal Risks — Changes in U.S. Federal, State Securities and State Insurance Laws and Regulations May Affect Our Operations and Our Profitability.”

Summary of Critical Accounting Estimates

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

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

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

Liability for Future Policy Benefits

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

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

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

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

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

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

Reinsurance

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

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

Deferred Policy Acquisition Costs and Value of Business Acquired

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

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

Separate account rates of return on variable universal life contracts and variable deferred annuity contracts affect in-force account balances on such contracts each reporting period, which can result in significant fluctuations in amortization of DAC and VOBA. Our practice to determine the impact of gross profits resulting from returns on separate accounts assumes that long-term appreciation in equity markets is not changed by short-term market fluctuations, but is only changed when sustained interim deviations are expected. We monitor these events and only change the assumption when our long-term expectation changes. The effect of an increase (decrease) by 100 basis points in the assumed future rate of return is reasonably likely to result in a decrease (increase) in the DAC and VOBA amortization with an offset to our unearned revenue liability which nets to approximately \$30 million. We use a mean reversion approach to separate account returns where the mean reversion period is five years with a long-term separate account return after the five-year reversion period is over. The current long-term rate of return assumption for the variable universal life contracts and variable deferred annuity contracts is 7.0%.

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

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

At December 31, 2017, 2016 and 2015, DAC and VOBA for the Company was \$18.4 billion, \$17.6 billion and \$17.4 billion, respectively. Amortization of DAC and VOBA associated with the variable and universal life and annuity contracts was significantly impacted by movements in equity markets. The following illustrates the effect on DAC and VOBA of changing each of the respective assumptions, as well as updating estimated gross margins or profits with actual gross margins or profits during the years ended December 31, 2017, 2016 and 2015. Increases (decreases) in DAC and VOBA balances, as presented below, resulted in a corresponding decrease (increase) in amortization.

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
General account investment return	\$ (5)	\$ 5	\$ (3)
Separate account investment return	21	(3)	(27)
Net investment gains (losses)/Net derivative gains (losses)	60	226	(151)
Guaranteed minimum income benefits	(2)	44	11
Expense	12	2	(96)
In-force/Persistency	(10)	(63)	106
Policyholder dividends and other	56	(189)	(73)
Total	<u>\$ 132</u>	<u>\$ 22</u>	<u>\$ (233)</u>

The following represent significant items contributing to the changes to DAC and VOBA amortization in 2017:

- Changes in net investment and net derivative gains (losses) resulted in the following changes in DAC and VOBA amortization:
 - Actual gross profits increased as a result of a decrease in liabilities associated with guarantee obligations on variable annuities, resulting in an increase of DAC and VOBA amortization of approximately \$80 million, including the impact from our nonperformance risk and risk margins in the valuation. This is more than offset by the mark-to-market losses and adjustments on the freestanding derivatives hedging such guarantee obligations which resulted in a decrease in DAC and VOBA amortization of approximately \$90 million.
 - The remainder of the impact decreased DAC amortization by approximately \$45 million and was attributable to 2017 investment activities.
- The change in policyholder dividends and other is primarily driven by a decrease of approximately \$60 million of DAC amortization resulting from the annual actuarial assumption update of the closed block, partially offset by an increase of approximately \$40 million of DAC amortization from the dividend scale update of the open block. In addition, DAC amortization decreased by approximately \$55 million due to an adjustment related to certain participating whole life business assumed from Brighthouse.

The following represent significant items contributing to the changes to DAC and VOBA amortization in 2016:

- Changes in net investment and net derivative gains (losses) resulted in the following changes in DAC and VOBA amortization:
 - Actual gross profits increased as a result of a decrease in liabilities associated with guarantee obligations on variable annuities, resulting in an increase of DAC and VOBA amortization of approximately \$60 million, excluding the impact from our nonperformance risk and risk margins, which are described below. Mark-to-market losses on the freestanding derivatives hedging such guarantee obligations resulted in a decrease in DAC and VOBA amortization of approximately \$180 million.
 - The Company's nonperformance risk adjustment decreased the valuation of guaranteed liabilities, increased actual gross profits and increased DAC and VOBA amortization by approximately \$40 million. This is more than offset by higher risk margins, which increased the guarantee liability valuations, decreased actual gross profits and decreased DAC and VOBA amortization by approximately \$120 million.
 - The remainder of the impact decreased DAC and VOBA amortization by approximately \$30 million and was attributable to 2016 investment activities and assumption updates.
- The change in policyholder dividends and other is primarily driven by:
 - An increase of approximately \$110 million of DAC and VOBA amortization resulting from the annual actuarial assumption update of the closed block.
 - An increase of approximately \$70 million of DAC and VOBA amortization resulting from the dividend scale update.

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

- Changes in net investment and net derivative gains (losses) resulted in the following changes in DAC and VOBA amortization:
 - Actual gross profits decreased as a result of an increase in liabilities associated with guarantee obligations on variable annuities, resulting in a decrease of DAC and VOBA amortization of approximately \$90 million. Mark-to-market changes on the freestanding derivatives hedging such guarantee obligations resulted in an increase in DAC and VOBA amortization of approximately \$70 million.
 - The remainder of the impact increased DAC and VOBA amortization by approximately \$170 million and was attributable to 2015 investment activities.
- Better than expected persistency and updates in persistency assumptions caused an increase in actual and expected future gross profits resulting in a decrease in DAC and VOBA amortization of approximately \$110 million.
- The change in expense resulted in an increase to DAC and VOBA amortization of approximately \$100 million primarily attributable to the annual actuarial assumption update.

- The change in policyholder dividends and other is primarily driven by an increase of approximately \$70 million of DAC and VOBA amortization resulting from the actuarial assumption update, primarily related to closed block, and other model refinements.

Our DAC and VOBA balance is also impacted by unrealized investment gains (losses) and the amount of amortization which would have been recognized if such gains and losses had been realized. The increase in unrealized investment gains (losses) decreased the DAC and VOBA balance by \$529 million and \$163 million in 2017 and 2016, respectively, while the change in unrealized investment gains increased the DAC and VOBA balance by \$448 million in 2015. See Notes 5 and 8 of the Notes to the Consolidated Financial Statements for information regarding the DAC and VOBA offset to unrealized investment losses.

Estimated Fair Value of Investments

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

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

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

Investment Impairments

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

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

The determination of the amount of allowances and impairments on the remaining invested asset classes is highly subjective and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available.

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

Derivatives

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

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

The table below illustrates the impact that a range of reasonably likely variances in credit spreads would have on our consolidated balance sheet, excluding the effect of income tax, related to the embedded derivative valuation on certain variable annuity products measured at estimated fair value. In determining the ranges, we have considered current market conditions, as well as the market level of spreads that can reasonably be anticipated over the near term. The ranges do not reflect extreme market conditions such as those experienced during the 2008-2009 financial crisis, as we do not consider those to be reasonably likely events in the near future.

The impact of the range of reasonably likely variances in credit spreads increased significantly as compared to prior periods. However, these estimated effects do not take into account potential changes in other variables, such as equity price levels and market volatility, which can also contribute significantly to changes in carrying values. Therefore, the table does not necessarily reflect the ultimate impact on the consolidated financial statements under the credit spread variance scenarios presented below.

	Changes in Balance Sheet Carrying Value At December 31, 2017			
	Policyholder Account Balances		DAC and VOBA	
	(In millions)			
100% increase in our credit spread	\$	230	\$	19
As reported	\$	323	\$	27
50% decrease in our credit spread	\$	386	\$	35

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

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

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

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

Goodwill

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

For purposes of goodwill impairment testing, if the carrying value of a reporting unit exceeds its estimated fair value, the implied fair value of the reporting unit goodwill is compared to the carrying value of that goodwill to measure the amount of impairment loss, if any. In such instances, the implied fair value of the goodwill is determined in the same manner as the amount of goodwill that would be determined in a business acquisition. The key inputs, judgments and assumptions necessary in determining estimated fair value of the reporting units include projected adjusted earnings, current book value, the level of economic capital required to support the mix of business, long-term growth rates, comparative market multiples, the account value of in-force business, projections of new and renewed business, as well as margins on such business, the level of interest rates, credit spreads, equity market levels, and the discount rate that we believe is appropriate for the respective reporting unit.

In the third quarter of 2017, the Company tested the MetLife Holdings life reporting unit for impairment using the actuarial-based embedded value fair valuation approach. The estimated fair value of the reporting unit exceeded the carrying value by approximately 19% and, therefore, the reporting unit was not impaired. If we had assumed that the discount rate was 100 basis points higher than the discount rate used, the estimated fair value of the MetLife Holdings life reporting unit would have been higher than the carrying value by approximately 1%. The MetLife Holdings life reporting unit consists of operations relating to products and businesses no longer actively marketed by the Company. As of December 31, 2017, the amount of goodwill allocated to the MetLife Holdings life reporting unit was \$887 million.

The Company also performed its annual goodwill impairment tests of all other reporting units during the third quarter of 2017 using a qualitative assessment and/or quantitative assessments under the market multiple and discounted cash flow valuation approaches based on best available data as of June 30, 2017 and concluded that the estimated fair values of all such reporting units were in excess of their carrying values and, therefore, goodwill was not impaired.

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

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

Employee Benefit Plans

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

We determine the expected rate of return on plan assets based upon an approach that considers inflation, real return, term premium, credit spreads, equity risk premium and capital appreciation, as well as expenses, expected asset manager performance, asset weights and the effect of rebalancing. Given the amount of plan assets as of December 31, 2016, the beginning of the measurement year, if we had assumed an expected rate of return for both our pension and other postretirement benefit plans that was 100 basis points higher or 100 basis points lower than the rates we assumed, the change in our net periodic benefit costs would have been a decrease of \$101 million and an increase of \$101 million, respectively, in 2017. This considers only changes in our assumed long-term rate of return given the level and mix of invested assets at the beginning of the year, without consideration of possible changes in any of the other assumptions described above that could ultimately accompany any changes in our assumed long-term rate of return.

We determine the discount rates used to value the Company's pension and postretirement obligations, based upon rates commensurate with current yields on high quality corporate bonds. Given our pension and postretirement obligations as of December 31, 2016, the beginning of the measurement year, if we had assumed a discount rate for both our pension and postretirement benefit plans that was 100 basis points higher or 100 basis points lower than the rates we assumed, the change in our net periodic benefit costs would have been a decrease of \$97 million and an increase of \$111 million, respectively, in 2017. This considers only changes in our assumed discount rates without consideration of possible changes in any of the other assumptions described above that could ultimately accompany any changes in our assumed discount rate. The assumptions used may differ materially from actual results due to, among other factors, changing market and economic conditions and changes in participant demographics. These differences may have a significant impact on the Company's consolidated financial statements and liquidity.

See Note 17 of the Notes to the Consolidated Financial Statements for additional discussion of assumptions used in measuring liabilities relating to our employee benefit plans.

Income Taxes

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

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

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

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

On December 22, 2017, U.S. Tax Reform was signed into law. U.S. GAAP requires that the impact of tax legislation be recognized in the period in which the law was enacted. As a result, the Company recognized the tax effects of U.S. Tax Reform for the year ended December 31, 2017. See “— Executive Summary — Overview — U.S. Tax Reform” for additional information.

See also Notes 1 and 18 of the Notes to the Consolidated Financial Statements for additional information on our income taxes.

Litigation Contingencies

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

See Note 20 of the Notes to the Consolidated Financial Statements for additional information regarding our assessment of litigation contingencies.

Economic Capital

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

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

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

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

Acquisitions and Dispositions

2017 Acquisition

On September 15, 2017, the Company completed the acquisition of Logan Circle Partners, L.P. ("Logan Circle Partners"), from Fortress Investment Group LLC, for approximately \$250 million in cash. Logan Circle Partners is a fundamental research-based investment manager providing institutional clients actively managed investment solutions across a broad spectrum of fixed income strategies, with more than 100 institutional clients and more than \$37 billion in assets under management as of August 31, 2017.

2017 Pending Disposition

See Note 3 of the Notes to the Consolidated Financial Statements for information regarding the Company's disposition of MetLife Afore, its pension fund management business in Mexico.

2017 Disposition

Separation of Brighthouse

On August 4, 2017, MetLife, Inc. completed the Separation. See Note 3 of the Notes to the Consolidated Financial Statements.

2016 Disposition

In July 2016, MetLife, Inc. completed the sale to Massachusetts Mutual Life Insurance Company (“MassMutual”) of its U.S. retail advisor force and certain assets associated with the MetLife Premier Client Group, including all of the issued and outstanding shares of MetLife’s affiliated broker-dealer, MSI, a wholly-owned subsidiary of MetLife, Inc. (collectively, the “U.S. Retail Advisor Force Divestiture”) for \$291 million. MassMutual assumed all of the liabilities related to such assets that arise or occur at or after the closing of the sale. As part of the transactions, MetLife, Inc. and MassMutual entered into a product development agreement under which the part of MetLife’s former U.S. retail business now in Brighthouse will be the exclusive developer of certain annuity products to be issued by MassMutual. In the MassMutual purchase agreement, MetLife, Inc. agreed to indemnify MassMutual for certain claims, liabilities and breaches of representations and warranties up to limits described in the purchase agreement. See Note 3 of the Notes to the Consolidated Financial Statements for further information.

Results of Operations

Consolidated Results

Business Overview. Overall sales for the year ended December 31, 2017 increased over 2016 levels reflecting an increase in sales in the majority of our businesses. An overall increase in sales from our U.S. segment was primarily driven by improved sales in our RIS business, as well as strong sales from core and voluntary products in our Group Benefits business. The improvement in RIS was the result of higher sales of pension risk transfers, specialized life insurance, stable value and structured settlement products. Sales in our Asia segment increased primarily driven by a successful sales campaign in Korea, agency growth and the continued success of our whole life critical illness product in China, as well as a large group case in Australia. Sales in EMEA also improved as a result of growth in Turkey, Egypt and several European markets, partially offset by a decrease in sales due to the closing of the wealth management product to new business in the U.K. and the loss of a credit life contract in Poland. In our MetLife Holdings segment, sales declined, as we have discontinued the marketing of life and annuity products in connection with the U.S. Retail Advisor Force Divestiture and the Separation. In our Latin America segment, sales declined as higher group accident & health and credit life product sales in Mexico were more than offset by a large group medical sale in Mexico in 2016.

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Revenues			
Premiums	\$ 38,992	\$ 37,202	\$ 36,403
Universal life and investment-type product policy fees	5,510	5,483	5,570
Net investment income	17,363	16,790	16,205
Other revenues	1,341	1,685	1,927
Net investment gains (losses)	(308)	317	609
Net derivative gains (losses)	(590)	(690)	629
Total revenues	<u>62,308</u>	<u>60,787</u>	<u>61,343</u>
Expenses			
Policyholder benefits and claims and policyholder dividends	39,544	37,581	36,500
Interest credited to policyholder account balances	5,607	5,176	4,415
Capitalization of DAC	(3,002)	(3,152)	(3,319)
Amortization of DAC and VOBA	2,681	2,718	3,184
Amortization of negative VOBA	(140)	(269)	(361)
Interest expense on debt	1,129	1,157	1,168
Other expenses	12,953	13,295	14,105
Total expenses	<u>58,772</u>	<u>56,506</u>	<u>55,692</u>
Income (loss) from continuing operations before provision for income tax	3,536	4,281	5,651
Provision for income tax expense (benefit)	(1,470)	693	1,590
Income (loss) from continuing operations, net of income tax	5,006	3,588	4,061
Income (loss) from discontinued operations, net of income tax	(986)	(2,734)	1,324
Net income (loss)	4,020	854	5,385
Less: Net income (loss) attributable to noncontrolling interests	10	4	12
Net income (loss) attributable to MetLife, Inc.	4,010	850	5,373
Less: Preferred stock dividends	103	103	116
Preferred stock repurchase premium	—	—	42
Net income (loss) available to MetLife, Inc.'s common shareholders	<u>\$ 3,907</u>	<u>\$ 747</u>	<u>\$ 5,215</u>

Year Ended December 31, 2017 Compared with the Year Ended December 31, 2016

During the year ended December 31, 2017, net income (loss) increased \$3.2 billion from 2016 primarily driven by favorable changes in discontinued operations and adjusted earnings, as well as the favorable impact of U.S. Tax Reform, partially offset by an unfavorable change in net investment gains (losses).

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

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

We also use derivatives as an integral part of our management of the investment portfolio and insurance liabilities to hedge certain risks, including changes in interest rates, foreign currency exchange rates, credit spreads and equity market levels. We use freestanding interest rate, equity, credit and currency derivatives to hedge certain invested assets and insurance liabilities. A small portion of these hedges are designated and qualify as accounting hedges, which reduce volatility in earnings. For those hedges not designated as accounting hedges, changes in market factors lead to the recognition of fair value changes in net derivative gains (losses) generally without an offsetting gain or loss recognized in earnings for the item being hedged, which creates volatility in earnings. During 2017, we restructured certain derivative hedges to decrease volatility from nonqualified interest rate derivatives and to help meet prospective dividend and free cash flow objectives under varying interest rate scenarios. As part of this restructuring, we replaced certain nonqualified derivatives with derivatives that qualify for hedge accounting treatment. In addition, we also entered into replication transactions using interest rate swaps, which are accounted for at amortized cost under statutory guidelines and are nonqualified derivatives under GAAP. We actively evaluate market risk hedging needs and strategies to ensure our free cash flow and capital objectives are met under a range of market conditions.

Certain variable annuity products with guaranteed minimum benefits contain embedded derivatives that are measured at estimated fair value separately from the host variable annuity contract, with changes in estimated fair value recorded in net derivative gains (losses). We use freestanding derivatives to hedge the market risks inherent in these variable annuity guarantees. Ongoing refinement of the strategy may be required to adapt to changing NAIC rules, which may become effective as early as January 1, 2019. The restructured hedge strategy will be classified as a macro hedge program to protect our overall statutory capital from significant adverse economic conditions. The valuation of these embedded derivatives includes a nonperformance risk adjustment, which is unhedged, and can be a significant driver of net derivative gains (losses) and volatility in earnings, but does not have an economic impact on us.

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

	Years Ended December 31,	
	2017	2016
	(In millions)	
Non-VA program derivatives		
Interest rate	\$ (39)	\$ (449)
Foreign currency exchange rate	(379)	352
Credit	198	108
Equity	6	12
Non-VA embedded derivatives	(131)	26
Total non-VA program derivatives	<u>(345)</u>	<u>49</u>
VA program derivatives		
Market risks in embedded derivatives	1,052	364
Nonperformance risk adjustment on embedded derivatives	(190)	156
Other risks in embedded derivatives	68	(727)
Total embedded derivatives	930	(207)
Freestanding derivatives hedging embedded derivatives	(1,175)	(532)
Total VA program derivatives	<u>(245)</u>	<u>(739)</u>
Net derivative gains (losses)	<u>\$ (590)</u>	<u>\$ (690)</u>

The unfavorable change in net derivative gains (losses) on non-VA program derivatives was \$394 million (\$256 million, net of income tax). This was primarily due to the U.S. dollar, relative to other key currencies, weakening in 2017 versus mostly strengthening in 2016, unfavorably impacting foreign currency swaps that primarily hedge foreign currency-denominated bonds. Additionally, there was a change in the value of the underlying assets unfavorably impacting non-VA embedded derivatives related to funds withheld on a certain reinsurance agreement. These decreases were partially offset by long-term interest rates mostly decreasing in 2017 and mostly increasing in 2016, favorably impacting receive-fixed interest rate swaps and total rate of return swaps hedging long-duration liability portfolios. Because certain of these hedging strategies are not designated or do not qualify as accounting hedges, the changes in the estimated fair value of these freestanding derivatives are recognized in net derivative gains (losses) without an offsetting gain or loss recognized in earnings for the item being hedged.

The favorable change in net derivative gains (losses) on VA program derivatives was \$494 million (\$321 million, net of income tax). This was due to a favorable change of \$795 million (\$517 million, net of income tax) in other risks in embedded derivatives and a favorable change of \$45 million (\$29 million, net of income tax) in market risks in embedded derivatives, net of the impact of freestanding derivatives hedging those risks, partially offset by an unfavorable change of \$346 million, (\$225 million, net of income tax) in the nonperformance risk adjustment on embedded derivatives. Other risks relate primarily to the impact of policyholder behavior and other non-market risks that generally cannot be hedged.

The foregoing \$45 million (\$29 million, net of income tax) favorable change reflects a \$688 million (\$447 million, net of income tax) favorable change in market risks in embedded derivatives, partially offset by a \$643 million (\$418 million, net of income tax) unfavorable change in freestanding derivatives hedging market risks in embedded derivatives.

The primary changes in market factors are summarized as follows:

- Changes in foreign currency exchange rates contributed to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives related to the assumed variable annuity guarantees from our former operating joint venture in Japan. For example, the Japanese yen weakened against the euro by 10% in 2017 and strengthened by 6% in 2016.
- Key equity index levels increased more in 2017 than in 2016, contributing to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives. For example, the S&P 500 Index increased 19% in 2017 and increased 10% in 2016.
- Long-term interest rates in Japan increased in 2017 and decreased in 2016, contributing to a favorable change in our embedded derivatives and an unfavorable change in our freestanding derivatives related to the assumed variable annuity guarantees from our former operating joint venture in Japan. This was partially offset by long-term U.S. interest rates mostly decreasing in 2017 and mostly increasing in 2016. For example, the 30-year Japan swap rate increased five basis points in 2017 and decreased 41 basis points in 2016, and the 20-year U.S. swap rate decreased three basis points in 2017 and increased three basis points in 2016.

The foregoing \$795 million (\$517 million, net of income tax) favorable change in other risks in embedded derivatives reflects:

- Updates to actuarial policyholder behavior assumptions within the valuation model.
- A change in the risk margin adjustment measuring policyholder behavior risks, along with market and interest rate changes, and
- The partially offsetting impact of a combination of other factors, which include fees being deducted from accounts and changes in the benefit base, premiums, lapses, withdrawals and mortality rates.

The aforementioned \$346 million (\$225 million, net of income tax) unfavorable change in the nonperformance risk adjustment on embedded derivatives resulted from an unfavorable change of \$209 million, before income tax, as a result of model changes and changes in capital market inputs, such as long-term interest rates and key equity index levels, on variable annuity guarantees, in addition to an unfavorable change of \$137 million, before income tax, related to changes in our own credit spread.

When equity index levels decrease in isolation, the variable annuity guarantees become more valuable to policyholders, which results in an increase in the undiscounted embedded derivative liability. Discounting this unfavorable change by the risk adjusted rate yields a smaller loss than by discounting at the risk-free rate, thus creating a gain from including an adjustment for nonperformance risk.

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

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

Net Investment Gains (Losses). The unfavorable change in net investment gains (losses) of \$625 million (\$406 million, net of income tax) primarily reflects a 2017 loss recognized in connection with the Separation, while the 2016 results include gains from the U.S. Retail Advisor Force Divestiture and foreign currency transactions. These unfavorable changes were partially offset by higher gains on sales of real estate joint ventures and a lower provision for mortgage loan losses.

Actuarial Assumption Review. Results for 2017 include a \$37 million (\$25 million, net of income tax) gain associated with our annual review of actuarial assumptions related to reserves and DAC, of which a \$21 million (\$14 million, net of income tax) gain was recognized in net derivative gains (losses). Of the \$37 million gain, a \$96 million (\$64 million, net of income tax) gain was associated with DAC, and a loss of \$59 million (\$39 million, net of income tax) was related to reserves. The \$21 million gain recognized in net derivative gains (losses) associated with this review of actuarial assumptions was included within the other risks in embedded derivatives caption in the table above.

As a result of our annual review of actuarial assumptions, changes were made to economic, policyholder behavior, biometric and operational assumptions. These are summarized as follows:

- Changes in operational assumptions, most notably related to updates to maintenance expense and closed block projections, resulted in a net gain of \$114 million (\$74 million net of income tax).
- Changes in policyholder behavior assumptions resulted in reserve increases, partially offset by favorable DAC, resulting in a net charge of \$47 million (\$29 million, net of income tax).
- Economic assumption updates resulted in reserve increases and DAC releases, resulting in a charge of \$19 million (\$13 million net of income tax).
- Changes to biometric assumptions resulted in an increase in reserves, partially offset by favorable DAC, resulting in a charge of \$11 million (\$7 million, net of income tax).

The most significant impacts were in the MetLife Holdings Life and Annuities businesses.

Results for 2016 include a \$648 million (\$421 million, net of income tax) loss associated with our annual review of actuarial assumptions related to reserves and DAC, of which a \$709 million (\$461 million, net of income tax) loss was recognized in net derivative gains (losses) and a \$103 million (\$67 million, net of income tax) loss was recognized in updates to the closed block projection. Of the \$648 million loss, a \$729 million (\$474 million, net of income tax) loss was related to reserves while an \$81 million (\$53 million, net of income tax) gain was associated with DAC.

Divested Businesses and Lag Elimination. Income (loss) before provision for income tax related to the divested businesses and lag elimination, excluding net investment gains (losses) and net derivative gains (losses), decreased \$861 million (\$618 million, net of income tax) to a loss of \$1.1 billion (\$747 million, net of income tax) in 2017 from a loss of \$197 million (\$129 million, net of income tax) in 2016. Included in this decline was a decrease in total revenues of \$272 million, before income tax, and an increase in total expenses of \$589 million, before income tax. Divested businesses include activity primarily related to the Separation. In addition, divested businesses for 2016 also include the financial impact of converting our Japan operations to calendar year-end reporting without retrospective application of this change to prior years.

Discontinued Operations. Loss from discontinued operations, net of income tax, decreased \$1.7 billion for the year ended December 31, 2017 to a loss of \$986 million, net of income tax, from a loss of \$2.7 billion, net of income tax, for the year ended December 31, 2016. Income (loss) from discontinued operations reflects the results of our former Brighthouse Financial segment. The favorable change in income (loss) from discontinued operations was primarily due to a favorable change in net derivative gains (losses) of \$3.1 billion, net of income tax, primarily driven by the impact of the 2016 annual actuarial assumption review on certain variable annuity products that contain embedded derivatives, partially offset by a loss of \$1.2 billion, net of income tax, as a result of the Separation in 2017. For further information regarding the Separation, see Note 3 of the Notes to the Consolidated Financial Statements.

Taxes. Income tax benefit for the year ended December 31, 2017 was \$1.5 billion, or 42% of income from continuing operations before provision for income tax, compared with income tax expense of \$693 million, or 16% of income before provision for income tax, for the year ended December 31, 2016. Our effective tax rates differ from the U.S. statutory rate of 35% due to non-taxable investment income, tax credits for low income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate. Our 2017 results include the following tax items: (i) a net benefit of \$1.3 billion related to the impact of U.S. Tax Reform, which includes a net benefit of \$1.6 billion (comprised of a \$1.8 billion tax benefit and a \$222 million increase in other divested expenses reflective of a reduction in other receivables due to the revaluation of a tax receivable from Brighthouse) and an adjusted earnings charge of \$298 million (comprised of a \$254 million tax charge and a \$44 million, net of income tax, reduction in net investment income), (ii) a tax-related benefit of \$540 million related to the Separation, (iii) a \$41 million tax benefit from the finalization of certain tax audits, (iv) a net tax charge of \$180 million as a result of the repatriation of approximately \$3.0 billion of cash following the post-Separation review of our capital needs, partially offset by a tax benefit associated with dividends from our non-U.S. operations, and (v) a tax benefit of \$9 million related to the settlement of an audit in Argentina. Our 2016 results include a tax benefit of \$110 million in Japan related to a change in tax rate, a tax charge of \$26 million related to the repatriation of earnings from Japan and a tax charge of \$19 million in Chile, related to a change in tax rate. In addition, 2016 results include a one-time tax benefit of \$46 million for the finalization of certain tax audits.

Adjusted Earnings. As more fully described in “—Non-GAAP and Other Financial Disclosures,” we use adjusted earnings, which does not equate to income (loss) from continuing operations, net of income tax, as determined in accordance with GAAP, to analyze our performance, evaluate segment performance, and allocate resources. We believe that the presentation of adjusted earnings and adjusted earnings available to common shareholders, as we measure it for management purposes, enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of the business. Adjusted earnings and other financial measures based on adjusted earnings allow analysis of our performance relative to our business plan and facilitate comparisons to industry results. Adjusted earnings and adjusted earnings available to common shareholders should not be viewed as substitutes for net income (loss) and net income (loss) available to MetLife, Inc.’s common shareholders, respectively. Adjusted earnings available to common shareholders increased \$202 million, net of income tax, to \$4.2 billion, net of income tax, for the year ended December 31, 2017 from \$4.0 billion, net of income tax, for the year ended December 31, 2016.

Year Ended December 31, 2016 Compared with the Year Ended December 31, 2015

During the year ended December 31, 2016, net income (loss) decreased \$4.5 billion from 2015 primarily driven by unfavorable changes in income (loss) from discontinued operations and net derivative gains (losses). In addition, in 2016, net income (loss) includes the financial impact of converting the Company’s Japan operations to calendar year-end reporting without retrospective application of this change to prior years.

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

	Years Ended December 31,	
	2016	2015
	(In millions)	
Non-VA program derivatives		
Interest rate	\$ (449)	\$ 61
Foreign currency exchange rate	352	393
Credit	108	7
Equity	12	(1)
Non-VA embedded derivatives	26	66
Total non-VA program derivatives	49	526
VA program derivatives		
Market risks in embedded derivatives	364	246
Nonperformance risk adjustment on embedded derivatives	156	52
Other risks in embedded derivatives	(727)	(164)
Total embedded derivatives	(207)	134
Freestanding derivatives hedging embedded derivatives	(532)	(31)
Total VA program derivatives	(739)	103
Net derivative gains (losses)	\$ (690)	\$ 629

The unfavorable change in net derivative gains (losses) on non-VA program derivatives was \$477 million (\$310 million, net of income tax). This was primarily due to long-term interest rates increasing during 2016 and decreasing during 2015, unfavorably impacting receive-fixed interest rate swaps and total rate of return swaps primarily hedging long-duration liability portfolios. Because certain of these hedging strategies are not designated or do not qualify as accounting hedges, the changes in the estimated fair value of these freestanding derivatives are recognized in net derivative gains (losses) without an offsetting gain or loss recognized in earnings for the item being hedged.

The unfavorable change in net derivative gains (losses) on VA program derivatives was \$842 million (\$547 million, net of income tax). This was due to an unfavorable change of \$563 million (\$366 million, net of income tax) in other risks in embedded derivatives and an unfavorable change of \$383 million (\$249 million net of income tax) in market risks in embedded derivatives, net of the impact of freestanding derivatives hedging those risks partially offset by a favorable change of \$104 million (\$68 million, net of income tax) related to the change in the nonperformance risk adjustment on embedded derivatives. Other risks relate primarily to the impact of policyholder behavior and other non-market risks that generally cannot be hedged.

The foregoing \$383 million (\$249 million, net of income tax) unfavorable change reflects a \$501 million (\$326 million, net of income tax) unfavorable change in freestanding derivatives hedging market risks in embedded derivatives, partially offset by a favorable change of \$118 million (\$77 million, net of income tax) in market risks in embedded derivatives.

The primary changes in market factors are summarized as follows:

- Long-term interest rates increased in 2016 and decreased in 2015, contributing to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives. For example, the 10-year U.S. swap rate increased 15 basis points in 2016 and decreased 10 basis points in 2015.
- Key equity index levels mostly increased in 2016 and decreased in 2015, contributing to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives. For example, the S&P 500 Index increased 10% in 2016 and decreased 1% in 2015.

The aforementioned \$104 million (\$68 million, net of income tax) favorable change in the nonperformance risk adjustment on embedded derivatives resulted from a favorable change of \$97 million, before income tax, as a result of model changes and changes in capital market inputs, such as long-term interest rates and key equity index levels, on variable annuity guarantees, and a favorable change of \$7 million, before income tax, related to changes in our own credit spread.

The foregoing \$563 million (\$366 million, net of income tax) unfavorable change in other risks in embedded derivatives reflected:

- Updates to actuarial policyholder behavior assumptions within the valuation model; and
- An increase in the risk margin adjustment, measuring policyholder behavior risks along with market and interest rate changes; partially offset by
- The cross effect of capital market changes and the mismatch of fund performance between actual and modeled funds; and
- A combination of other factors, including reserve changes influenced by benefit features and actual policyholder behavior, as well as FCTA.

Net Investment Gains (Losses). The unfavorable change in net investment gains (losses) of \$292 million (\$190 million, net of income tax) primarily reflects higher gains on sales of real estate, fixed maturity securities and equity securities in 2015 than in 2016 and an increase in the provision for mortgage loan losses in 2016. These unfavorable changes were partially offset by lower foreign currency transaction losses, as well as a gain in 2016 from the U.S. Retail Advisor Force Divestiture.

Actuarial Assumption Review. Results for 2016 include a \$648 million (\$421 million, net of income tax) loss associated with the annual review of assumptions related to reserves and DAC, of which a \$709 million (\$461 million, net of income tax) loss was recognized in net derivative gains (losses) and a loss of \$103 million (\$67 million, net of income tax) was recognized in updates to the closed block projection. Of the \$648 million charge, \$729 million (\$474 million, net of income tax) was related to reserves and a benefit of \$81 million (\$53 million, net of income tax) was associated with DAC. The \$709 million loss recognized in net derivative gains (losses) associated with this review of assumptions was included within the other risks in embedded derivatives caption in the table above.

As a result of our annual review of assumptions related to reserves and DAC, changes were made to economic, policyholder behavior, mortality and other assumptions. These are summarized as follows:

- Changes in policyholder behavior and mortality assumptions resulted in reserve increases, partially offset by favorable DAC amortization, resulting in a loss of \$356 million (\$231 million, net of income tax).
- Changes in economic assumptions resulted in reserve increases and unfavorable DAC amortization resulting in a loss of \$125 million (\$81 million, net of income tax).
- The remaining updates resulted in reserve increases and unfavorable DAC amortization, resulting in a loss of \$167 million (\$109 million, net of income tax).

The most significant impacts of this review were in the MetLife Holdings life and annuity blocks of business.

Results for 2015 include a \$142 million (\$92 million, net of income tax) loss associated with our annual assumption review related to reserves and DAC, of which a \$134 million (\$87 million, net of income tax) loss was recognized in updates to the closed block projection. Of the \$142 million loss, \$94 million (\$61 million, net of income tax) was related to DAC and \$48 million (\$31 million, net of income tax) was associated with reserves.

Divested Businesses and Lag Elimination. Income (loss) from continuing operations before provision for income tax related to the divested businesses and lag elimination, excluding net investment gains (losses) and net derivative gains (losses), increased \$358 million (\$228 million, net of income tax) to a loss of \$197 million (\$129 million, net of income tax) in 2016 from a loss of \$555 million (\$357 million, net of income tax) in 2015. Included in this decline was an increase in total revenues of \$393 million, before income tax, and an increase in total expenses of \$35 million, before income tax. Divested businesses include activity primarily related to the Separation. In addition, divested businesses for 2016 include the financial impact of converting the Company's Japan operations to calendar year-end reporting without retrospective application of this change to prior years.

Discontinued Operations. Income (loss) from discontinued operations, net of income tax, decreased \$4.0 billion for the year ended December 31, 2016 to a loss of \$2.7 billion, net of income tax, from income of \$1.3 billion, net of income tax, for the comparable 2015 period. Income (loss) from discontinued operations reflects the results of our former Brighthouse Financial segment, which were lower in 2016, primarily due to an unfavorable change in net derivative gains (losses) of \$3.5 billion, net of income tax, primarily driven by the impact of the 2016 annual actuarial assumption review on certain variable annuity products that contain embedded derivatives. The most significant impact from the review was the result of changes in policyholder behavior assumptions, which resulted in reserve increases, partially offset by favorable DAC amortization. The policyholder behavior assumption changes included: (i) lower utilization of the elective annuitization option on the guarantee riders on the contracts; (ii) lower election of the guaranteed principal option in certain of our GMIBs, which, if exercised, returns to the policyholder the original purchase payment amounts; and (iii) adjusting the rate at which policyholders withdrew funds through systematic withdrawals.

The 2016 loss also included (i) a \$340 million, net of income tax, charge for a write-off of DAC and increases to insurance related liabilities for its variable and universal life policies; (ii) a \$223 million, net of income tax non-cash charge for goodwill impairment; (iii) unfavorable reserve adjustments of \$192 million, net of income tax, resulting from modeling improvements in the reserving process; and (iv) unfavorable DAC unlockings of \$161 million, net of income tax, related to the annual actuarial assumption review of the variable annuity business. For further information, see Note 3 of the Notes to the Consolidated Financial Statements.

Taxes. Income tax expense for the year ended December 31, 2016 was \$693 million, or 16% of income from continuing operations before provision for income tax, compared with \$1.6 billion, or 28% of income from continuing operations before provision for income tax, for the year ended December 31, 2015. The Company's effective tax rates differ from the U.S. statutory rate of 35% typically due to non-taxable investment income, tax credits for low income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate. Our 2016 results include the following tax items: (i) a \$110 million benefit related to a change in tax rate in Japan, (ii) an \$8 million expense due to a deferred tax adjustment related to goodwill, (iii) a \$46 million benefit for the finalization of certain tax audits, and (iv) a \$22 million benefit related to an investment tax credit, partially offset by a \$19 million charge related to a change in tax rate in Chile. Our 2015 results include tax charges of \$580 million, of which \$557 million was recorded under accounting guidance for the recognition of tax uncertainties, and \$23 million was related to foreign exchange-related gains on investments in Argentina. These charges were partially offset by the following tax benefits: (i) \$174 million related to a change in tax rate in Japan, (ii) \$61 million related to the restructuring of our business in Chile, (iii) \$57 million related to the repatriation of earnings from Japan, and (iv) \$31 million related to the devaluation of the peso in Argentina.

Adjusted Earnings. Adjusted earnings available to common shareholders increased \$119 million, net of income tax, to \$4.0 billion, net of income tax, for the year ended December 31, 2016 from \$3.9 billion, net of income tax, for the year ended December 31, 2015.

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

Year Ended December 31, 2017

	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total
	(In millions)						
Net income (loss)	\$ 2,001	\$ 1,298	\$ 613	\$ 301	\$ 914	\$ (1,107)	\$ 4,020
Less: Income (loss) from discontinued operations, net of income tax	—	—	—	—	—	(986)	(986)
Income (loss) from continuing operations, net of income tax	\$ 2,001	\$ 1,298	\$ 613	\$ 301	\$ 914	\$ (121)	\$ 5,006
Less: Net investment gains (losses)	180	128	(47)	(10)	71	(630)	(308)
Less: Net derivative gains (losses)	(21)	31	108	32	(339)	(401)	(590)
Less: Other adjustments to continuing operations (1)	(197)	(43)	8	17	(337)	(1,070)	(1,622)
Less: Provision for income tax (expense) benefit	12	(47)	(41)	(35)	337	2,962	3,188
Adjusted earnings	\$ 2,027	\$ 1,229	\$ 585	\$ 297	\$ 1,182	(982)	4,338
Less: Preferred stock dividends						103	103
Adjusted earnings available to common shareholders						\$ (1,085)	\$ 4,235

Year Ended December 31, 2016

	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total
	(In millions)						
Net income (loss)	\$ 1,756	\$ 1,420	\$ 629	\$ 311	\$ 300	\$ (3,562)	\$ 854
Less: Income (loss) from discontinued operations, net of income tax	—	—	—	—	—	(2,734)	(2,734)
Income (loss) from continuing operations, net of income tax	\$ 1,756	\$ 1,420	\$ 629	\$ 311	\$ 300	\$ (828)	\$ 3,588
Less: Net investment gains (losses)	(15)	230	93	42	182	(215)	317
Less: Net derivative gains (losses)	53	(47)	3	24	(757)	34	(690)
Less: Other adjustments to continuing operations (1)	(263)	26	58	33	(50)	(285)	(481)
Less: Provision for income tax (expense) benefit	85	(13)	(68)	(61)	219	144	306
Adjusted earnings	\$ 1,896	\$ 1,224	\$ 543	\$ 273	\$ 706	(506)	4,136
Less: Preferred stock dividends						103	103
Adjusted earnings available to common shareholders						\$ (609)	\$ 4,033

Year Ended December 31, 2015

	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total
	(In millions)						
Net income (loss)	\$ 2,080	\$ 1,813	\$ 503	\$ 288	\$ 1,175	\$ (474)	\$ 5,385
Less: Income (loss) from discontinued operations, net of income tax	—	—	—	—	—	1,324	1,324
Income (loss) from continuing operations, net of income tax	\$ 2,080	\$ 1,813	\$ 503	\$ 288	\$ 1,175	\$ (1,798)	\$ 4,061
Less: Net investment gains (losses)	256	459	82	27	(37)	(178)	609
Less: Net derivative gains (losses)	98	67	(135)	40	391	168	629
Less: Other adjustments to continuing operations (1)	(149)	(120)	(72)	3	(455)	(568)	(1,361)
Less: Provision for income tax (expense) benefit	(72)	19	3	(22)	36	190	154
Adjusted earnings	\$ 1,947	\$ 1,388	\$ 625	\$ 240	\$ 1,240	(1,410)	4,030
Less: Preferred stock dividends						116	116
Adjusted earnings available to common shareholders						\$ (1,526)	\$ 3,914

- (1) See definitions of adjusted revenues and adjusted expenses under “— Non-GAAP and Other Financial Disclosures” for the components of such adjustments and Note 2 of the Notes to the Consolidated Financial Statements for additional details on these adjustments by financial statement line item.

Reconciliation of revenues to adjusted revenues and expenses to adjusted expenses

Year Ended December 31, 2017

	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total
	(In millions)						
Total revenues	\$ 31,810	\$ 11,875	\$ 5,118	\$ 3,729	\$ 11,005	\$ (1,229)	\$ 62,308
Less: Net investment gains (losses)	180	128	(47)	(10)	71	(630)	(308)
Less: Net derivative gains (losses)	(21)	31	108	32	(339)	(401)	(590)
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	—	13	—	(1)	—	—	12
Less: Other adjustments to revenues (1)	(195)	336	69	875	(83)	(552)	450
Total adjusted revenues	\$ 31,846	\$ 11,367	\$ 4,988	\$ 2,833	\$ 11,356	\$ 354	\$ 62,744
Total expenses	\$ 28,797	\$ 9,910	\$ 4,308	\$ 3,334	\$ 9,881	\$ 2,542	\$ 58,772
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	—	9	—	(1)	(70)	2	(60)
Less: Other adjustments to expenses (1)	2	383	61	858	324	516	2,144
Total adjusted expenses	\$ 28,795	\$ 9,518	\$ 4,247	\$ 2,477	\$ 9,627	\$ 2,024	\$ 56,688

Year Ended December 31, 2016

	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total
	(In millions)						
Total revenues	\$ 29,254	\$ 11,973	\$ 4,816	\$ 3,810	\$ 11,710	\$ (776)	\$ 60,787
Less: Net investment gains (losses)	(15)	230	93	42	182	(215)	317
Less: Net derivative gains (losses)	53	(47)	3	24	(757)	34	(690)
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	—	31	—	(1)	—	—	30
Less: Other adjustments to revenues (1)	(264)	601	48	936	(182)	(925)	214
Total adjusted revenues	\$ 29,480	\$ 11,158	\$ 4,672	\$ 2,809	\$ 12,467	\$ 330	\$ 60,916
Total expenses	\$ 26,607	\$ 10,061	\$ 3,961	\$ 3,396	\$ 11,337	\$ 1,144	\$ 56,506
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	—	42	—	—	(268)	—	(226)
Less: Other adjustments to expenses (1)	(1)	564	(10)	902	136	(640)	951
Total adjusted expenses	\$ 26,608	\$ 9,455	\$ 3,971	\$ 2,494	\$ 11,469	\$ 1,784	\$ 55,781

Year Ended December 31, 2015

	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total
	(In millions)						
Total revenues	\$ 28,929	\$ 11,944	\$ 4,736	\$ 2,930	\$ 13,255	\$ (451)	\$ 61,343
Less: Net investment gains (losses)	256	459	82	27	(37)	(178)	609
Less: Net derivative gains (losses)	98	67	(135)	40	391	168	629
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	—	12	—	(5)	—	—	7
Less: Other adjustments to revenues (1)	(163)	147	12	21	(245)	(674)	(902)
Total adjusted revenues	\$ 28,738	\$ 11,259	\$ 4,777	\$ 2,847	\$ 13,146	\$ 233	\$ 61,000
Total expenses	\$ 25,768	\$ 9,689	\$ 4,199	\$ 2,599	\$ 11,534	\$ 1,903	\$ 55,692
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	—	9	—	(5)	162	(9)	157
Less: Other adjustments to expenses (1)	(14)	270	84	18	48	(97)	309
Total adjusted expenses	\$ 25,782	\$ 9,410	\$ 4,115	\$ 2,586	\$ 11,324	\$ 2,009	\$ 55,226

- (1) See definitions of adjusted revenues and adjusted expenses under “— Non-GAAP and Other Financial Disclosures” for the components of such adjustments and Note 2 of the Notes to the Consolidated Financial Statements for additional details on these adjustments by financial statement line item.

Consolidated Results — Adjusted Earnings

Year Ended December 31, 2017 Compared with the Year Ended December 31, 2016

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

Overview. The primary drivers of the increase in adjusted earnings were annuities reinsurance activity with Brighthouse, the impact of 2017 and 2016 refinements made to DAC and certain insurance-related liabilities, and the impact in both 2017 and 2016 of our annual actuarial assumption review, partially offset by the negative impact of U.S. Tax Reform and other unfavorable tax items.

Foreign Currency. Changes in foreign currency exchange rates had a \$22 million negative impact on adjusted earnings for 2017 compared to 2016. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

Business Growth. An increase of \$70 million in adjusted earnings was attributable to business growth. We benefited from positive net flows from many of our businesses. As a result, growth in the investment portfolios of our U.S., Asia and Latin America segments generated higher net investment income. However, this was partially offset by a corresponding increase in interest credited expense on certain insurance-related liabilities. In our U.S. segment, an increase in average premium per policy in our auto and homeowners business, partially offset by a decrease in exposures, improved adjusted earnings. Growth in our segments abroad also contributed to the increase in adjusted earnings. In our MetLife Holdings segment, negative net flows contributed to a decrease in average separate account balances and, consequently, asset-based fee income. Improved results from our start-up operations increased adjusted earnings.

Market Factors. Market factors, including interest rate levels, variability in equity market returns, and foreign currency exchange rate fluctuations, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Excluding the impact of changes in foreign currency exchange rates on reported net investment income in our non-U.S. segments and changes in inflation rates on our inflation-indexed investments, investment yields decreased. Investment yields were negatively affected by lower prepayment fees, lower derivative income and lower returns on real estate joint ventures. In addition, earnings on our securities lending program decreased, which primarily resulted from lower margins due to a flatter yield curve, and lower returns on alternative investments (excluding the impact of U.S. Tax Reform). These decreases in net investment income were partially offset by higher returns on other limited partnership interests, driven by improvements in equity market performance. In addition, higher interest credited expenses, primarily driven by our U.S. segment as a result of a higher average interest credited rate, reduced adjusted earnings. These decreases were partially offset by higher asset-based fees in our MetLife Holdings segment as a result of favorable equity market performance in 2017. The changes in market factors discussed above resulted in a \$69 million decrease in adjusted earnings.

Underwriting, Actuarial Assumption Review and Other Insurance Adjustments. Unfavorable underwriting resulted in a \$13 million decrease in adjusted earnings primarily as a result of unfavorable claims experience, higher catastrophe losses and unfavorable mortality, largely offset by favorable morbidity and favorable development of prior year non-catastrophe losses in our Property & Casualty business. Favorable morbidity in our U.S. segment was partially offset by unfavorable morbidity in our MetLife Holdings segment. Higher lapses and claims in Japan, partially offset by favorable claims experience in other countries, drove unfavorable claims experience in our Asia segment. Unfavorable mortality in our Latin America and U.S. segments was partially offset by favorable mortality in our MetLife Holdings segment. The impact in both 2017 and 2016 of our annual actuarial assumption review resulted in a \$166 million increase in adjusted earnings, primarily due to favorable DAC unlockings in 2017 compared to unfavorable DAC unlockings in 2016 in our MetLife Holdings segment. Refinements to DAC and certain insurance-related liabilities, which were recorded in both 2017 and 2016 across our segments, resulted in a \$191 million increase in adjusted earnings. This includes favorable 2017 refinements of (i) a \$36 million DAC adjustment related to certain participating whole life business assumed from Brighthouse; and (ii) a reserve adjustment resulting from modeling improvements in the reserving process of \$55 million in our life business, as well as (iii) a 2017 unfavorable charge of \$90 million to increase certain RIS policy reserves. This also includes an unfavorable 2016 refinement of \$65 million resulting from modeling improvements in the reserving process.

Expenses. A \$46 million decrease in expenses was primarily driven by lower costs as a result of the U.S. Retail Advisor Force Divestiture, a decrease in certain corporate expenses, and favorable net adjustments to certain reinsurance assets and liabilities, partially offset by (i) Separation-related costs, (ii) higher employee-related expenses, (iii) higher costs associated with corporate initiatives and projects (including leasehold impairments and costs related to our unit cost initiative), (iv) an increase in asbestos and litigation reserves, and (v) an increase in expenses incurred related to the guaranty fund assessment for Penn Treaty.

Interest Expense on Debt. Interest expense on debt decreased by \$35 million, mainly due to the maturity of \$1.25 billion of our senior notes in June 2016.

Taxes. Our effective tax rates differ from the U.S. statutory rate of 35% due to non-taxable investment income, tax credits for investments in low income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate. This incremental tax benefit was lower in 2017 compared to 2016 which resulted in a \$7 million decrease in adjusted earnings. Our results for 2017 include the following tax items: (i) a charge of \$298 million related to the impact of U.S. Tax Reform, which includes a \$254 million tax charge and a \$44 million, net of income tax, reduction in net investment income, (ii) a tax benefit of \$41 million related to the finalization of certain tax audits, (iii) tax charges of \$180 million related to the repatriation of offshore earnings, and (iv) a tax benefit of \$9 million related to the settlement of an audit in Argentina. Our results for 2016 include the following tax items: (i) a tax benefit of \$25 million in Japan and a tax charge of \$12 million in Chile, both related to changes in tax rates that pertain to periods prior to 2016, (ii) a tax charge of \$26 million related to the repatriation of earnings from Japan, and (iii) a tax benefit of \$46 million for the finalization of certain tax audits.

Other. In connection with the Separation, annuities reinsurance activity with Brighthouse increased adjusted earnings by \$267 million. This favorable impact was primarily due to the recapture in 2016 of certain assumed single-premium deferred annuity reinsurance agreements, and the elimination of interest credited payments on the related reinsurance payable, as well as lower DAC amortization. This increase was partially offset by the net unfavorable impact in 2017 from the recapture and novation of, as well as refinements to, assumed and ceded agreements covering certain variable annuity business.

Year Ended December 31, 2016 Compared with the Year Ended December 31, 2015

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

Overview. The primary drivers of the increase in adjusted earnings were higher net investment income from portfolio growth and 2015 charges for taxes and related interest expense, partially offset by lower investment yields, unfavorable underwriting, refinements made to DAC and certain insurance-related liabilities, the impact of affiliated reinsurance activity, and the impact of our annual actuarial assumption review.

Foreign Currency. Changes in foreign currency exchange rates had a \$51 million negative impact on adjusted earnings compared to 2015. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

Business Growth. A \$331 million increase in adjusted earnings was attributable to business growth. We benefited from positive net flows from many of our products. As a result, growth in the investment portfolios of our U.S., Asia and Latin America segments generated higher net investment income. However, this was partially offset by a corresponding increase in interest credited expense on certain insurance-related liabilities. In addition, improved results from our start-up operations also increased adjusted earnings.

Market Factors. Market factors, including low interest rates, volatile equity markets, and foreign currency exchange rate fluctuations, continued to impact our investment yields; however, certain impacts were mitigated by derivatives used to hedge these risks. Excluding the impact of changes in foreign currency exchange rates on reported net investment income in our non-U.S. segments and inflation-indexed investments, investment yields decreased. Investment yields were negatively affected by the adverse impact of the low interest rate environment on fixed maturity securities and mortgage loans, as proceeds from maturing investments and the growth in the investment portfolio were invested at lower yields than the portfolio average. In addition, we experienced a decrease in returns on real estate joint ventures and alternative investments. Lower investment earnings on our securities lending program resulted primarily from lower margins due to the impact of a flatter yield curve. These decreases in net investment income were partially offset by higher income on derivatives. In our MetLife Holdings segment, a decline in our average separate account balances resulted in a decrease in asset-based fee income. The changes in market factors discussed above resulted in a \$443 million decrease in adjusted earnings.

Underwriting, Actuarial Assumption Review and Other Insurance Adjustments. Unfavorable underwriting resulted in a \$176 million decrease in adjusted earnings primarily as a result of higher non-catastrophe claim costs, less favorable development of prior year non-catastrophe losses and a charge related to an adjustment to reinsurance receivables in our Asia segment. Favorable mortality and morbidity experience in our Latin America and U.S. segments was largely offset by unfavorable experience in our MetLife Holdings segment. The impact of our annual actuarial assumption review, which occurred in both 2016 and 2015, resulted in a \$75 million decrease in adjusted earnings. Refinements to DAC and certain insurance-related liabilities, which were recorded in both 2016 and 2015, resulted in a \$176 million decrease in adjusted earnings, primarily as a result of a 2016 reserve adjustment of \$65 million resulting from modeling improvements in the reserving process.

Interest Expense on Debt. The maturity of \$1.0 billion of senior notes in June 2015 and \$1.3 billion of senior notes in June 2016 and the maturity of other long-term debt in 2015 and 2016, partially offset by the issuance of \$1.5 billion of senior notes in March 2015 and \$1.3 billion of senior notes in November 2015 and higher interest on floating rate debt resulted in a net decrease to interest expense on debt of \$29 million.

Expenses and Taxes. Our results for 2015 include the aforementioned \$235 million charge for interest on uncertain tax positions. In addition, other expenses declined by \$86 million primarily due to expense savings related to the U.S. Retail Advisor Force Divestiture. The Company's effective tax rates differ from the U.S. statutory rate of 35% typically due to non-taxable investment income, tax credits for low income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate. This incremental tax benefit was higher in 2016 compared to 2015 which resulted in a \$68 million increase in adjusted earnings. Our results for 2016 include the following tax items: (i) a \$46 million benefit for the finalization of certain tax audits, (ii) a \$25 million benefit related to a change in the tax rate in Japan, and (iii) a \$22 million benefit related to an investment tax credit, partially offset by a \$12 million charge related to a change in the tax rate in Chile. The \$25 million benefit in Japan includes a benefit of \$20 million that pertains to prior years; the \$12 million tax charge in Chile includes a charge of \$10 million that pertains to prior years. Our results for 2015 include the following tax items: (i) a charge of \$557 million recorded under accounting guidance for the recognition of tax uncertainties, (ii) a benefit of \$61 million related to a change in the tax rate in Japan, (iii) a benefit of \$60 million related to the restructuring of our business in Chile, (iv) a benefit of \$31 million related to the repatriation of earnings from Japan, and (v) a \$31 million benefit related to devaluation of the peso in Argentina.

Other. Annuities reinsurance activity with Brighthouse decreased adjusted earnings by \$160 million. This was primarily due to the recapture of certain assumed single-premium deferred annuity reinsurance agreements that resulted in unfavorable recapture settlements and an increase in the related DAC amortization, partially offset by lower interest credited on the related reinsurance payables. The impact of the lower interest credited was largely offset by the lower net investment income earned on the assets transferred in connection with the recapture.

Segment Results and Corporate & Other

U.S.

Business Overview. Sales increased compared to 2016, primarily driven by our RIS business, with higher sales of pension risk transfers, specialized life insurance, stable value and structured settlement products. Funding agreement issuances were essentially flat. Changes in premiums for the RIS business were almost entirely offset by the related changes in policyholder benefits and claims. Sales increased 19% compared to 2016 in the Group Benefits business, with strong sales across our core and voluntary products. The resulting increase in premiums, fees and other revenues was partially offset by the loss of a large dental contract in the second quarter of 2017. In our Property & Casualty business, sales increased slightly over 2016. The number of exposures decreased from 2016, reflecting management actions to improve the quality of the business.

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Adjusted revenues			
Premiums	\$ 23,632	\$ 21,501	\$ 20,861
Universal life and investment-type product policy fees	1,012	989	943
Net investment income	6,396	6,206	6,183
Other revenues	806	784	751
Total adjusted revenues	<u>31,846</u>	<u>29,480</u>	<u>28,738</u>
Adjusted expenses			
Policyholder benefits and claims and policyholder dividends	23,627	21,591	20,899
Interest credited to policyholder account balances	1,474	1,302	1,216
Capitalization of DAC	(458)	(471)	(493)
Amortization of DAC and VOBA	459	471	471
Interest expense on debt	11	9	4
Other expenses	3,682	3,706	3,685
Total adjusted expenses	<u>28,795</u>	<u>26,608</u>	<u>25,782</u>
Provision for income tax expense (benefit)	<u>1,024</u>	<u>976</u>	<u>1,009</u>
Adjusted earnings	<u>\$ 2,027</u>	<u>\$ 1,896</u>	<u>\$ 1,947</u>

Year Ended December 31, 2017 Compared with the Year Ended December 31, 2016

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

Business Growth. The impact of deposits, net flows from funding agreements and increased premiums in 2017 resulted in higher average invested assets, improving net investment income. However, consistent with the growth in average invested assets from increased premiums, interest credited on long-duration contracts increased. An increase in average premium per policy in both our auto and homeowners businesses, partially offset by the decrease in exposures, improved adjusted earnings. The remaining increase in premiums, fees and other revenues, coupled with a decline in direct expenses, was partially offset by higher volume-related expenses. The 2017 abatement of the annual health insurer fee under PPACA was offset by a corresponding decrease in premiums, fees and other revenues. The combined impact of the items discussed above increased adjusted earnings by \$198 million.

Market Factors. Market factors, including interest rate levels, variability in equity market returns and foreign currency exchange rate fluctuations, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields decreased, primarily due to lower prepayment fees, derivative income and lower returns on real estate and real estate joint ventures. In addition, lower investment earnings on our securities lending program resulted primarily from lower margins, due to a flatter yield curve. These decreases in investment yields were largely offset by higher returns on other limited partnership interests, primarily in private equities, driven by improvements in equity market performance. Higher average interest credited rates drove an increase in interest credited expenses; however, this was partially offset by an increase in adjusted earnings due to a decrease in the crediting rate on certain long-duration insurance contracts. The changes in market factors discussed above resulted in a \$74 million decrease in adjusted earnings.

Underwriting and Other Insurance Adjustments. Favorable prior year reserve development, lower utilization and the positive impact of pricing actions in our dental business, as well as favorable claims experience in our accident & health and group disability businesses were partially offset by slightly less favorable claims experience in our individual disability business, which resulted in a \$120 million increase in adjusted earnings. Less favorable mortality in 2017, mainly due to less favorable claim experience in our group life businesses resulted in a \$20 million decrease in adjusted earnings. Favorable mortality from our pension risk transfer and structured settlement businesses was mostly offset by less favorable mortality in our specialized life insurance and income annuities businesses. In our Property & Casualty business, catastrophe-related losses increased \$24 million in 2017, primarily due to severe storm activity. Non-catastrophe claim costs increased slightly as a result of higher auto-related severities and higher homeowners-related frequencies, mostly offset by lower auto-related frequencies and lower homeowners-related severities. Favorable development of prior year non-catastrophe losses of \$12 million increased adjusted earnings. Refinements to certain insurance and other liabilities, which were recorded in both 2017 and 2016, resulted in a \$75 million decrease in adjusted earnings, which included a \$90 million charge in 2017 to increase certain RIS policy reserves.

Year Ended December 31, 2016 Compared with the Year Ended December 31, 2015

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

Business Growth. The impact of deposits, funding agreement issuances and increased premiums in 2016 resulted in higher average invested assets, improving net investment income. However, consistent with the growth in average invested assets from increased premiums, interest credited on long-duration contracts increased. An increase in average premium per policy in both our auto and homeowners businesses improved adjusted earnings. In addition, an increase in other adjusted expenses, mainly the result of growth across the segment, was more than offset by the remaining increase in premiums, fees and other revenues. The combined impact of the items discussed above increased adjusted earnings by \$173 million.

Market Factors. Market factors, including low interest rates, volatile equity markets, and foreign currency exchange rate fluctuations, continued to impact our investment yields; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields decreased as a result of the impact of the low interest rate environment on fixed maturity securities and mortgage loans, as proceeds from maturing investments and the growth in the investment portfolio were invested at lower yields than the portfolio average. In addition, lower returns on other limited partnership interests, lower prepayment fees and lower returns on alternative investments reduced yields.

Lower investment earnings on our securities lending program resulted primarily from lower margins due to the impact of a flatter yield curve. These unfavorable changes were partially offset by higher income on derivatives and real estate. Certain of our funding agreements and guaranteed interest contract liabilities have interest credited rates that are contractually tied to current market rates, specifically the 3-month LIBOR and, as a result, a higher average interest credited rate drove an increase in interest credited expense. However, consistent with the decrease in yields on average invested assets, interest credited on certain long-duration insurance contracts decreased. The changes in market factors discussed above resulted in a \$129 million decrease in adjusted earnings.

Underwriting. Favorable claims experience in our individual disability and accident & health businesses were partially offset by unfavorable claims experience in our group disability and dental businesses and resulted in a \$12 million increase in adjusted earnings. Favorable mortality in 2016, mainly due to favorable claims experience in our life business, resulted in a \$26 million increase in adjusted earnings. Less favorable mortality from our pension risk transfer business and specialized life insurance products resulted in a \$9 million decrease in adjusted earnings. In our Property & Casualty business, non-catastrophe claim costs increased by \$85 million, resulting from higher frequencies and severities in both our auto and homeowners businesses, as well as an increase in claims adjustment expenses. In addition, less favorable development of prior year non-catastrophe losses reduced adjusted earnings by \$43 million. These increases were partially offset by a decrease in catastrophe losses, which improved adjusted earnings by \$3 million.

Asia

Business Overview. Sales increased compared to 2016 primarily driven by a successful sales campaign in Korea, agency growth and the continued success of our whole life critical illness product in China, as well as a large group case in Australia. In Japan, we have completed a successful shift in sales to foreign currency-denominated life products from yen-denominated life products.

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Adjusted revenues			
Premiums	\$ 6,755	\$ 6,902	\$ 6,937
Universal life and investment-type product policy fees	1,584	1,488	1,542
Net investment income	2,985	2,707	2,675
Other revenues	43	61	105
Total adjusted revenues	<u>11,367</u>	<u>11,158</u>	<u>11,259</u>
Adjusted expenses			
Policyholder benefits and claims and policyholder dividends	5,075	5,211	5,266
Interest credited to policyholder account balances	1,351	1,298	1,309
Capitalization of DAC	(1,710)	(1,668)	(1,720)
Amortization of DAC and VOBA	1,300	1,236	1,253
Amortization of negative VOBA	(111)	(208)	(309)
Other expenses	3,613	3,586	3,611
Total adjusted expenses	<u>9,518</u>	<u>9,455</u>	<u>9,410</u>
Provision for income tax expense (benefit)	620	479	461
Adjusted earnings	<u>\$ 1,229</u>	<u>\$ 1,224</u>	<u>\$ 1,388</u>

Year Ended December 31, 2017 Compared with the Year Ended December 31, 2016

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

Foreign Currency. Changes in foreign currency exchange rates decreased adjusted earnings by \$8 million for 2017 compared to 2016 primarily due to the weakening of the Japanese yen, partially offset by the strengthening of the Korean won, against the U.S. dollar. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

Business Growth. Asia's premiums and policy fee income increased from 2016 mainly driven by growth in our foreign currency-denominated life and accident & health businesses in Japan, as well as our group insurance business in Australia. Changes in premiums for these businesses were partially offset by related changes in policyholder benefits. Positive net flows in Japan and Korea resulted in higher average invested assets, which improved net investment income. The combined impact of the items discussed above improved adjusted earnings by \$61 million.

Market Factors. Market factors, including interest rate levels and variability in equity market returns continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment results were favorably impacted by higher returns on other limited partnership interests, driven by improvements in equity market performance, and higher income on real estate investments, which included a lease termination fee. These increases were partially offset by the unfavorable impact of lower interest rates on fixed maturity securities in Japan. The decrease in returns from lower interest rates in Japan was partially offset by the favorable impact of increased sales of foreign currency-denominated fixed annuities in Japan, primarily in its Australian dollar-denominated portfolio, which drove an increase in higher yielding foreign currency-denominated fixed maturity securities. The combined impact of the items discussed above increased adjusted earnings by \$45 million.

Underwriting, Actuarial Assumption Review and Other Insurance Adjustments. Higher lapses and claims in Japan, partially offset by favorable claims experience in other countries, decreased adjusted earnings by \$51 million. The impact in both 2017 and 2016 of our annual actuarial assumption review resulted in a slight increase in adjusted earnings. Refinements to certain insurance and other liabilities, which were recorded in both 2017 and 2016, resulted in a \$69 million increase in adjusted earnings, which includes a \$12 million favorable refinement in 2017 of the \$44 million charge in 2016 related to reinsurance receivables in Australia.

Expenses and Taxes. Higher expenses, primarily driven by project costs, reduced adjusted earnings by \$11 million. Results for 2017 include a charge of \$70 million related to a U.S. tax on dividends from our Japan operations. Results for 2016 include a \$25 million tax benefit related to a change in the corporate tax rate in Japan (which includes a benefit of \$20 million that pertains to prior periods).

Year Ended December 31, 2016 Compared with the Year Ended December 31, 2015

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

Following a change in the foreign investment law in India, the Company no longer consolidates its India operating joint venture, effective January 1, 2016. While this change in accounting does affect the comparability of the financial statement line items, it did not have a significant impact on adjusted earnings and, therefore, is not discussed below.

Foreign Currency. The impact of changes in foreign currency exchange rates increased adjusted earnings by \$46 million for 2016 compared to 2015 primarily due to the strengthening of the Japanese yen against the U.S. dollar. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

Business Growth. Positive net flows in Japan and Korea resulted in higher average invested assets and an increase in net investment income. Asia's premiums and fees decreased from 2015 mainly driven by lower fixed annuity surrenders and the shift from premium-based to fee-based products in 2016. The discontinuation of single premium products in our accident & health business in Japan in the third quarter of 2015 also contributed to the decline in premiums. Changes in premiums for these businesses were partially offset by related changes in policyholder benefits. The combined impact of the items discussed above improved adjusted earnings by \$64 million.

Market Factors. Market factors, including low interest rates, volatile equity markets, and foreign currency exchange rate fluctuations, continued to impact our investment yields; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment returns were unfavorably impacted by lower interest rates on fixed maturity securities, and the impact of incremental income recognized in 2015 from the recovery of a previously impaired mortgage loan, both in Japan. The decreases in investment returns were partially offset by the favorable impact of increased sales of foreign currency-denominated fixed annuities in Japan, primarily in its Australian currency-denominated portfolio, which drove an increase in higher yielding foreign currency-denominated fixed maturity securities, as well as higher returns on other limited partnership interests. Lower investment yields, partially offset by the impact of credit and foreign currency hedges, decreased adjusted earnings by \$113 million.

Underwriting, Actuarial Assumption Review and Other Insurance Adjustments. Our results for 2016 include a \$44 million charge related to an adjustment to reinsurance receivables in Australia. Excluding this charge, lower fixed annuity surrender gains and higher lapses in Japan, partially offset by favorable claims experience in Australia and Korea, decreased adjusted earnings by \$15 million. The impact of our annual actuarial assumption review, which occurred in both 2016 and 2015, resulted in a net decrease of \$35 million in adjusted earnings. Refinements to certain insurance and other liabilities, which were recorded in 2016, resulted in a \$10 million increase in adjusted earnings.

Expenses and Taxes. An increase in expenses, primarily driven by costs associated with growth of our agency channel in Hong Kong, information technology, and marketing, partially offset by lower consumption tax in Japan and a decline in corporate overhead, reduced adjusted earnings by \$13 million. Results for 2016 include a \$25 million tax benefit related to a change in the corporate tax rate in Japan (which includes a benefit of \$20 million that pertains to prior periods). Results for 2015 include tax benefits of \$61 million related to a change in tax rates, \$12 million for the settlement of an audit and \$15 million related to the U.S. taxation of dividends, each related to Japan, as well as a \$6 million tax refund in Korea in 2015 related to unclaimed surrender value.

Latin America

Business Overview. Total sales for Latin America decreased compared to 2016, as higher group accident & health and credit life product sales in Mexico were more than offset by a large group medical sale in Mexico in 2016.

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Adjusted revenues			
Premiums	\$ 2,693	\$ 2,529	\$ 2,581
Universal life and investment-type product policy fees	1,044	1,025	1,117
Net investment income	1,219	1,084	1,038
Other revenues	32	34	41
Total adjusted revenues	<u>4,988</u>	<u>4,672</u>	<u>4,777</u>
Adjusted expenses			
Policyholder benefits and claims and policyholder dividends	2,535	2,443	2,408
Interest credited to policyholder account balances	369	328	349
Capitalization of DAC	(364)	(321)	(341)
Amortization of DAC and VOBA	224	184	271
Amortization of negative VOBA	(1)	(1)	(1)
Interest expense on debt	5	2	—
Other expenses	1,479	1,336	1,429
Total adjusted expenses	<u>4,247</u>	<u>3,971</u>	<u>4,115</u>
Provision for income tax expense (benefit)	156	158	37
Adjusted earnings	<u>\$ 585</u>	<u>\$ 543</u>	<u>\$ 625</u>

Year Ended December 31, 2017 Compared with the Year Ended December 31, 2016

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

Foreign Currency. Changes in foreign currency exchange rates resulted in a slight decrease to adjusted earnings for 2017 as compared to 2016 mainly due to the weakening of the Mexican and Argentinean pesos against the U.S. dollar. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

Business Growth. Latin America experienced growth across several lines of business within Chile, Mexico and Brazil. This growth resulted in increased premiums and policy fee income which was partially offset by related changes in policyholder benefits. Positive net flows, primarily from Mexico and Chile, resulted in an increase in average invested assets and generated higher net investment income. This was partially offset by an increase in interest credited expense on certain insurance liabilities. Business growth also drove an increase in adjusted expenses and commissions, which were partially offset by higher DAC capitalization. The items discussed above resulted in an \$86 million increase in adjusted earnings.

Market Factors. Market factors, including interest rate levels and variability in equity market returns continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Changes in market factors resulted in a \$19 million increase in adjusted earnings primarily due to higher investment yields. The increase in investment yields was primarily driven by higher returns from FVO securities in Chile and mortgage loans in Mexico. These increases were largely offset by higher interest credited expenses and lower yields on fixed income securities in Chile and Argentina.

Underwriting, Actuarial Assumption Review and Other Insurance Adjustments. Unfavorable underwriting resulted in a \$37 million decrease to adjusted earnings driven by higher claims experience in Mexico. The impact in both 2017 and 2016 of our annual actuarial assumption review resulted in a slight decrease in adjusted earnings. In addition, refinements to certain insurance liabilities, primarily in the ProVida pension business, and other adjustments in both 2017 and 2016 resulted in a \$5 million increase to adjusted earnings.

Expenses and Taxes. Higher expenses, primarily driven by employee-related and marketing costs, decreased adjusted earnings by \$48 million as compared to 2016. Our results for 2017 include a \$9 million tax benefit related to the settlement of a tax audit and a \$4 million tax charge incurred as a result of tax reform legislation, both in Argentina. Our results for 2016 included a tax charge of \$12 million as a result of tax reform legislation in Chile (including a charge of \$10 million that pertains to periods prior to 2016). Also, our results for 2016 included a tax charge of \$11 million related to the 2015 filing of local tax returns in Mexico and Chile. Other tax-related items in both 2017 and 2016 resulted in a \$6 million decrease in adjusted earnings, primarily driven by a 2016 tax benefit due to inflation in Argentina.

Year Ended December 31, 2016 Compared with the Year Ended December 31, 2015

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

Foreign Currency. The impact of changes in foreign currency exchange rates decreased adjusted earnings by \$81 million for 2016 as compared to 2015 mainly due to the weakening of the Mexican and Argentinean pesos against the U.S. dollar. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

Business Growth. Latin America experienced business growth across several lines of business within Mexico, Chile and Argentina. This business growth resulted in increased premiums and policy fee income which was partially offset by the related changes in policyholder benefits. Positive net flows, primarily from Chile, Mexico and Argentina, resulted in an increase in average invested assets and generated higher net investment income. This was partially offset by an increase in interest credited expense on certain insurance liabilities. Business growth also drove an increase in adjusted expenses, commissions and DAC amortization, which were partially offset by higher DAC capitalization. The items discussed above resulted in a \$59 million increase in adjusted earnings.

Market Factors. Changes in market factors resulted in a \$17 million increase to adjusted earnings as higher investment yields were partially offset by higher interest credited expense. An increase in investment yields was primarily driven by a 2016 change in the crediting rate on allocated equity in Mexico, Chile and Argentina, as well as higher yields from fixed maturity securities in Mexico. These increases were partially offset by lower returns on fixed maturity securities, alternative investments and mortgage loans in Chile.

Underwriting, Actuarial Assumption Review and Other Insurance Adjustments. Favorable underwriting resulted in a \$38 million increase in adjusted earnings driven by lower claims experience in Mexico and Chile. The impact of the annual actuarial assumption review, which occurred in both 2016 and 2015, resulted in a net adjusted earnings increase of \$16 million. Refinements to certain insurance liabilities and other adjustments in both 2016 and 2015 resulted in a \$26 million decrease to adjusted earnings.

Taxes. Effective September 1, 2015, AFP ProVida was merged into MetLife Chile Acquisition Company resulting in an income tax benefit of \$60 million in 2015. In the first quarter of 2016, our Chilean businesses, including ProVida, incurred a tax charge of \$12 million as a result of tax reform legislation in Chile (including a charge of \$10 million that pertains to prior periods). In addition, other tax-related adjustments in both 2016 and 2015 resulted in a net decrease in adjusted earnings of \$20 million. These adjustments were mainly driven by tax charges related to the filing of local tax returns in Mexico and Chile in 2016 and a tax benefit in 2015 due to the devaluation of the peso in Argentina, partially offset by a 2016 tax benefit due to inflation in Argentina.

EMEA

Business Overview. Sales increased in 2017 due to growth in Turkey, Egypt and several European markets, partially offset by a decrease in sales due to the closing of the wealth management product to new business in the U.K. and the loss of a credit life contract in Poland.

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Adjusted revenues			
Premiums	\$ 2,061	\$ 2,027	\$ 2,036
Universal life and investment-type product policy fees	405	391	424
Net investment income	309	318	326
Other revenues	58	73	61
Total adjusted revenues	<u>2,833</u>	<u>2,809</u>	<u>2,847</u>
Adjusted expenses			
Policyholder benefits and claims and policyholder dividends	1,077	1,067	988
Interest credited to policyholder account balances	100	112	120
Capitalization of DAC	(414)	(403)	(472)
Amortization of DAC and VOBA	357	408	497
Amortization of negative VOBA	(19)	(13)	(16)
Other expenses	1,376	1,323	1,469
Total adjusted expenses	<u>2,477</u>	<u>2,494</u>	<u>2,586</u>
Provision for income tax expense (benefit)	59	42	21
Adjusted earnings	<u>\$ 297</u>	<u>\$ 273</u>	<u>\$ 240</u>

Year Ended December 31, 2017 Compared with the Year Ended December 31, 2016

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

Foreign Currency. Changes in foreign currency exchange rates reduced adjusted earnings by \$12 million for 2017 as compared to 2016, primarily driven by the strengthening of the U.S. dollar against the Egyptian pound and Turkish lira, partially offset by the weakening of the U.S. dollar against the Russian ruble and the Euro. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

Business Growth. Growth from our accident & health and credit life businesses in Turkey and our employee benefits business in the U.K., as well as growth across several European markets, partially offset by lower premium persistency in our employee benefits business in the Gulf, increased adjusted earnings by \$25 million.

Underwriting, Actuarial Assumption Review and Other Insurance Adjustments. Underwriting experience was essentially unchanged as unfavorable underwriting, primarily in our credit life business in Turkey and across several European markets, was offset by favorable underwriting in our accident & health business in Greece. The impact in both 2017 and 2016 of our annual actuarial assumption review resulted in an \$8 million increase in net adjusted earnings. Refinements to certain insurance liabilities and other adjustments in both 2017 and 2016 resulted in a \$4 million decrease in adjusted earnings.

Expenses. Adjusted earnings increased by \$5 million primarily due to expense discipline across the region, as well as enterprise-wide initiatives, notably the closing of the wealth management product to new business in the U.K., partially offset by additional costs related to regulatory and compliance requirements.

Taxes and Other. Our 2017 results include an unfavorable revision to the estimate of the valuation allowance required for a deferred tax asset in our non-life business of \$5 million and an incremental tax expense in Russia of \$2 million. This was offset by lower effective tax rates, which resulted in a \$7 million increase to adjusted earnings. In addition, a 2017 reinsurance profit share of \$2 million was offset by a 2016 benefit of \$3 million following the cancellation of a distribution agreement with one of our bancassurance partners.

Year Ended December 31, 2016 Compared with the Year Ended December 31, 2015

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

Foreign Currency. The impact of changes in foreign currency exchange rates reduced adjusted earnings by \$16 million for 2016 as compared to 2015, primarily driven by the strengthening of the U.S. dollar against the British pound, Turkish lira, Egyptian pound and Polish zloty. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

Business Growth. Adjusted earnings increased by \$35 million as a result of business growth mainly in the employee benefits business in the Middle East and the U.K.

Underwriting, Actuarial Assumption Review and Other Insurance Adjustments. Favorable underwriting, primarily in our accident & health business in Greece, was largely offset by unfavorable underwriting, primarily in our employee benefits business and resulted in an adjusted earnings increase of \$2 million. The impact of the annual actuarial assumption review, which occurred in both 2016 and 2015, resulted in a net adjusted earnings decrease of \$22 million. Refinements to certain insurance liabilities and other adjustments in 2016 resulted in a \$4 million increase to adjusted earnings.

Expenses. Adjusted earnings increased by \$43 million primarily due to expense discipline across the region and lower allocated corporate overhead expenses.

Taxes and Other. The Company received tax benefits in both 2016 and 2015; however, since the 2015 benefit exceeded the 2016 benefit, adjusted earnings decreased by \$19 million. Adjusted earnings for 2015 were positively impacted by the conversion to calendar year reporting for certain of our subsidiaries; however, this was offset by certain one-time items, including re-branding and legal expenses. Our 2016 adjusted earnings benefited from the cancellation of a distribution agreement with one of our bancassurance partners, which improved adjusted earnings by \$3 million.

MetLife Holdings

Business Overview. In connection with the Separation and the U.S. Retail Advisor Force Divestiture, we have discontinued the marketing of life and annuity products in this segment, which has led to lower revenues. This will result in a declining DAC asset over time and we anticipate an average decline in premiums, fees and other revenues of approximately 5% per year from expected business run-off. A significant portion of our adjusted earnings is driven by separate account balances. Most directly, these balances determine asset-based fee income but they also impact DAC amortization and asset-based commissions. Separate account balances are driven by sales, movements in the market, surrenders, withdrawals, benefit payments, transfers and policy charges. Separate account balances increased due to equity market performance, partially offset by the impact of negative net flows, as benefits, surrenders and withdrawals exceeded sales. Although we have discontinued selling our long-term care product, we continue to collect premiums and administer the existing block of business, which contributed to asset growth in the segment, and we expect the related reserves to grow as this block matures.

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Adjusted revenues			
Premiums	\$ 4,144	\$ 4,506	\$ 4,545
Universal life and investment-type product policy fees	1,361	1,436	1,482
Net investment income	5,607	5,944	6,189
Other revenues	244	581	930
Total adjusted revenues	<u>11,356</u>	<u>12,467</u>	<u>13,146</u>
Adjusted expenses			
Policyholder benefits and claims and policyholder dividends	7,000	7,523	7,346
Interest credited to policyholder account balances	1,018	1,042	1,062
Capitalization of DAC	(82)	(281)	(410)
Amortization of DAC and VOBA	302	736	577
Interest expense on debt	24	57	55
Other expenses	1,365	2,392	2,694
Total adjusted expenses	<u>9,627</u>	<u>11,469</u>	<u>11,324</u>
Provision for income tax expense (benefit)	547	292	582
Adjusted earnings	<u>\$ 1,182</u>	<u>\$ 706</u>	<u>\$ 1,240</u>

Year Ended December 31, 2017 Compared with the Year Ended December 31, 2016

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

Business Growth. Lower net investment income, resulting from a reduced invested asset base, decreased adjusted earnings. The reduced asset base is primarily the result of the 2016 recapture of certain assumed single-premium deferred annuity reinsurance agreements with Brighthouse. This decline was partially offset by net asset growth in our long-term care and life businesses. Consistent with this asset growth, interest credited on insurance liabilities increased. In our deferred annuities business, negative net flows contributed to a decrease in average separate account balances, and consequently, asset-based fee income. The discontinuance of a distribution agreement, resulting from the Separation, also contributed to the decline in variable annuity fee income. In our life business, a decrease in universal life sales resulted in lower fee income, net of DAC amortization, decreasing adjusted earnings. The combined impact of the items discussed above resulted in a \$314 million decrease in adjusted earnings.

Market Factors. Market factors, including interest rate levels, variability in equity market returns, and foreign currency exchange rate fluctuations, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields decreased primarily due to declines in prepayment fees and derivative income, as well as lower returns on real estate joint ventures. These reductions in yields were partially offset by higher returns on other limited partnership interests, driven by improvements in equity market performance. In our deferred annuity business, higher equity returns drove an increase in average separate account balances which resulted in higher asset-based fee income. Adjusted earnings increased due to declines in DAC amortization. The changes in market factors discussed above resulted in an \$8 million increase in adjusted earnings.

Underwriting, Actuarial Assumption Review and Other Insurance Adjustments. Unfavorable claims experience in our long-term care business, partially offset by favorable mortality in our life business, resulted in a \$20 million decrease in adjusted earnings. The impact in both 2017 and 2016 of our annual actuarial assumption review resulted in an increase of \$156 million in adjusted earnings and was primarily related to favorable DAC unlockings in 2017 compared to unfavorable DAC unlockings in 2016, primarily in our life business. Refinements to DAC and certain insurance-related liabilities that were recorded in 2017 and 2016 resulted in a \$196 million increase in adjusted earnings. This includes favorable 2017 refinements of (i) a \$36 million DAC adjustment related to certain participating whole life business assumed from Brighthouse; and (ii) a \$55 million reserve adjustment resulting from modeling improvements in our life business reserving process. This also includes a 2017 net unfavorable impact from a life reinsurance recapture and an unfavorable 2016 adjustment of \$30 million resulting from modeling improvements in the reserving process in our universal life business.

Expenses. Adjusted earnings increased by \$181 million as a result of lower expenses, primarily due to lower costs as a result of the U.S. Retail Advisor Force Divestiture, partially offset by Separation-related expenses.

Other. Adjusted earnings increased by \$267 million as a result of the Separation and continued annuities reinsurance activity with Brighthouse. This favorable impact was primarily due to the recapture in 2016 of certain assumed single-premium deferred annuity reinsurance agreements, and the elimination of interest credited payments on the related reinsurance payable, as well as lower DAC amortization. This increase was partially offset by the net unfavorable impact in 2017 from the recapture and novation of, as well as refinements to, assumed and ceded agreements covering certain variable annuity business. Favorable results from our reinsurance agreement with our former operating joint venture in Japan due to higher fund returns resulted in a \$13 million increase in adjusted earnings.

Year Ended December 31, 2016 Compared with the Year Ended December 31, 2015

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

Business Growth. Net investment income increased slightly resulting from a larger invested asset base. Net asset growth in our life, annuities and long-term care businesses was largely offset by negative net flows as a result of the recapture of two assumed single-premium deferred annuity reinsurance agreements with Brighthouse, which decreased our invested asset base. Consistent with the aforementioned asset growth, interest credited on insurance liabilities also increased. Lower universal life sales resulted in lower fee income. Additionally, adjusted earnings increased since the adjusted loss from broker-dealer operations was included in the U.S. Retail Advisor Force Divestiture; this also resulted in declines in both revenues and expenses. The combined impact of the items discussed above resulted in a \$7 million decrease in adjusted earnings.

Market Factors. Market factors, including low interest rates, volatile equity markets, and foreign currency exchange rate fluctuations, continued to impact our investment yields; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields decreased on our fixed maturity securities as proceeds from maturing investments and the growth in the investment portfolio were invested at lower yields than the portfolio average. We also had lower income on derivatives and alternative investments. These decreases in net investment income were partially offset by higher returns on private equities. In our deferred annuity business, lower equity returns in 2015 drove a decline in average separate account balances which resulted in a decrease in asset-based fee income in 2016 relative to 2015. This decrease was partially offset by lower average interest crediting rates and declines in DAC amortization. The changes in market factors discussed above resulted in a \$179 million decrease in adjusted earnings.

Underwriting, Actuarial Assumption Review and Other Insurance Adjustments. Unfavorable mortality, primarily in our universal life business, and unfavorable claim experience in our long-term care business resulted in a \$58 million decrease in adjusted earnings. The impact of our annual actuarial assumption review, which occurred in both 2016 and 2015, resulted in a net adjusted earnings decrease of \$34 million and was primarily related to unfavorable DAC unlockings. Refinements to DAC and certain insurance-related liabilities that were recorded in both 2016 and 2015, including a 2016 reserve adjustment resulting from modeling improvements in the reserving process in our universal life business, resulted in a \$165 million decrease in adjusted earnings.

Expenses. Adjusted earnings increased by \$78 million as a result of lower expenses, primarily due to lower costs as a result of the U.S. Retail Advisor Force Divestiture.

Other. Annuities reinsurance activity with Brighthouse decreased adjusted earnings by \$160 million. This was primarily due to the aforementioned recapture of certain assumed single-premium deferred annuity reinsurance agreements that resulted in unfavorable recapture settlements and an increase in the related DAC amortization, partially offset by lower interest credited on the related reinsurance payables. The impact of the lower interest credited was largely offset by the lower net investment income earned on the assets transferred in connection with the recapture. Unfavorable results from our reinsurance agreement with our former operating joint venture in Japan resulted in a \$14 million decrease in adjusted earnings.

Corporate & Other

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Adjusted revenues			
Premiums	\$ 54	\$ 40	\$ (92)
Universal life and investment-type product policy fees	1	2	(4)
Net investment income	28	178	260
Other revenues	271	110	69
Total adjusted revenues	<u>354</u>	<u>330</u>	<u>233</u>
Adjusted expenses			
Policyholder benefits and claims and policyholder dividends	26	41	(114)
Interest credited to policyholder account balances	1	6	23
Capitalization of DAC	(8)	(7)	(3)
Amortization of DAC and VOBA	6	8	(1)
Interest expense on debt	1,105	1,139	1,169
Other expenses	894	597	935
Total adjusted expenses	<u>2,024</u>	<u>1,784</u>	<u>2,009</u>
Provision for income tax expense (benefit)	(688)	(948)	(366)
Adjusted earnings	(982)	(506)	(1,410)
Less: Preferred stock dividends	103	103	116
Adjusted earnings available to common shareholders	<u>\$ (1,085)</u>	<u>\$ (609)</u>	<u>\$ (1,526)</u>

The table below presents adjusted earnings available to common shareholders by source net of income tax:

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Other business activities	\$ 18	\$ (5)	\$ (41)
Other net investment income	144	220	291
Interest expense on debt	(779)	(814)	(843)
Preferred stock dividends	(103)	(103)	(116)
Corporate initiatives and projects	(179)	(129)	(169)
Incremental tax benefit (expense) and other tax-related items	61	438	(256)
Other	(247)	(216)	(392)
Adjusted earnings available to common shareholders	<u>\$ (1,085)</u>	<u>\$ (609)</u>	<u>\$ (1,526)</u>

Year Ended December 31, 2017 Compared with the Year Ended December 31, 2016

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

Other Business Activities. Adjusted earnings from other business activities increased \$23 million. This was primarily due to growth and improved results from our start-up operations predominantly from our investment management business.

Other Net Investment Income. Other net investment income decreased by \$76 million primarily driven by a lower invested asset base and lower returns on alternative investments (excluding the impact of U.S. Tax Reform) and real estate joint ventures. These decreases were partially offset by a decrease in the amount credited to the segments due to both a reduction in the crediting rate and the amount of economic capital managed by Corporate & Other on their behalf.

Interest Expense on Debt. Interest expense on debt decreased by \$35 million, mainly due to the maturity of \$1.3 billion of our senior notes in June 2016.

Corporate Initiatives and Projects. Expenses associated with corporate initiatives and projects increased by \$50 million, primarily due to higher costs associated with enterprise-wide initiatives, primarily related to lease impairments and costs related to our unit cost initiative.

Incremental Tax Benefit and Other Tax-Related Items. Corporate & Other benefits from the impact of certain permanent tax preferenced items, including non-taxable investment income and tax credits for investments in low income housing. As a result, our effective tax rate differs from the U.S. statutory rate of 35%. In 2017, we had a \$180 million net tax charge related to the repatriation of approximately \$3.0 billion of cash following the post-Separation review of our capital needs, partially offset by a tax benefit associated with dividends from our non-U.S. operations and a \$41 million tax benefit from the finalization of certain tax audits. Results for 2016 include a \$46 million tax benefit related to the finalization of certain tax audits. In addition, higher utilization of tax preferenced items increased adjusted earnings by \$106 million over 2016.

U.S. Tax Reform resulted in a \$298 million charge in 2017, which includes a \$44 million reduction in net investment income and a \$254 million tax charge.

Other. Adjusted earnings decreased from 2016 as a result of a \$32 million increase in asbestos and litigation reserves, a \$25 million increase in employee-related expenses, \$18 million of expenses incurred in 2017 related to the guaranty fund assessment for Penn Treaty, and a \$13 million increase in expenses for interest on uncertain tax positions. These decreases in adjusted earnings were partially offset by a \$31 million decrease in certain corporate expenses and \$26 million of favorable net adjustments to certain reinsurance assets and liabilities in both 2017 and 2016.

Year Ended December 31, 2016 Compared with the Year Ended December 31, 2015

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

Other Business Activities. Adjusted earnings from other business activities increased \$36 million. This was primarily related to improved results from our start-up operations.

Other Net Investment Income. A \$71 million decrease in other net investment income was primarily driven by lower returns on fixed maturity securities as a result of the low interest rate environment and a decrease in average total portfolio holdings, primarily driven by a capital contribution to Brighthouse Life Insurance Company (formerly MetLife Insurance Company USA) (“Brighthouse Insurance”). Additionally, lower returns on real estate, real estate joint ventures and private equities decreased other net investment income.

Interest Expense on Debt. The maturity of \$1.0 billion of senior notes in June 2015 and \$1.3 billion of senior notes in June 2016 and the maturity of other long-term debt in 2015 and 2016, partially offset by the issuance of \$1.5 billion of senior notes in March 2015 and \$1.3 billion of senior notes in November 2015 and higher interest on floating rate debt resulted in a net decrease to interest expense on debt of \$29 million.

Preferred Stock Dividends. Preferred stock dividends decreased by \$13 million. In June 2015, MetLife, Inc. repurchased its 6.50% Non-Cumulative Preferred Stock, Series B (the “Series B preferred stock”) on which dividends had been paid quarterly. Also in June 2015, MetLife, Inc. issued 1,500,000 shares of its 5.25% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C (the “Series C preferred stock”) on which dividends are payable semi-annually until June 15, 2020, and are payable quarterly thereafter.

Corporate Initiatives and Projects. Expenses associated with corporate initiatives and projects decreased by \$40 million, primarily due to lower costs associated with enterprise-wide initiatives taken by the Company.

Incremental Tax Benefit and Other Tax-Related Items. Corporate & Other benefits from the impact of certain permanent tax preferenced items, including non-taxable investment income and tax credits for investments in low income housing. As a result, our effective tax rate differs from the U.S. statutory rate of 35%. In 2016, we had higher utilization of tax preferenced investments, which increased our adjusted earnings by \$69 million over 2015. In addition, our results for 2016 include a tax benefit of \$46 million for the finalization of certain tax audits and \$22 million related to an investment tax credit. Our 2015 results included the aforementioned tax charge of \$557 million, which was recorded under accounting guidance for the recognition of tax uncertainties.

Other. Our 2015 results include the aforementioned \$235 million charge for interest on uncertain tax positions. In 2016, adjusted earnings decreased by \$23 million due to an increase in litigation reserves and \$9 million as a result of net adjustments to certain reinsurance assets and liabilities. In addition, adjusted earnings decreased \$27 million due to higher employee-related costs, including those related to the Separation. An impairment charge on a real estate property in 2015, partially offset by higher real estate costs in 2016, increased adjusted earnings by \$10 million.

Effects of Inflation

Management believes that inflation has not had a material effect on the Company's consolidated results of operations, except insofar as inflation may affect interest rates.

An increase in inflation could affect our business in several ways. During inflationary periods, the value of fixed income investments falls which could increase realized and unrealized losses. Inflation also increases expenses for labor and other materials, potentially putting pressure on profitability if such costs cannot be passed through in our product prices. Inflation could also lead to increased costs for losses and loss adjustment expenses in certain of our businesses, which could require us to adjust our pricing to reflect our expectations for future inflation. Prolonged and elevated inflation could adversely affect the financial markets and the economy generally, and dispelling it may require governments to pursue a restrictive fiscal and monetary policy, which could constrain overall economic activity, inhibit revenue growth and reduce the number of attractive investment opportunities.

Investments

Investment Risks

Our primary investment objective is to optimize, net of income tax, risk-adjusted investment income and risk-adjusted total return while ensuring that assets and liabilities are managed on a cash flow and duration basis. The Investments Department, led by the Chief Investment Officer, manages investment risks using a risk control framework comprised of policies, procedures and limits, as discussed further below. The Investments Risk Committee, chaired by GRM, reviews and monitors investment risk limits and tolerances. We are exposed to the following primary sources of investment risks:

- credit risk, relating to the uncertainty associated with the continued ability of a given obligor to make timely payments of principal and interest;
- interest rate risk, relating to the market price and cash flow variability associated with changes in market interest rates. Changes in market interest rates will impact the net unrealized gain or loss position of our fixed income investment portfolio and the rates of return we receive on both new funds invested and reinvestment of existing funds;
- liquidity risk, relating to the diminished ability to sell certain investments, in times of strained market conditions;
- market valuation risk, relating to the variability in the estimated fair value of investments associated with changes in market factors such as credit spreads and equity market levels. A widening of credit spreads will adversely impact the net unrealized gain (loss) position of the fixed income investment portfolio, will increase losses associated with credit-based non-qualifying derivatives where we assume credit exposure, and, if credit spreads widen significantly or for an extended period of time, will likely result in higher OTTI. Credit spread tightening will reduce net investment income associated with purchases of fixed maturity securities and will favorably impact the net unrealized gain (loss) position of the fixed income investment portfolio;
- currency risk, relating to the variability in currency exchange rates for foreign denominated investments. This risk relates to potential decreases in estimated fair value and net investment income resulting from changes in currency exchange rates versus the U.S. dollar. In general, the weakening of foreign currencies versus the U.S. dollar will adversely affect the estimated fair value of our foreign denominated investments; and
- real estate risk, relating to commercial, agricultural and residential real estate, and stemming from factors, which include, but are not limited to, market conditions, including the demand and supply of leasable commercial space, creditworthiness of borrowers and their tenants and joint venture partners, capital markets volatility and inherent interest rate movements.

We manage investment risk through in-house fundamental credit analysis of the underlying obligors, issuers, transaction structures and real estate properties. We also manage credit, market and liquidity risk through industry and issuer diversification and asset allocation. These risk limits, approved annually by a committee of directors that oversees our investment portfolio, promote diversification by asset sector, avoid concentrations in any single issuer and limit overall aggregate credit and equity risk exposure, as measured by our economic capital framework. For real estate assets, we manage credit and market risk through asset allocation and by diversifying by geography, property and product type. We manage interest rate risk as part of our ALM strategies. These strategies include maintaining an investment portfolio with diversified maturities that has a weighted average duration that reflects the duration of our estimated liability cash flow profile, and utilizing product design, such as the use of market value adjustment features and surrender charges, to manage interest rate risk. We also manage interest rate risk through proactive monitoring and management of certain non-guaranteed elements of our products, such as the resetting of credited interest and dividend rates for policies that permit such adjustments. In addition to hedging with foreign currency derivatives, we manage currency risk by matching much of our foreign currency liabilities in our foreign subsidiaries with their respective foreign currency assets, thereby reducing our risk to foreign currency exchange rate fluctuation. We also use certain derivatives in the management of credit, interest rate, and market valuation risk.

We use purchased credit default swaps to mitigate credit risk in our investment portfolio. Generally, we purchase credit protection by entering into credit default swaps referencing the issuers of specific assets we own. In certain cases, basis risk exists between these credit default swaps and the specific assets we own. For example, we may purchase credit protection on a macro basis to reduce exposure to specific industries or other portfolio concentrations. In such instances, the referenced entities and obligations under the credit default swaps may not be identical to the individual obligors or securities in our investment portfolio. In addition, our purchased credit default swaps may have shorter tenors than the underlying investments they are hedging. However, we dynamically hedge this risk through the rebalancing and rollover of our credit default swaps at their most liquid tenors. We believe that our purchased credit default swaps serve as effective economic hedges of our credit exposure.

We enter into market standard purchased and written credit default swap contracts. Payout under such contracts is triggered by certain credit events experienced by the referenced entities. For credit default swaps covering North American corporate issuers, credit events typically include bankruptcy and failure to pay on borrowed money. For European corporate issuers, credit events typically also include involuntary restructuring. With respect to credit default contracts on Western European sovereign debt, credit events typically include failure to pay debt obligations, repudiation, moratorium, or involuntary restructuring. In each case, payout on a credit default swap is triggered only after the Credit Derivatives Determinations Committee of the International Swaps and Derivatives Association determines that a credit event has occurred.

Current Environment

As a global insurance company, we continue to be impacted by the changing global financial and economic environment, as well as the monetary policy of central banks around the world. See “— Industry Trends — Financial and Economic Environment.” Measures taken by central banks, including with respect to the level of interest rates, may have an impact on the pricing levels of risk-bearing investments and may adversely impact our business operations, investment portfolio and derivatives. The current environment continues to impact our net investment income, net investment gains (losses), net derivative gains (losses), level of unrealized gains (losses) within the various asset classes in our investment portfolio, and our level of investment in lower yielding cash equivalents, short-term investments and government securities. See “Risk Factors — Economic Environment and Capital Markets-Related Risks — We Are Exposed to Significant Global Financial and Capital Markets Risks Which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and May Cause Our Net Investment Income to Vary from Period to Period.”

European Investments

We maintain general account investments in Europe to support our insurance operations and related policyholder liabilities in these countries and certain of our non-European operations invest in Europe for diversification. In Europe, we have proactively mitigated risk in both direct and indirect exposures by investing in a diversified portfolio of high quality investments with a focus on the higher-rated countries, including the U.K., Germany, France, the Netherlands, Poland, Norway and Sweden. The sovereign and agency debt of these countries continues to maintain investment grade credit ratings from all major rating agencies. European sovereign and agency fixed maturity securities, at estimated fair value, were \$8.6 billion at December 31, 2017. Our European corporate securities (fixed maturity and perpetual hybrid securities classified as non-redeemable preferred stock) are invested in a diversified portfolio of primarily non-financial services securities, which comprised \$19.3 billion, or 66%, of European total corporate securities, at estimated fair value, at December 31, 2017. Of these European fixed maturity securities, 94% were investment grade and, for the 6% that were below investment grade, the majority were non-financial services corporate securities at December 31, 2017. European financial services corporate securities, at estimated fair value, were \$9.8 billion (including \$6.4 billion within the banking sector) with 99% investment grade, at December 31, 2017. Total European fixed maturity securities, at estimated fair value, were \$38.2 billion at December 31, 2017, including \$417 million of structured securities.

Selected Country Investments

We have country specific exposure to volatility, as we maintain general account investments in the selected countries as summarized below to support our insurance operations and related policyholder liabilities in these countries and we also have exposure through our global portfolio diversification.

The following table presents a summary of fixed maturity securities in these countries. The information below is presented on a country of risk basis (e.g. the country where the issuer primarily conducts business). Sovereign includes government and agency.

Selected Country Fixed Maturity Securities at December 31, 2017					
	Sovereign	Financial Services	Non-Financial Services	Structured	Total (1)
(Dollars in millions)					
United Kingdom	\$ 27	\$ 3,117	\$ 8,117	\$ 310	\$ 11,571
South Korea	6,458	14	375	103	6,950
Mexico	3,520	580	2,219	78	6,397
Total	<u>\$ 10,005</u>	<u>\$ 3,711</u>	<u>\$ 10,711</u>	<u>\$ 491</u>	<u>\$ 24,918</u>
Investment grade %	99%	99%	94%	90%	97%

- (1) The par value and amortized cost were \$23.9 billion and \$23.7 billion, respectively, at December 31, 2017.

We manage direct and indirect investment exposure in the selected countries through fundamental credit analysis and we continually monitor and adjust our level of investment exposure. We do not expect that our general account investments in these countries will have a material adverse effect on our results of operations or financial condition.

Investment Portfolio Results

The following yield table presents the yield and net investment income, as reported on an adjusted basis, for our investment portfolio for the periods indicated. We calculate yields using reported net investment income, as reported on an adjusted basis. Net investment income, as reported on an adjusted basis, includes the impact of changes in foreign currency exchange rates. This yield table presentation is consistent with how we measure our investment performance for management purposes, and we believe it enhances understanding of our investment portfolio results.

	For the Years Ended December 31,					
	2017		2016		2015	
	Yield% (1)	Amount	Yield% (1)	Amount	Yield% (1)	Amount
	(Dollars in millions)					
Fixed maturity securities (2) (3)	4.29 %	\$ 11,401	4.38 %	\$ 11,665	4.62 %	\$ 11,788
Mortgage loans (3)	4.58 %	3,081	4.61 %	2,858	4.89 %	2,772
Real estate and real estate joint ventures	3.18 %	297	3.73 %	322	4.28 %	395
Policy loans	5.39 %	517	5.29 %	511	5.30 %	525
Equity securities	5.15 %	129	4.82 %	120	4.79 %	124
Other limited partnership interests	14.93 %	797	9.23 %	478	9.32 %	535
Cash and short-term investments	1.48 %	132	1.17 %	111	1.17 %	125
Other invested assets		655		856		767
Investment income	4.53 %	17,009	4.58 %	16,921	4.79 %	17,031
Investment fees and expenses	(0.14)	(511)	(0.14)	(507)	(0.15)	(548)
Net investment income including divested businesses and lag elimination (4)	4.39 %	16,498	4.44 %	16,414	4.64 %	16,483
Less: net investment income from divested businesses and lag elimination (4)		(46)		(23)		(188)
Net investment income, as reported on an adjusted basis		\$ 16,544		\$ 16,437		\$ 16,671

- (1) Yields are calculated as investment income as a percent of average quarterly asset carrying values. Investment income excludes recognized gains and losses. Asset carrying values exclude unrealized gains (losses), collateral received in connection with our securities lending program, annuities funding structured settlement claims, freestanding derivative assets, collateral received from derivative counterparties, the effects of consolidating certain variable interest entities (“VIEs”) under GAAP that are treated as consolidated securitization entities (“CSEs”), contractholder-directed unit-linked investments and FVO Brighthouse Common Stock. A yield is not presented for other invested assets as it is not considered a meaningful measure of performance for this asset class.
- (2) Investment income from fixed maturity securities includes amounts from FVO securities of \$68 million, \$37 million and \$21 million for the years ended December 31, 2017, 2016 and 2015, respectively.
- (3) Investment income from fixed maturity securities and mortgage loans includes prepayment fees.
- (4) See Note 2 of the Notes to the Consolidated Financial Statements for further information, as well as the presentation of net investment income, as reported on an adjusted basis compared to the most directly comparable GAAP financial measure. See “— Non-GAAP and Other Financial Disclosures” for discussion of divested businesses and lag elimination.

See “— Results of Operations — Consolidated Results — Year Ended December 31, 2017 Compared with the Year Ended December 31, 2016” and “— Results of Operations — Consolidated Results — Year Ended December 31, 2016 Compared with the Year Ended December 31, 2015,” for an analysis of the year over year changes in net investment income.

Fixed Maturity and Equity Securities AFS

The following table presents fixed maturity and equity securities AFS by type (public or private) and information about perpetual and redeemable securities held at:

	December 31, 2017		December 31, 2016	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
(Dollars in millions)				
Fixed maturity securities				
Publicly-traded	\$ 262,078	84.8 %	\$ 247,229	85.4 %
Privately-placed	46,853	15.2	42,334	14.6
Total fixed maturity securities	<u>\$ 308,931</u>	<u>100.0 %</u>	<u>\$ 289,563</u>	<u>100.0 %</u>
Percentage of cash and invested assets	67.6%		66.8%	
Equity securities				
Publicly-traded	\$ 1,490	59.3 %	\$ 1,854	64.1 %
Privately-held	1,023	40.7	1,040	35.9
Total equity securities	<u>\$ 2,513</u>	<u>100.0 %</u>	<u>\$ 2,894</u>	<u>100.0 %</u>
Percentage of cash and invested assets	0.6%		0.7%	
Perpetual securities included within fixed maturity and equity securities AFS	\$ 440		\$ 527	
Redeemable preferred stock with a stated maturity included within fixed maturity securities AFS	\$ 884		\$ 758	

Perpetual securities are included within fixed maturity and equity securities. Upon acquisition, we classify perpetual securities that have attributes of both debt and equity as fixed maturity securities if the securities have an interest rate step-up feature which, when combined with other qualitative factors, indicates that the securities have more debt-like characteristics; while those with more equity-like characteristics are classified as equity securities. Many of such securities, commonly referred to as “perpetual hybrid securities,” have been issued by non-U.S. financial institutions that are accorded the highest two capital treatment categories by their respective regulatory bodies (i.e. core capital, or “Tier 1 capital” and perpetual deferrable securities, or “Upper Tier 2 capital”).

Redeemable preferred stock with a stated maturity is included within fixed maturity securities. These securities, which are commonly referred to as “capital securities,” primarily have cumulative interest deferral features and are primarily issued by U.S. financial institutions.

In connection with our investment management business, we manage a broad array of securities, limited partnership interests and liquid investments on behalf of institutional clients, which are unaffiliated investors. Assets under management, by sector, as of December 31, 2017, at estimated fair value, were as follows: investment grade corporate fixed maturity securities, including privately-placed, infrastructure and state and political subdivision, \$66.6 billion; structured finance fixed maturity securities, including residential mortgage-backed securities (“RMBS”), commercial mortgage-backed securities (“CMBS”) and asset-backed securities (“ABS”) (collectively, “Structured Securities”), \$15.8 billion; U.S. government and agency fixed maturity securities, \$21.7 billion; foreign government fixed maturity securities, \$2.1 billion; below investment grade corporate fixed maturity securities, including emerging market and high yield, \$7.7 billion; equity securities, \$0.3 billion; other limited partnership interests, \$1.7 billion; and cash equivalents and short-term investments, \$3.0 billion. Assets under management, by sector, as of December 31, 2016, at estimated fair value, were as follows: investment grade corporate fixed maturity securities, including privately-placed and infrastructure, \$7.9 billion; and below investment grade corporate fixed maturity securities, including high yield, \$0.4 billion. As these assets are managed on behalf of, and owned by, our institutional clients, they are not included in our consolidated financial statements.

In connection with both our general account business and our investment management business as described above, we manage a large portfolio of fixed maturity and equity securities, short-term investments and cash and cash equivalents, which includes privately-placed securities. The estimated fair value of privately-placed and certain public securities managed by our Private Placement Unit for both our general account and our institutional clients was \$66.1 billion at December 31, 2017, including \$16.5 billion of infrastructure debt. The portion of such securities managed for our general account and included in our consolidated financial statements was \$43.9 billion, at estimated fair value at December 31, 2017.

In connection with our investment management business, we manage index investment portfolios that track the return of industry fixed income and equity market indices such as the Bloomberg Barclays U.S. Aggregate Bond Index and S&P 500[®] Index. These assets had an estimated fair value of \$28.5 billion and \$27.2 billion at December 31, 2017 and 2016 respectively. Index investment portfolios included within separate account assets in our consolidated financial statements were \$14.9 billion at both December 31, 2017 and 2016. Index investment portfolios managed on behalf of our institutional clients were \$13.6 billion at December 31, 2017 and are not included in our consolidated financial statements. Index investment portfolios managed on behalf of our institutional clients, by sector, as of December 31, 2017, at estimated fair value, were as follows: investment grade corporate fixed maturity securities and state and political subdivision securities, \$794 million; structured securities, \$828 million; U.S. government and agency fixed maturity securities, \$1.1 billion; equity securities, \$10.4 billion; and cash equivalents and short-term investments, \$517 million. Index investment portfolios of \$12.3 billion at December 31, 2016 were included within assets of disposed subsidiary on our consolidated financial statements.

Valuation of Securities. We are responsible for the determination of the estimated fair value of our investments. We determine the estimated fair value of publicly-traded securities after considering one of three primary sources of information: quoted market prices in active markets, independent pricing services, or independent broker quotations. We determine the estimated fair value of privately-placed securities after considering one of three primary sources of information: market standard internal matrix pricing, market standard internal discounted cash flow techniques, or independent pricing services (after we determine the independent pricing services' use of available observable market data). For publicly-traded securities, the number of quotations obtained varies by instrument and depends on the liquidity of the particular instrument. Generally, we obtain prices from multiple pricing services to cover all asset classes and obtain multiple prices for certain securities, but ultimately utilize the price with the highest placement in the fair value hierarchy. Independent pricing services that value these instruments use market standard valuation methodologies based on data about market transactions and inputs from multiple pricing sources that are market observable or can be derived principally from or corroborated by observable market data. See Note 10 of the Notes to the Consolidated Financial Statements for a discussion of the types of market standard valuation methodologies utilized and key assumptions and observable inputs used in applying these standard valuation methodologies. When a price is not available in the active market or through an independent pricing service, management values the security primarily using market standard internal matrix pricing or discounted cash flow techniques, and non-binding quotations from independent brokers who are knowledgeable about these securities. Independent non-binding broker quotations utilize inputs that may be difficult to corroborate with observable market data. As shown in the following section, less than 1% of our fixed maturity securities were valued using non-binding quotations from independent brokers at December 31, 2017.

Senior management, independent of the trading and investing functions, is responsible for the oversight of control systems and valuation policies, including reviewing and approving new transaction types and markets, for ensuring that observable market prices and market-based parameters are used for valuation, wherever possible, and for determining that valuation adjustments, when applied, are based upon established policies and are applied consistently over time. See Note 10 of the Notes to the Consolidated Financial Statements for further information on our valuation controls and procedures including our formal process to challenge any prices received from independent pricing services that are not considered representative of estimated fair value.

We have reviewed the significance and observability of inputs used in the valuation methodologies to determine the appropriate fair value hierarchy level for each of our securities. Based on the results of this review and investment class analysis, each instrument is categorized as Level 1, 2 or 3 based on the lowest level significant input to its valuation. See Note 10 of the Notes to the Consolidated Financial Statements for information regarding the valuation techniques and inputs by level within the three level fair value hierarchy by major classes of invested assets.

Fair Value of Fixed Maturity and Equity Securities – AFS

Fixed maturity and equity securities AFS measured at estimated fair value on a recurring basis and their corresponding fair value pricing sources are as follows:

	December 31, 2017			
	Fixed Maturity Securities		Equity Securities	
(Dollars in millions)				
Level 1				
Quoted prices in active markets for identical assets	\$ 26,052	8.4%	\$ 1,104	44.0%
Level 2				
Independent pricing sources	263,815	85.4	885	35.2
Internal matrix pricing or discounted cash flow techniques	2,795	0.9	96	3.8
Significant other observable inputs	266,610	86.3	981	39.0
Level 3				
Independent pricing sources	11,526	3.7	299	11.9
Internal matrix pricing or discounted cash flow techniques	4,271	1.4	128	5.1
Independent broker quotations	472	0.2	1	—
Significant unobservable inputs	16,269	5.3	428	17.0
Total estimated fair value	<u>\$ 308,931</u>	<u>100.0%</u>	<u>\$ 2,513</u>	<u>100.0%</u>

See Note 10 of the Notes to the Consolidated Financial Statements for the fixed maturity securities and equity securities AFS fair value hierarchy.

The composition of fair value pricing sources for and significant changes in Level 3 securities at December 31, 2017 are as follows:

- The majority of the Level 3 fixed maturity and equity securities AFS were concentrated in three sectors: U.S. and foreign corporate securities and RMBS.
- Level 3 fixed maturity securities are priced principally through market standard valuation methodologies, independent pricing services and, to a much lesser extent, independent non-binding broker quotations using inputs that are not market observable or cannot be derived principally from or corroborated by observable market data. Level 3 fixed maturity securities consist of less liquid securities with very limited trading activity or where less price transparency exists around the inputs to the valuation methodologies. Level 3 fixed maturity securities include: sub-prime RMBS; certain below investment grade private securities and less liquid investment grade corporate securities (included in U.S. and foreign corporate securities) and less liquid ABS.
- During the year ended December 31, 2017, Level 3 fixed maturity securities decreased by \$782 million, or 5%. The decrease was driven by transfers out of Level 3 in excess of transfers into Level 3, partially offset by purchases in excess of sales and an increase in estimated fair value recognized in OCI.

See Note 10 of the Notes to the Consolidated Financial Statements for a rollforward of the fair value measurements for fixed maturity securities and equity securities AFS measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs; transfers into and/or out of Level 3; and further information about the valuation techniques and inputs by level by major classes of invested assets that affect the amounts reported above.

Fixed Maturity Securities AFS

See Notes 1 and 8 of the Notes to the Consolidated Financial Statements for information about fixed maturity securities AFS by sector, contractual maturities and continuous gross unrealized losses.

Fixed Maturity Securities Credit Quality — Ratings

The Securities Valuation Office of the NAIC evaluates the fixed maturity security investments of insurers for regulatory reporting and capital assessment purposes and assigns securities to one of six credit quality categories called “NAIC designations.” If no designation is available from the NAIC, then, as permitted by the NAIC, an internally developed designation is used. The NAIC designations are generally similar to the credit quality ratings of the NRSRO for fixed maturity securities, except for certain Structured Securities as described below. Rating agency ratings are based on availability of applicable ratings from rating agencies on the NAIC credit rating provider list, including Moody’s, S&P, Fitch, Dominion Bond Rating Service, A.M. Best, Kroll Bond Rating Agency, Egan Jones Ratings Company and Morningstar Credit Ratings, LLC (“Morningstar”). If no rating is available from a rating agency, then an internally developed rating is used.

The NAIC has adopted revised methodologies for certain Structured Securities comprised of non-agency RMBS, CMBS and ABS. The NAIC’s objective with the revised methodologies for these Structured Securities was to increase the accuracy in assessing expected losses, and to use the improved assessment to determine a more appropriate capital requirement for such Structured Securities. The revised methodologies reduce regulatory reliance on rating agencies and allow for greater regulatory input into the assumptions used to estimate expected losses from Structured Securities. We apply the revised NAIC methodologies to Structured Securities held by MetLife, Inc.’s insurance subsidiaries that maintain the NAIC statutory basis of accounting. The NAIC’s present methodology is to evaluate Structured Securities held by insurers using the revised NAIC methodologies on an annual basis. If MetLife, Inc.’s insurance subsidiaries acquire Structured Securities that have not been previously evaluated by the NAIC, but are expected to be evaluated by the NAIC in the upcoming annual review, an internally developed designation is used until a final designation becomes available. NAIC designations may not correspond to NRSRO ratings.

The following table presents total fixed maturity securities by NRSRO rating and the applicable NAIC designation from the NAIC published comparison of NRSRO ratings to NAIC designations, except for certain Structured Securities, which are presented using the revised NAIC methodologies as described above, as well as the percentage, based on estimated fair value that each NAIC designation is comprised of at:

		December 31,							
		2017				2016			
NAIC Designation	NRSRO Rating	Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value	% of Total	Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value	% of Total
(Dollars in millions)									
1	Aaa/Aa/A	\$ 201,806	\$ 17,024	\$ 218,830	70.8 %	\$ 191,867	\$ 14,078	\$ 205,945	71.1 %
2	Baa	67,270	5,126	72,396	23.4	62,526	3,294	65,820	22.7
	Subtotal investment grade	269,076	22,150	291,226	94.2	254,393	17,372	271,765	93.8
3	Ba	11,155	556	11,711	3.8	11,729	427	12,156	4.2
4	B	5,004	151	5,155	1.7	4,710	78	4,788	1.7
5	Caa and lower	824	9	833	0.3	840	13	853	0.3
6	In or near default	10	(4)	6	—	4	(3)	1	—
	Subtotal below investment grade	16,993	712	17,705	5.8	17,283	515	17,798	6.2
	Total fixed maturity securities	<u>\$ 286,069</u>	<u>\$ 22,862</u>	<u>\$ 308,931</u>	<u>100.0 %</u>	<u>\$ 271,676</u>	<u>\$ 17,887</u>	<u>\$ 289,563</u>	<u>100.0 %</u>

The following tables present total fixed maturity securities, based on estimated fair value, by sector classification and by NRSRO rating and the applicable NAIC designations from the NAIC published comparison of NRSRO ratings to NAIC designations, except for certain Structured Securities, which are presented using the revised NAIC methodologies as described above:

		Fixed Maturity Securities — by Sector & Credit Quality Rating						
NAIC Designation:		1	2	3	4	5	6	Total
NRSRO Rating:		Aaa/Aa/A	Baa	Ba	B	Caa and Lower	In or Near Default	Estimated Fair Value
		(Dollars in millions)						
December 31, 2017								
U.S. corporate	\$	37,305	\$ 35,096	\$ 6,153	\$ 3,387	\$ 717	\$ 3	\$ 82,661
Foreign government		53,027	5,135	2,376	947	49	—	61,534
Foreign corporate		21,925	30,214	2,616	759	55	—	55,569
U.S. government and agency		47,067	327	—	—	—	—	47,394
RMBS		28,209	297	224	61	9	—	28,800
State and political subdivision		11,921	454	78	—	—	2	12,455
ABS		11,311	760	215	1	3	1	12,291
CMBS		8,065	113	49	—	—	—	8,227
Total fixed maturity securities	\$	218,830	\$ 72,396	\$ 11,711	\$ 5,155	\$ 833	\$ 6	\$ 308,931
Percentage of total		70.8%	23.4%	3.8%	1.7%	0.3%	—%	100.0%
December 31, 2016								
U.S. corporate	\$	34,753	\$ 32,823	\$ 6,949	\$ 3,289	\$ 729	\$ —	\$ 78,543
Foreign government		48,371	4,578	2,144	830	53	—	55,976
Foreign corporate		21,033	26,292	2,638	638	62	—	50,663
U.S. government and agency		44,118	315	—	—	—	—	44,433
RMBS		28,252	504	244	30	2	—	29,032
State and political subdivision		11,670	470	87	—	4	—	12,231
ABS		10,433	693	94	1	3	1	11,225
CMBS		7,315	145	—	—	—	—	7,460
Total fixed maturity securities	\$	205,945	\$ 65,820	\$ 12,156	\$ 4,788	\$ 853	\$ 1	\$ 289,563
Percentage of total		71.1%	22.7%	4.2%	1.7%	0.3%	—%	100.0%

U.S. and Foreign Corporate Fixed Maturity Securities

We maintain a diversified portfolio of corporate fixed maturity securities across industries and issuers. This portfolio does not have any exposure to any single issuer in excess of 1% of total investments and the top 10 holdings comprised 1% and 2% of total investments at December 31, 2017 and 2016, respectively. The tables below present our U.S. and foreign corporate securities holdings by industry at:

	December 31,			
	2017		2016	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
(Dollars in millions)				
Industrial	\$ 42,273	30.6%	\$ 39,320	30.4%
Consumer	31,419	22.7	29,783	23.1
Finance	29,884	21.6	27,787	21.5
Utility	21,773	15.8	19,931	15.4
Communications	11,072	8.0	10,635	8.2
Other	1,809	1.3	1,750	1.4
Total	<u>\$ 138,230</u>	<u>100.0%</u>	<u>\$ 129,206</u>	<u>100.0%</u>

Structured Securities

We held \$49.3 billion and \$47.7 billion of Structured Securities, at estimated fair value, at December 31, 2017 and 2016, respectively, as presented in the RMBS, ABS and CMBS sections below.

RMBS

The table below presents our RMBS holdings at:

	December 31,					
	2017			2016		
	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)
(Dollars in millions)						
By security type:						
Collateralized mortgage obligations	\$ 15,388	53.4%	\$ 913	\$ 16,842	58.0%	\$ 575
Pass-through securities	13,412	46.6	41	12,190	42.0	64
Total RMBS	<u>\$ 28,800</u>	<u>100.0%</u>	<u>\$ 954</u>	<u>\$ 29,032</u>	<u>100.0%</u>	<u>\$ 639</u>
By risk profile:						
Agency	\$ 20,010	69.5%	\$ 274	\$ 18,808	64.8%	\$ 268
Prime	1,209	4.2	73	1,398	4.8	65
Alt-A	4,182	14.5	372	4,964	17.1	160
Sub-prime	3,399	11.8	235	3,862	13.3	146
Total RMBS	<u>\$ 28,800</u>	<u>100.0%</u>	<u>\$ 954</u>	<u>\$ 29,032</u>	<u>100.0%</u>	<u>\$ 639</u>
Ratings profile:						
Rated Aaa/AAA	\$ 20,465	71.1%		\$ 19,207	66.2%	
Designated NAIC 1	\$ 28,209	97.9%		\$ 28,252	97.3%	

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

The majority of our RMBS holdings were rated Aaa/AAA by Moody’s, S&P or Fitch; and were designated NAIC 1 by the NAIC at December 31, 2017 and 2016. Agency RMBS were guaranteed or otherwise supported by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Government National Mortgage Association. Non-agency RMBS include prime, alternative residential mortgage loans (“Alt-A”) and sub-prime RMBS. Prime residential mortgage lending includes the origination of residential mortgage loans to the most creditworthy borrowers with high quality credit profiles. Alt-A is a classification of mortgage loans where the risk profile of the borrower is between prime and sub-prime. Sub-prime mortgage lending is the origination of residential mortgage loans to borrowers with weak credit profiles.

Included within prime and Alt-A RMBS are re-securitization of real estate mortgage investment conduit (“Re-REMIC”) securities. Re-REMIC RMBS involve the pooling of previous issues of prime and Alt-A RMBS and restructuring the combined pools to create new senior and subordinated securities. The credit enhancement on the senior tranches is improved through the re-securitization.

Historically, we have managed our exposure to sub-prime RMBS holdings by focusing primarily on senior tranche securities, stress testing the portfolio with severe loss assumptions and closely monitoring the performance of the portfolio. Our sub-prime RMBS portfolio consists predominantly of securities that were purchased after 2012 at significant discounts to par value and discounts to the expected principal recovery value of these securities. The vast majority of these securities are investment grade under the NAIC designations (e.g., NAIC 1 and NAIC 2). The estimated fair value of our sub-prime RMBS holdings purchased since 2012 was \$3.1 billion and \$3.5 billion at December 31, 2017 and 2016, respectively, with unrealized gains (losses) of \$200 million and \$123 million at December 31, 2017 and 2016, respectively.

ABS

Our ABS holdings are diversified both by collateral type and by issuer. The following table presents our ABS holdings at:

	December 31,					
	2017			2016		
	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)
	(Dollars in millions)					
By collateral type:						
Collateralized debt obligations	\$ 5,703	46.4%	\$ 45	\$ 5,711	50.9%	\$ (42)
Credit card loans	1,686	13.7	1	871	7.8	10
Student loans	1,266	10.3	(1)	984	8.7	(25)
Automobile loans	1,193	9.7	—	1,121	10.0	1
Foreign residential loans	965	7.9	20	1,171	10.4	8
Consumer loans	605	4.9	6	509	4.5	—
Other loans	873	7.1	7	858	7.7	7
Total	<u>\$ 12,291</u>	<u>100.0%</u>	<u>\$ 78</u>	<u>\$ 11,225</u>	<u>100.0%</u>	<u>\$ (41)</u>
Ratings profile:						
Rated Aaa/AAA	\$ 7,108	57.8%		\$ 5,704	50.8%	
Designated NAIC 1	\$ 11,311	92.0%		\$ 10,433	92.9%	

CMBS

Our CMBS holdings are diversified by vintage year. The following tables present our CMBS holdings by NRSRO rating and by vintage year at:

December 31, 2017												
Aaa		Aa		A		Baa		Below Investment Grade		Total		
Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	
(Dollars in millions)												
2003 - 2010	\$ 116	\$ 124	\$ 4	\$ 5	\$ 22	\$ 23	\$ 15	\$ 15	\$ —	\$ —	\$ 157	\$ 167
2011	170	184	34	35	—	—	—	—	—	—	204	219
2012	289	302	257	263	230	237	7	7	—	—	783	809
2013	787	835	717	748	285	292	60	45	—	—	1,849	1,920
2014	537	552	513	522	129	130	—	—	—	—	1,179	1,204
2015	1,122	1,140	191	196	117	120	—	—	—	—	1,430	1,456
2016	401	404	69	68	40	40	65	66	—	—	575	578
2017	898	899	685	687	246	246	41	42	—	—	1,870	1,874
Total	\$ 4,320	\$ 4,440	\$ 2,470	\$ 2,524	\$ 1,069	\$ 1,088	\$ 188	\$ 175	\$ —	\$ —	\$ 8,047	\$ 8,227
Ratings Distribution	54.0%		30.7%		13.2%		2.1%		—%		100.0%	

December 31, 2016												
Aaa		Aa		A		Baa		Below Investment Grade		Total		
Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	
(Dollars in millions)												
2003 - 2010	\$ 246	\$ 258	\$ 46	\$ 46	\$ 102	\$ 104	\$ 24	\$ 24	\$ 26	\$ 28	\$ 444	\$ 460
2011	185	207	41	43	—	—	—	—	—	—	226	250
2012	292	308	262	271	228	236	6	6	—	—	788	821
2013	844	899	699	743	339	327	—	—	—	—	1,882	1,969
2014	655	667	617	626	212	204	—	—	—	—	1,484	1,497
2015	1,322	1,326	222	214	165	164	8	9	—	—	1,717	1,713
2016	516	514	77	75	30	31	130	130	—	—	753	750
Total	\$ 4,060	\$ 4,179	\$ 1,964	\$ 2,018	\$ 1,076	\$ 1,066	\$ 168	\$ 169	\$ 26	\$ 28	\$ 7,294	\$ 7,460
Ratings Distribution	56.0%		27.1%		14.3%		2.2%		0.4%		100.0%	

The tables above reflect NRSRO ratings including Moody's, S&P, Fitch and Morningstar. CMBS designated NAIC 1 were 98.0% and 98.1% of total CMBS at December 31, 2017 and 2016, respectively.

Evaluation of AFS Securities for OTTI and Evaluating Temporarily Impaired AFS Securities

See Notes 1 and 8 of the Notes to the Consolidated Financial Statements for information about the evaluation of fixed maturity securities and equity securities AFS for OTTI and evaluation of temporarily impaired AFS securities.

OTTI Losses on Fixed Maturity and Equity Securities AFS Recognized in Earnings

See Note 8 of the Notes to the Consolidated Financial Statements for information about OTTI losses and gross gains and gross losses on AFS securities sold.

Fixed Maturity and Equity Security OTTI Losses Recognized in Earnings

Credit-related impairments of fixed maturity securities were \$10 million, \$97 million and \$59 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Explanations of changes in fixed maturity and equity securities impairments are as follows:

Year Ended December 31, 2017 Compared with the Year Ended December 31, 2016

Overall OTTI losses recognized in earnings on fixed maturity and equity securities were \$35 million for the year ended December 31, 2017, as compared to \$182 million for the year ended December 31, 2016. The most significant decrease in OTTI losses was in U.S. and foreign corporate securities and common stock, which comprised \$28 million for the year ended December 31, 2017, as compared to \$162 million for the year ended December 31, 2016. A decrease of \$134 million in OTTI losses on U.S. and foreign corporate securities and common stock was concentrated in industrial securities and was the result of lower oil prices impacting the energy sector in 2016.

Year Ended December 31, 2016 Compared with the Year Ended December 31, 2015

Overall OTTI losses recognized in earnings on fixed maturity and equity securities were \$182 million for the year ended December 31, 2016, as compared to \$96 million for the year ended December 31, 2015. The most significant increase in OTTI losses was in U.S. and foreign corporate securities and common stock, which comprised \$162 million for the year ended December 31, 2016, as compared to \$73 million for the year ended December 31, 2015. An increase of \$89 million in OTTI losses on U.S. and foreign corporate securities and common stock was concentrated in industrial securities and was the result of lower oil prices impacting the energy sector in 2016.

Future Impairments

Future OTTI will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), and changes in credit ratings, collateral valuation, interest rates and credit spreads. If economic fundamentals deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming periods.

FVO Securities

FVO securities were \$16.7 billion and \$13.9 billion at estimated fair value, or 3.7% and 3.2% of cash and invested assets, at December 31, 2017 and 2016, respectively. FVO securities are primarily comprised of contractholder-directed investments supporting unit-linked variable annuity type liabilities which do not qualify as separate accounts. See Notes 8 and 10 of the Notes to the Consolidated Financial Statements for a description of our FVO securities portfolio, the FVO securities fair value hierarchy and a rollforward of the fair value measurements for FVO securities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

Securities Lending

We participate in a securities lending program whereby securities are loaned to third parties, primarily brokerage firms and commercial banks. We obtain collateral, usually cash, in an amount generally equal to 102% of the estimated fair value of the securities loaned, which is obtained at the inception of a loan and maintained at a level greater than or equal to 100% for the duration of the loan. We monitor the estimated fair value of the securities loaned on a daily basis with additional collateral obtained as necessary throughout the duration of the loan. Securities loaned under such transactions may be sold or re-pledged by the transferee. We are liable to return to our counterparties the cash collateral under our control. Security collateral on deposit from counterparties may not be sold or re-pledged, unless the counterparty is in default, and is not reflected on the consolidated financial statements. These transactions are treated as financing arrangements and the associated cash collateral liability is recorded at the amount of the cash received.

See “— Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Securities Lending” and Note 8 of the Notes to the Consolidated Financial Statements for information regarding our securities lending program.

Repurchase Agreements

The Company participates in short-term repurchase agreements with unaffiliated financial institutions. Under these agreements, the Company lends fixed maturity securities and receives cash as collateral in an amount generally equal to 85% to 100% of the estimated fair value of the securities loaned at the inception of the transaction. The associated liability is recorded at the amount of cash received. The Company monitors the estimated fair value of the collateral and the securities loaned throughout the duration of the transaction and additional collateral is obtained as necessary. Securities loaned under such transactions may be sold or re-pledged by the transferee.

See Note 8 of the Notes to the Consolidated Financial Statements for information regarding our repurchase agreement transactions.

FHLB Boston Advance Agreements

A subsidiary of the Company participates in short-term advance agreements with the Federal Home Loan Bank of Boston (“FHLB Boston”). Under these agreements, such subsidiary pledges fixed maturity securities as collateral and receives cash. The associated liability is recorded at the amount of cash received. FHLB Boston has minimum collateral requirements which vary depending on the type of collateral pledged. Securities pledged as collateral under such transactions may not be sold or re-pledged by the transferee.

See Note 8 of the Notes to the Consolidated Financial Statements for information regarding our FHLB Boston advance agreements.

Mortgage Loans

Our mortgage loans are principally collateralized by commercial, agricultural and residential properties. Mortgage loans and the related valuation allowances are summarized as follows at:

	December 31,							
	2017				2016			
	Recorded Investment	% of Total	Valuation Allowance	% of Recorded Investment	Recorded Investment	% of Total	Valuation Allowance	% of Recorded Investment
	(Dollars in millions)							
Commercial	\$ 44,375	64.8%	\$ 214	0.5%	\$ 41,512	64.0%	\$ 202	0.5%
Agricultural	13,014	19.0	41	0.3%	12,564	19.4	39	0.3%
Residential	11,136	16.2	59	0.5%	10,829	16.6	63	0.6%
Total	<u>\$ 68,525</u>	<u>100.0%</u>	<u>\$ 314</u>	0.5%	<u>\$ 64,905</u>	<u>100.0%</u>	<u>\$ 304</u>	0.5%

The information presented in the tables herein exclude mortgage loans where we elected the FVO. Such amounts are presented in Note 8 of the Notes to the Consolidated Financial Statements. The carrying value of all mortgage loans, net of valuation allowance was 15.0% of cash and invested assets at both December 31, 2017 and 2016.

We diversify our mortgage loan portfolio by both geographic region and property type to reduce the risk of concentration. Of our commercial and agricultural mortgage loan portfolios, 82% are collateralized by properties located in the United States, with the remaining 18% collateralized by properties located outside the United States, which includes 7% of properties located in the U.K., at December 31, 2017. The carrying values of our commercial and agricultural mortgage loans located in California, New York and Texas were 19%, 11% and 7%, respectively, of total commercial and agricultural mortgage loans at December 31, 2017. Additionally, we manage risk when originating commercial and agricultural mortgage loans by generally lending up to 75% of the estimated fair value of the underlying real estate collateral.

We manage our residential mortgage loan portfolio in a similar manner to reduce risk of concentration, with 90% collateralized by properties located in the United States, and the remaining 10% collateralized by properties located outside the United States, at December 31, 2017. The carrying values of our residential mortgage loans located in California, Florida, and New York were 31%, 9%, and 6%, respectively, of total residential mortgage loans at December 31, 2017.

In connection with our investment management business, we manage commercial, agricultural and residential mortgage loans on behalf of institutional clients, which are unaffiliated investors. These commercial, agricultural and residential mortgage loans had an estimated fair value of \$14.7 billion and \$3.0 billion at December 31, 2017 and 2016, respectively. As these assets are managed on behalf of, and owned by, our institutional clients, they are not included in our consolidated financial statements.

Commercial Mortgage Loans by Geographic Region and Property Type. Commercial mortgage loans are the largest component of the mortgage loan invested asset class. The tables below present the diversification across geographic regions and property types of commercial mortgage loans at:

	December 31,			
	2017		2016	
	Amount	% of Total	Amount	% of Total
(Dollars in millions)				
Region				
Pacific	\$ 9,875	22.3%	\$ 9,506	22.9%
International	9,101	20.5	7,772	18.7
Middle Atlantic	7,231	16.3	7,263	17.5
South Atlantic	5,311	12.0	5,192	12.5
West South Central	3,819	8.6	3,585	8.6
East North Central	2,683	6.0	2,037	4.9
Mountain	1,188	2.7	1,202	2.9
New England	901	2.0	1,199	2.9
East South Central	840	1.9	410	1.0
West North Central	477	1.1	497	1.2
Multi-Region and Other	2,949	6.6	2,849	6.9
Total recorded investment	44,375	100.0%	41,512	100.0%
Less: valuation allowances	214		202	
Carrying value, net of valuation allowances	\$ 44,161		\$ 41,310	
Property Type				
Office	\$ 22,602	50.9%	\$ 20,868	50.3%
Retail	8,032	18.1	8,708	21.0
Apartment	6,113	13.8	5,240	12.6
Hotel	3,620	8.2	3,747	9.0
Industrial	3,125	7.0	2,659	6.4
Other	883	2.0	290	0.7
Total recorded investment	44,375	100.0%	41,512	100.0%
Less: valuation allowances	214		202	
Carrying value, net of valuation allowances	\$ 44,161		\$ 41,310	

Mortgage Loan Credit Quality — Monitoring Process. We monitor our mortgage loan investments on an ongoing basis, including a review of loans that are current, past due, restructured and under foreclosure. See Note 8 of the Notes to the Consolidated Financial Statements for tables that present mortgage loans by credit quality indicator, past due and nonaccrual mortgage loans, as well as impaired mortgage loans. See “— Real Estate and Real Estate Joint Ventures” for real estate acquired through foreclosure.

We review our commercial mortgage loans on an ongoing basis. These reviews may include an analysis of the property financial statements and rent roll, lease rollover analysis, property inspections, market analysis, estimated valuations of the underlying collateral, loan-to-value ratios, debt service coverage ratios and tenant creditworthiness. The monitoring process focuses on higher risk loans, which include those that are classified as restructured, delinquent or in foreclosure, as well as loans with higher loan-to-value ratios and lower debt service coverage ratios. The monitoring process for agricultural mortgage loans is generally similar, with a focus on higher risk loans, such as loans with higher loan-to-value ratios, including reviews on a geographic and sector basis. We review our residential mortgage loans on an ongoing basis. See Note 8 of the Notes to the Consolidated Financial Statements for information on our evaluation of residential mortgage loans and related valuation allowance methodology.

Loan-to-value ratios and debt service coverage ratios are common measures in the assessment of the quality of commercial mortgage loans. Loan-to-value ratios are a common measure in the assessment of the quality of agricultural mortgage loans. Loan-to-value ratios compare the amount of the loan to the estimated fair value of the underlying collateral. A loan-to-value ratio greater than 100% indicates that the loan amount is greater than the collateral value. A loan-to-value ratio of less than 100% indicates an excess of collateral value over the loan amount. Generally, the higher the loan-to-value ratio, the higher the risk of experiencing a credit loss. The debt service coverage ratio compares a property's net operating income to amounts needed to service the principal and interest due under the loan. Generally, the lower the debt service coverage ratio, the higher the risk of experiencing a credit loss. For our commercial mortgage loans, our average loan-to-value ratio was 54% and 53% at December 31, 2017 and 2016, respectively, and our average debt service coverage ratio was 2.7x at both December 31, 2017 and 2016. The debt service coverage ratio, as well as the values utilized in calculating the ratio, is updated annually on a rolling basis, with a portion of the portfolio updated each quarter. In addition, the loan-to-value ratio is routinely updated for all but the lowest risk loans as part of our ongoing review of our commercial mortgage loan portfolio. For our agricultural mortgage loans, our average loan-to-value ratio was 44% and 43% at December 31, 2017 and 2016, respectively. The values utilized in calculating the agricultural mortgage loan loan-to-value ratio are developed in connection with the ongoing review of the agricultural loan portfolio and are routinely updated.

Mortgage Loan Valuation Allowances. Our valuation allowances are established both on a loan specific basis for those loans considered impaired where a property specific or market specific risk has been identified that could likely result in a future loss, as well as for pools of loans with similar risk characteristics where a property specific or market specific risk has not been identified, but for which we expect to incur a loss. Accordingly, a valuation allowance is provided to absorb these estimated probable credit losses.

The determination of the amount of valuation allowances is based upon our periodic evaluation and assessment of known and inherent risks associated with our loan portfolios. Such evaluations and assessments are based upon several factors, including our experience for loan losses, defaults and loss severity, and loss expectations for loans with similar risk characteristics. These evaluations and assessments are revised as conditions change and new information becomes available, which can cause the valuation allowances to increase or decrease over time as such evaluations are revised. Negative credit migration, including an actual or expected increase in the level of problem loans, will result in an increase in the valuation allowance. Positive credit migration, including an actual or expected decrease in the level of problem loans, will result in a decrease in the valuation allowance.

See Notes 1, 8 and 10 of the Notes to the Consolidated Financial Statements for information about how valuation allowances are established and monitored, activity in and balances of the valuation allowance, and the estimated fair value of impaired mortgage loans and related impairments included within net investment gains (losses) as of and for the years ended December 31, 2017, 2016 and 2015.

Real Estate and Real Estate Joint Ventures

Real estate and real estate joint ventures is comprised of wholly-owned real estate and joint ventures with interests in single property income-producing real estate, and to a lesser extent joint ventures with interests in multi-property projects with varying strategies ranging from the development of properties to the operation of income-producing properties, as well as a runoff portfolio of real estate private equity funds. The carrying values of real estate and real estate joint ventures was \$9.6 billion and \$8.9 billion, or 2.1% and 2.1% of cash and invested assets, including properties acquired through foreclosure of \$48 million and \$59 million, at December 31, 2017 and 2016, respectively. The estimated fair value of our real estate investments was \$14.9 billion and \$14.0 billion at December 31, 2017 and 2016, respectively. The total gross market value of such real estate investments was \$19.1 billion and \$18.7 billion at December 31, 2017 and 2016, respectively. Gross market value is the total estimated fair value of these investments regardless of encumbering debt.

Impairments recognized on real estate and real estate joint ventures were \$13 million, less than \$1 million and \$92 million for the years ended December 31, 2017, 2016 and 2015, respectively. Depreciation expense on real estate investments was \$103 million, \$92 million and \$157 million for the years ended December 31, 2017, 2016 and 2015, respectively. Real estate investments were net of accumulated depreciation of \$898 million and \$789 million at December 31, 2017 and 2016, respectively.

In connection with our investment management business, we manage commercial real estate investments on behalf of institutional clients, which are unaffiliated investors. These commercial real estate investments under management for unaffiliated investors had an estimated fair value of \$5.2 billion and \$4.3 billion at December 31, 2017 and 2016, respectively. The total gross market value of commercial real estate investments under management for unaffiliated investors was \$6.7 billion and \$6.4 billion at December 31, 2017 and 2016, respectively. Gross market value is the total estimated fair value of these investments regardless of encumbering debt. As these assets are managed on behalf of, and owned by, our institutional clients, they are not included in our consolidated financial statements.

We diversify our real estate investments by both geographic region and property type to reduce risk of concentration.

Geographical diversification: Of our real estate investments, excluding funds, 69% were located in the United States, with the remaining 31% located outside the United States, at December 31, 2017. The carrying value of our real estate investments, excluding funds, located in Japan, California and District of Columbia were 27%, 14% and 10%, respectively, of total real estate investments, excluding funds, at December 31, 2017. Real estate funds were 14% of our real estate investments at December 31, 2017. The majority of these funds hold underlying real estate investments that are well diversified across the United States.

Property type diversification: Real estate and real estate joint venture investments by property type are categorized by sector as follows at:

	December 31,			
	2017		2016	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Office	\$ 3,728	38.7%	\$ 3,478	39.1%
Apartment	1,521	15.8	1,534	17.3
Real estate funds	1,324	13.7	908	10.2
Retail	1,114	11.6	1,040	11.7
Land	727	7.5	558	6.3
Hotel	475	4.9	505	5.7
Industrial	361	3.8	461	5.2
Agriculture	29	0.3	40	0.4
Other	358	3.7	367	4.1
Total real estate and real estate joint ventures	<u>\$ 9,637</u>	<u>100.0%</u>	<u>\$ 8,891</u>	<u>100.0%</u>

Other Limited Partnership Interests

Other limited partnership interests are comprised of private equity funds and hedge funds. The carrying value of other limited partnership interests was \$5.7 billion, or 1.3% of cash and invested assets, and \$5.1 billion, or 1.2% of cash and invested assets, at December 31, 2017 and 2016, respectively, which included \$643 million and \$834 million of hedge funds, at December 31, 2017 and 2016, respectively. Cash distributions on these investments are generated from investment gains, income from operations from the underlying investments of the funds and liquidation of the underlying investments of the funds. We estimate that the underlying investments of the funds will be liquidated over the next two to 10 years.

Other Invested Assets

The following table presents the carrying value of our other invested assets by type at:

	December 31,			
	2017		2016	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Freestanding derivatives with positive estimated fair values	\$ 8,551	49.5%	\$ 12,139	62.8%
Tax credit and renewable energy partnerships	3,167	18.3	3,118	16.1
Direct financing leases	1,323	7.7	1,115	5.8
Annuities funding structured settlement claims	1,284	7.4	—	—
Leveraged leases, net of non-recourse debt	1,278	7.4	1,521	7.9
Operating joint ventures	539	3.1	576	3.0
Funds withheld	298	1.7	110	0.6
Other	823	4.8	724	3.8
Total	<u>\$ 17,263</u>	<u>100%</u>	<u>\$ 19,303</u>	<u>100%</u>
Percentage of cash and invested assets	3.8%		4.5%	

Leveraged lease impairments were \$79 million, \$77 million and \$41 million for the years ended December 31, 2017, 2016 and 2015, respectively.

See Notes 1, 8 and 9 of the Notes to the Consolidated Financial Statements for information regarding freestanding derivatives with positive estimated fair values, tax credit and renewable energy partnerships, leveraged and direct financing leases, annuities funding structured settlement claims, operating joint ventures and funds withheld.

Derivatives

Derivative Risks

We are exposed to various risks relating to our ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. We use a variety of strategies to manage these risks, including the use of derivatives. See Note 9 of the Notes to the Consolidated Financial Statements for:

- A comprehensive description of the nature of our derivatives, including the strategies for which derivatives are used in managing various risks.
- Information about the gross notional amount, estimated fair value, and primary underlying risk exposure of our derivatives by type of hedge designation, excluding embedded derivatives held at December 31, 2017 and 2016.
- The statement of operations effects of derivatives in net investments in foreign operations, cash flow, fair value, or nonqualifying hedge relationships for the years ended December 31, 2017, 2016 and 2015.

See “Quantitative and Qualitative Disclosures About Market Risk — Management of Market Risk Exposures — Hedging Activities” for more information about our use of derivatives by major hedge program.

Fair Value Hierarchy

See Note 10 of the Notes to the Consolidated Financial Statements for derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy.

The valuation of Level 3 derivatives involves the use of significant unobservable inputs and generally requires a higher degree of management judgment or estimation than the valuations of Level 1 and Level 2 derivatives. Although Level 3 inputs are unobservable, management believes they are consistent with what other market participants would use when pricing such instruments and are considered appropriate given the circumstances. The use of different inputs or methodologies could have a material effect on the estimated fair value of Level 3 derivatives and could materially affect net income.

Derivatives categorized as Level 3 at December 31, 2017 include: interest rate forwards with maturities which extend beyond the observable portion of the yield curve; interest rate total return swaps with unobservable repurchase rates; foreign currency swaps and forwards with certain unobservable inputs, including the unobservable portion of the yield curve; credit default swaps priced using unobservable credit spreads, or that are priced through independent broker quotations; equity variance swaps with unobservable volatility inputs; and equity index options with unobservable correlation inputs. At December 31, 2017, less than 1% of the estimated fair value of our derivatives was priced through independent broker quotations.

See Note 10 of the Notes to the Consolidated Financial Statements for a rollforward of the fair value measurements for derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

The gain (loss) on Level 3 derivatives primarily relates to interest rate total return swaps with unobservable repurchase rates; certain purchased equity index options that are valued using models dependent on an unobservable market correlation input, equity variance swaps that are valued using observable equity volatility data plus an unobservable equity variance spread and foreign currency swaps and forwards that are valued using an unobservable portion of the swap yield curves. Other significant inputs, which are observable, include equity index levels, equity volatility and the swap yield curves. We validate the reasonableness of these inputs by valuing the positions using internal models and comparing the results to broker quotations.

The gain (loss) on Level 3 derivatives, percentage of gain (loss) attributable to observable and unobservable inputs, and the primary drivers of observable gain (loss) are summarized as follows:

	Year Ended December 31, 2017
Gain (loss) recognized in net income (loss)	\$87 million
Percentage of gain (loss) attributable to observable inputs	91%
Primary drivers of observable gain (loss)	Decreases in interest rates on interest rate derivatives; weakening of the US dollar versus foreign currencies on receive inflation-linked foreign currency derivatives; partially offset by decreases in certain equity volatility levels and increases in certain equity index levels on equity derivatives.
Percentage of gain (loss) attributable to unobservable inputs	9%

See “— Summary of Critical Accounting Estimates — Derivatives” for further information on the estimates and assumptions that affect derivatives.

Credit Risk

See Note 9 of the Notes to the Consolidated Financial Statements for information about how we manage credit risk related to derivatives and for the estimated fair value of our net derivative assets and net derivative liabilities after the application of master netting agreements and collateral.

Our policy is not to offset the fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement. This policy applies to the recognition of derivatives on the consolidated balance sheets, and does not affect our legal right of offset.

Credit Derivatives

The following table presents the gross notional amount and estimated fair value of credit default swaps at:

Credit Default Swaps	December 31,			
	2017		2016	
	Gross Notional Amount	Estimated Fair Value	Gross Notional Amount	Estimated Fair Value
	(In millions)			
Purchased	\$ 2,020	\$ (36)	\$ 2,001	\$ (26)
Written	11,375	271	10,732	152
Total	<u>\$ 13,395</u>	<u>\$ 235</u>	<u>\$ 12,733</u>	<u>\$ 126</u>

As of December 31, 2016, the Company no longer maintained a trading portfolio for derivatives.

The following table presents the gross gains, gross losses and net gain (losses) recognized in income for credit default swaps as follows:

Credit Default Swaps	Years Ended December 31,					
	2017			2016		
	Gross Gains (1)	Gross Losses (1)	Net Gains (Losses)	Gross Gains (1)	Gross Losses (1)	Net Gains (Losses)
	(In millions)					
Purchased (2), (4)	\$ 5	\$ (29)	\$ (24)	\$ 7	\$ (47)	\$ (40)
Written (3), (4)	152	(7)	145	95	(24)	71
Total	<u>\$ 157</u>	<u>\$ (36)</u>	<u>\$ 121</u>	<u>\$ 102</u>	<u>\$ (71)</u>	<u>\$ 31</u>

- (1) Gains (losses) are reported in net derivative gains (losses), except for gains (losses) on the trading portfolio, which are reported in net investment income.
- (2) As of December 31, 2016, the Company no longer maintained a trading portfolio for derivatives. The gross gains and gross (losses) for purchased credit default swaps in the trading portfolio were \$4 million and (\$4) million, respectively, for the year ended December 31, 2016.
- (3) As of December 31, 2016, the Company no longer maintained a trading portfolio for derivatives. The gross gains and gross (losses) for written credit default swaps in the trading portfolio were \$3 and (\$3) million, respectively, for the year ended December 31, 2016.
- (4) Gains (losses) do not include earned income (expense) on credit default swaps.

The favorable change in net gains (losses) on purchased credit default swaps of \$16 million was due to certain credit spreads on credit default swaps hedging certain bonds, narrowing less in the current period as compared to the prior period. The favorable change in net gains (losses) on written credit default swaps of \$74 million was due to certain credit spreads on certain credit default swaps used as replications narrowing more in the current period as compared to the prior period.

The maximum amount at risk related to our written credit default swaps is equal to the corresponding gross notional amount. In a replication transaction, we pair an asset on our balance sheet with a written credit default swap to synthetically replicate a corporate bond, a core asset holding of life insurance companies. Replications are entered into in accordance with the guidelines approved by state insurance regulators and the NAIC and are an important tool in managing the overall corporate credit risk within the Company. In order to match our long-dated insurance liabilities, we seek to buy long-dated corporate bonds. In some instances, these may not be readily available in the market, or they may be issued by corporations to which we already have significant corporate credit exposure. For example, by purchasing Treasury bonds (or other high-quality assets) and associating them with written credit default swaps on the desired corporate credit name, we can replicate the desired bond exposures and meet our ALM needs. In addition, given the shorter tenor of the credit default swaps (generally five-year tenors) versus a long-dated corporate bond, we have more flexibility in managing our credit exposures.

Embedded Derivatives

See Note 10 of the Notes to the Consolidated Financial Statements for information about embedded derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy.

See Note 10 of the Notes to the Consolidated Financial Statements for a rollforward of the fair value measurements for embedded derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

See Note 9 of the Notes to the Consolidated Financial Statements for information about the nonperformance risk adjustment included in the valuation of guaranteed minimum benefits accounted for as embedded derivatives.

See “— Summary of Critical Accounting Estimates — Derivatives” for further information on the estimates and assumptions that affect embedded derivatives.

Off-Balance Sheet Arrangements

Credit and Committed Facilities

We maintain an unsecured revolving credit facility, as well as committed facilities, with various financial institutions. See “— Liquidity and Capital Resources — The Company — Liquidity and Capital Sources — Global Funding Sources — Credit and Committed Facilities” for further descriptions of such arrangements. For the classification of expenses on such credit and committed facilities and the nature of the associated liability for letters of credit issued and drawdowns on these credit and committed facilities, see Note 12 of the Notes to the Consolidated Financial Statements.

Collateral for Securities Lending, Third-Party Custodian Administered Repurchase Programs and Derivatives

We participate in a securities lending program in the normal course of business for the purpose of enhancing the total return on our investment portfolio. Periodically we receive non-cash collateral for securities lending from counterparties on deposit from customers, which cannot be sold or re-pledged, and which has not been recorded on our consolidated balance sheets. The amount of this collateral was \$19 million and \$20 million at estimated fair value at December 31, 2017 and 2016, respectively. See Notes 1 and 8 of the Notes to the Consolidated Financial Statements, as well as “— Investments — Securities Lending” for discussion of our securities lending program, the classification of revenues and expenses, and the nature of the secured financing arrangement and associated liability.

We also participate in third-party custodian administered repurchase programs for the purpose of enhancing the total return on our investment portfolio. We loan certain of our fixed maturity securities to financial institutions and, in exchange, non-cash collateral is put on deposit by the financial institutions on our behalf with third-party custodians. The estimated fair value of securities loaned in connection with these transactions was \$182 million and \$382 million at December 31, 2017 and December 31, 2016, respectively. Non-cash collateral on deposit with third-party custodians on our behalf was \$194 million and \$401 million at December 31, 2017 and December 31, 2016, respectively, which cannot be sold or re-pledged, and which has not been recorded on our consolidated balance sheets.

We enter into derivatives to manage various risks relating to our ongoing business operations. We have non-cash collateral from counterparties for derivatives, which can be sold or re-pledged subject to certain constraints, and which has not been recorded on our consolidated balance sheets. The amount of this non-cash collateral was \$1.1 billion and \$1.7 billion at December 31, 2017 and 2016, respectively. See “— Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Pledged Collateral” and “Derivatives” in Note 9 of the Notes to the Consolidated Financial Statements for information regarding the earned income on and the gross notional amount, estimated fair value of assets and liabilities and primary underlying risk exposure of our derivatives.

Lease Commitments

As lessee, we have entered into various lease and sublease agreements for office space, information technology and other equipment. Our commitments under such lease agreements are included within the contractual obligations table. See “— Liquidity and Capital Resources — The Company — Contractual Obligations” and Note 20 of the Notes to the Consolidated Financial Statements.

Guarantees

See “Guarantees” in Note 20 of the Notes to the Consolidated Financial Statements.

Other

We enter into the following additional commitments in the normal course of business for the purpose of enhancing the total return on our investment portfolio: mortgage loan commitments and commitments to fund partnerships, bank credit facilities, bridge loans and private corporate bond investments. See “Net Investment Income” and “Net Investment Gains (Losses)” in Note 8 of the Notes to the Consolidated Financial Statements for information on the investment income, investment expense, and gains and losses from such investments. See also “— Investments — Fixed Maturity and Equity Securities AFS” and “— Investments — Mortgage Loans” for information on our investments in fixed maturity securities and mortgage loans. See “— Investments — Real Estate and Real Estate Joint Ventures” and “— Investments — Other Limited Partnership Interests” for information on our partnership investments.

Other than the commitments disclosed in Note 20 of the Notes to the Consolidated Financial Statements, there are no other material obligations or liabilities arising from the commitments to fund mortgage loans, partnerships, bank credit facilities, bridge loans, and private corporate bond investments. For further information on commitments to fund partnership investments, mortgage loans, bank credit facilities, bridge loans and private corporate bond investments, see “— Liquidity and Capital Resources — The Company — Contractual Obligations.”

Insolvency Assessments

See Note 20 of the Notes to the Consolidated Financial Statements.

Policyholder Liabilities

We establish, and carry as liabilities, actuarially determined amounts that are calculated to meet policy obligations or to provide for future annuity payments. Amounts for actuarial liabilities are computed and reported on the consolidated financial statements in conformity with GAAP. For more details on Policyholder Liabilities, see “— Summary of Critical Accounting Estimates.”

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

We periodically review our estimates of actuarial liabilities for future benefits and compare them with our actual experience. We revise estimates, to the extent permitted or required under GAAP, if we determine that future expected experience differs from assumptions used in the development of actuarial liabilities. We charge or credit changes in our liabilities to expenses in the period the liabilities are established or re-estimated. If the liabilities originally established for future benefit payments prove inadequate, we must increase them. Such an increase could adversely affect our earnings and have a material adverse effect on our business, results of operations and financial condition.

We have experienced, and will likely in the future experience, catastrophe losses and possibly acts of terrorism, as well as turbulent financial markets that may have an adverse impact on our business, results of operations and financial condition. Due to their nature, we cannot predict the incidence, timing, severity or amount of losses from catastrophes and acts of terrorism, but we make broad use of catastrophic and non-catastrophic reinsurance to manage risk from these perils. We also use hedging, reinsurance and other risk management activities to mitigate financial market volatility.

Insurance regulators in many of the non-U.S. jurisdictions in which we operate require certain MetLife entities to prepare a sufficiency analysis of the reserves presented in the locally required regulatory financial statements, and to submit that analysis to the regulatory authorities.

See “Business — Regulation — U.S. Regulation — Insurance Regulation — Policy and Contract Reserve Adequacy Analysis” and “Business — Regulation — International Regulation” for further information.

Future Policy Benefits

We establish liabilities for amounts payable under insurance policies. See Notes 1 and 4 of the Notes to the Consolidated Financial Statements, “— Industry Trends — Impact of a Sustained Low Interest Rate Environment — Low Interest Rate Scenario” and “— Variable Annuity Guarantees.” A discussion of future policy benefits by segment (as well as Corporate & Other) follows.

U.S.

Amounts payable under insurance policies for this segment are comprised of group insurance and annuities, as well as property & casualty policies. For group insurance, future policyholder benefits are comprised mainly of liabilities for disabled lives under disability waiver of premium policy provisions, liabilities for survivor income benefit insurance, active life policies and premium stabilization and other contingency liabilities held under life insurance contracts. For group annuity contracts, future policyholder benefits are primarily related to payout annuities, including pension risk transfers, structured settlement annuities and institutional income annuities. There is no interest rate crediting flexibility on these liabilities. As a result, a sustained low interest rate environment could negatively impact earnings; however, we mitigate our risks by applying various ALM strategies, including the use of various interest rate derivative positions. The components of future policy benefits related to our property & casualty policies are liabilities for unpaid claims, estimated based upon assumptions such as rates of claim frequencies, levels of severities, inflation, judicial trends, legislative changes or regulatory decisions. Assumptions are based upon our historical experience and analysis of historical development patterns of the relationship of loss adjustment expenses to losses for each line of business, and we consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation.

Asia

Future policy benefits for this segment are held primarily for traditional life, endowment, annuity and accident & health contracts. They are also held for total return pass-through provisions included in certain universal life and savings products. They include certain liabilities for variable annuity and variable life guarantees of minimum death benefits, and longevity guarantees. Factors impacting these liabilities include sustained periods of lower yields than rates established at policy issuance, lower than expected asset reinvestment rates, market volatility, actual lapses resulting in lower than expected income, and actual mortality or morbidity resulting in higher than expected benefit payments. We mitigate our risks by applying various ALM strategies.

Latin America

Future policy benefits for this segment are held primarily for immediate annuities in Chile, Argentina and Mexico and traditional life contracts mainly in Mexico, Brazil and Colombia. There are also liabilities held for total return pass-through provisions included in certain universal life and savings products in Mexico. Factors impacting these liabilities include sustained periods of lower yields than rates established at policy issuance, lower than expected asset reinvestment rates, and mortality and lapses different than expected. We mitigate our risks by applying various ALM strategies.

EMEA

Future policy benefits for this segment include unearned premium reserves for group life and credit insurance contracts. Future policy benefits are also held for traditional life, endowment and annuity contracts with significant mortality risk and accident & health contracts. Factors impacting these liabilities include lower than expected asset reinvestment rates, market volatility, actual lapses resulting in lower than expected income, and actual mortality or morbidity resulting in higher than expected benefit payments. We mitigate our risks by having premiums which are adjustable or cancellable in some cases, and by applying various ALM strategies.

MetLife Holdings

Future policy benefits for the life business are comprised mainly of liabilities for traditional life insurance contracts. In order to manage risk, we have often reinsured a portion of the mortality risk on life insurance policies. We routinely evaluate our reinsurance programs which may result in increases or decreases to existing coverage. We have entered into various interest rate derivative positions to mitigate the risk that investment of premiums received and reinvestment of maturing assets over the life of the policy will be at rates below those assumed in the original pricing of these contracts. For the annuities business, future policy benefits are comprised mainly of liabilities for life-contingent income annuities, and liabilities for the variable annuity guaranteed minimum benefits which are accounted for as insurance. Other future policyholder benefits are comprised mainly of liabilities for disabled lives under disability waiver of premium policy provisions, and active life policies. In addition, for our other products, future policyholder benefits related to the reinsurance of our former Japan joint venture are comprised of liabilities for the variable annuity guaranteed minimum benefits which are accounted for as insurance.

Corporate & Other

Future policy benefits primarily include liabilities for the global employee benefits and other reinsurance business. Additionally, future policy benefits include liabilities for the U.S. direct business sold directly to consumers.

Policyholder Account Balances

Policyholder account balances are generally equal to the account value, which includes accrued interest credited, but excludes the impact of any applicable charge that may be incurred upon surrender. See “— Industry Trends — Impact of a Sustained Low Interest Rate Environment — Low Interest Rate Scenario” and “— Variable Annuity Guarantees.” See also Notes 1 and 4 of the Notes to the Consolidated Financial Statements for additional information. A discussion of policyholder account balances by segment follows.

U.S.

Policyholder account balances in this segment are comprised of funding agreements, retained asset accounts, universal life policies, the fixed account of variable life insurance policies and specialized life insurance products for benefit programs.

Group Benefits

Policyholder account balances in this business are held for retained asset accounts, universal life policies, the fixed account of variable life insurance policies and specialized life insurance products for benefit programs. Policyholder account balances are credited interest at a rate we determine, which is influenced by current market rates. A sustained low interest rate environment could negatively impact earnings as a result of the minimum credited rate guarantees present in most of these policyholder account balances. We have various interest rate derivative positions to partially mitigate the risks associated with such a scenario.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Group Benefits:

Guaranteed Minimum Crediting Rate	December 31, 2017	
	Account Value (1)	Account Value at Guarantee (1)
	(In millions)	
Greater than 0% but less than 2%	\$ 4,824	\$ 4,705
Equal to or greater than 2% but less than 4%	\$ 1,832	\$ 1,832
Equal to or greater than 4%	\$ 736	\$ 710

(1) These amounts are not adjusted for policy loans.

Retirement and Income Solutions

Policyholder account balances in this business are primarily comprised of funding agreements. Interest crediting rates vary by type of contract, and can be fixed or variable. Variable interest crediting rates are generally tied to an external index, most commonly (1-month or 3-month) LIBOR. We are exposed to interest rate risks, as well as foreign currency exchange rate risk, when guaranteeing payment of interest and return of principal at the contractual maturity date. We may invest in floating rate assets or enter into receive-floating interest rate swaps, also tied to external indices, as well as interest rate caps, to mitigate the impact of changes in market interest rates. We also mitigate our risks by applying various ALM strategies and seek to hedge all foreign currency exchange rate risk through the use of foreign currency hedges, including cross currency swaps.

Asia

Policyholder account balances in this segment are held largely for fixed income retirement and savings plans, fixed deferred annuities, interest sensitive whole life products, universal life and, to a lesser degree, liability amounts for unit-linked-type funds that do not meet the GAAP definition of separate accounts. Also included are certain liabilities for retirement and savings products sold in certain countries in Asia that generally are sold with minimum credited rate guarantees. Liabilities for guarantees on certain variable annuities in Asia are accounted for as embedded derivatives and recorded at estimated fair value and are also included within policyholder account balances. These liabilities are generally impacted by sustained periods of low interest rates, where there are interest rate guarantees. We mitigate our risks by applying various ALM strategies and with reinsurance. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated underlying investments, as the return on assets is generally passed directly to the policyholder.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Asia:

Guaranteed Minimum Crediting Rate	December 31, 2017	
	Account Value (1)	Account Value at Guarantee (1)
	(In millions)	
Annuities		
Greater than 0% but less than 2%	\$ 22,364	\$ 2,791
Equal to or greater than 2% but less than 4%	\$ 1,248	\$ 424
Equal to or greater than 4%	\$ 2	\$ 2
Life & Other		
Greater than 0% but less than 2%	\$ 9,015	\$ 8,723
Equal to or greater than 2% but less than 4%	\$ 21,992	\$ 8,943
Equal to or greater than 4%	\$ 277	\$ 277

(1) These amounts are not adjusted for policy loans.

Latin America

Policyholder account balances in this segment are held largely for investment-type products and universal life products in Mexico and Chile, and deferred annuities in Brazil. Some of the deferred annuities in Brazil are unit-linked-type funds that do not meet the GAAP definition of separate accounts. The rest of the deferred annuities have minimum credited rate guarantees, and these liabilities and the universal life liabilities are generally impacted by sustained periods of low interest rates. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated investments, as the return on assets is generally passed directly to the policyholder.

EMEA

Policyholder account balances in this segment are held mostly for universal life, deferred annuity, pension products, and unit-linked-type funds that do not meet the GAAP definition of separate accounts. They are also held for endowment products without significant mortality risk. Where there are interest rate guarantees, these liabilities are generally impacted by sustained periods of low interest rates. We mitigate our risks by applying various ALM strategies. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated investments, as the return on assets is generally passed directly to the policyholder.

MetLife Holdings

Life policyholder account balances are held for retained asset accounts, universal life policies, the fixed account of variable life insurance policies, and funding agreements. For annuities, policyholder account balances are held for fixed deferred annuities, the fixed account portion of variable annuities, non-life contingent income annuities, and embedded derivatives related to variable annuity guarantees. Interest is credited to the policyholder's account at interest rates we determine which are influenced by current market rates, subject to specified minimums. A sustained low interest rate environment could negatively impact earnings as a result of the minimum credited rate guarantees present in most of these policyholder account balances. We have various interest rate derivative positions to partially mitigate the risks associated with such a scenario. Additionally, for our other products, policyholder account balances are held for variable annuity guarantees assumed from a former operating joint venture in Japan that are accounted for as embedded derivatives.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for the MetLife Holdings segment:

Guaranteed Minimum Crediting Rate	December 31, 2017	
	Account Value (1)	Account Value at Guarantee (1)
	(In millions)	
Greater than 0% but less than 2%	\$ 1,729	\$ 1,627
Equal to or greater than 2% but less than 4%	\$ 19,688	\$ 16,975
Equal to or greater than 4%	\$ 9,136	\$ 6,123

(1) These amounts are not adjusted for policy loans.

Variable Annuity Guarantees

We issue, directly and through assumed business, certain variable annuity products with guaranteed minimum benefits that provide the policyholder a minimum return based on their initial deposit (i.e., the benefit base) less withdrawals. In some cases, the benefit base may be increased by additional deposits, bonus amounts, accruals or optional market value resets. See Notes 1 and 4 of the Notes to the Consolidated Financial Statements for additional information.

Certain guarantees, including portions thereof, have insurance liabilities established that are included in future policy benefits. Guarantees accounted for in this manner include GMDBs, the life-contingent portion of certain GMWBs, and the non-life contingent portions of both GMWBs and GMIBs that require annuitization. These liabilities are accrued over the life of the contract in proportion to actual and future expected policy assessments based on the level of guaranteed minimum benefits generated using multiple scenarios of separate account returns. The scenarios are based on best estimate assumptions consistent with those used to amortize DAC. When current estimates of future benefits exceed those previously projected or when current estimates of future assessments are lower than those previously projected, liabilities will increase, resulting in a current period charge to net income. The opposite result occurs when the current estimates of future benefits are lower than those previously projected or when current estimates of future assessments exceed those previously projected. At the end of each reporting period, we update the actual amount of business remaining in-force, which impacts expected future assessments and the projection of estimated future benefits resulting in a current period charge or increase to earnings.

Certain guarantees, including portions thereof, accounted for as embedded derivatives, are recorded at estimated fair value and included in policyholder account balances. Guarantees accounted for as embedded derivatives include GMABs, and the non-life contingent portions of both GMWBs and GMIBs that do not require annuitization. The estimated fair values of guarantees accounted for as embedded derivatives are determined based on the present value of projected future benefits minus the present value of projected future fees. The projections of future benefits and future fees require capital market and actuarial assumptions including expectations concerning policyholder behavior. A risk neutral valuation methodology is used to project the cash flows from the guarantees under multiple capital market scenarios to determine an economic liability. The reported estimated fair value is then determined by taking the present value of these risk-free generated cash flows using a discount rate that incorporates a spread over the risk-free rate to reflect our nonperformance risk and adding a risk margin. For more information on the determination of estimated fair value, see Note 10 of the Notes to the Consolidated Financial Statements.

The table below presents the carrying value for guarantees at:

	Future Policy Benefits		Policyholder Account Balances	
	December 31,		December 31,	
	2017	2016	2017	2016
	(In millions)			
Asia				
GMDB	\$ 38	\$ 29	\$ —	\$ —
GMAB	—	—	19	36
GMWB	92	98	182	189
EMEA				
GMDB	1	1	—	—
GMAB	—	—	15	17
GMWB	42	30	(90)	(50)
MetLife Holdings				
GMDB	304	257	—	—
GMIB	581	471	(125)	93
GMAB	—	—	—	13
GMWB	183	161	322	586
Total	\$ 1,241	\$ 1,047	\$ 323	\$ 884

The carrying amounts for guarantees included in policyholder account balances above include nonperformance risk adjustments of \$130 million and \$326 million at December 31, 2017 and 2016, respectively. These nonperformance risk adjustments represent the impact of including a credit spread when discounting the underlying risk neutral cash flows to determine the estimated fair values. The nonperformance risk adjustment does not have an economic impact on us as it cannot be monetized given the nature of these policyholder liabilities. The change in valuation arising from the nonperformance risk adjustment is not hedged.

The carrying values of these guarantees can change significantly during periods of sizable and sustained shifts in equity market performance, equity volatility, interest rates or foreign currency exchange rates. Carrying values are also impacted by our assumptions around mortality, separate account returns and policyholder behavior, including lapse rates.

As discussed below, we use a combination of product design, hedging strategies, reinsurance, and other risk management actions to mitigate the risks related to these benefits. Within each type of guarantee, there is a range of product offerings reflecting the changing nature of these products over time. Changes in product features and terms are in part driven by customer demand but, more importantly, reflect our risk management practices of continuously evaluating the guaranteed benefits and their associated asset-liability matching. Recently, we have been diversifying the concentration of income benefits in the portfolio of the Company's annuities business by focusing on withdrawal benefits, variable annuities without living benefits and index-linked annuities. To this end, the GMIBs were no longer available for new purchases after February 19, 2016.

The sections below provide further detail by total account value for certain of our most popular guarantees. Total account values include amounts not reported on the consolidated balance sheets from assumed business, contractholder-directed investments which do not qualify for presentation as separate account assets, and amounts included in our general account. The total account values and the net amounts at risk include direct and assumed business, but exclude offsets from hedging or ceded reinsurance, if any.

GMDBs

We offer a range of GMDBs to our contractholders. The table below presents GMDBs, by benefit type, at December 31, 2017:

	Total Account Value (1)	
	Asia & EMEA	MetLife Holdings
	(In millions)	
Return of premium or five to seven year step-up	\$ 7,928	\$ 54,797
Annual step-up	—	3,719
Roll-up and step-up combination	—	6,605
Total	<u>\$ 7,928</u>	<u>\$ 65,121</u>

- (1) Total account value excludes \$242 million for contracts with no GMDBs. Further, many of our annuity contracts offer more than one type of guarantee such that GMDB amounts listed above are not mutually exclusive to the amounts in the living benefit guarantees table below.

Based on total account value, less than 19% of our GMDBs included enhanced death benefits such as the annual step-up or roll-up and step-up combination products. We expect the above GMDB risk profile to be relatively consistent for the foreseeable future.

Living Benefit Guarantees

The table below presents our living benefit guarantees based on total account values at December 31, 2017:

	Total Account Value (1)	
	Asia & EMEA	MetLife Holdings
	(In millions)	
GMIB	\$ —	\$ 25,257
GMWB - non-life contingent (2)	2,364	3,327
GMWB - life-contingent	3,801	11,208
GMAB	1,214	571
	<u>\$ 7,379</u>	<u>\$ 40,363</u>

- (1) Total account value excludes \$25.0 billion for contracts with no living benefit guarantees. Further, many of our annuity contracts offer more than one type of guarantee such that living benefit guarantee amounts listed above are not mutually exclusive of the amounts in the GMDBs table above.
- (2) The Asia and EMEA segments include the non-life contingent portion of the GMWB total account value of \$966 million with a guarantee at annuitization.

In terms of total account value, GMIBs are our most significant living benefit guarantee. Our primary risk management strategy for our GMIB products is our derivatives hedging program as discussed below. Additionally, we have engaged in certain reinsurance agreements covering some of our GMIB business. As part of our overall risk management approach for living benefit guarantees, we continually monitor the reinsurance markets for the right opportunity to purchase additional coverage for our GMIB business.

The table below presents our GMIB associated total account values, by their guaranteed payout basis, at December 31, 2017:

	Total Account Value
	(In millions)
7-year setback, 2.5% interest rate	\$ 6,578
7-year setback, 1.5% interest rate	1,077
10-year setback, 1.5% interest rate	5,597
10-year mortality projection, 10-year setback, 1.0% interest rate	10,206
10-year mortality projection, 10-year setback, 0.5% interest rate	1,799
	<u>\$ 25,257</u>

The annuitization interest rates on GMIBs have been decreased from 2.5% to 0.5% over time, partially in response to the low interest rate environment, accompanied by an increase in the setback period from seven years to 10 years and the introduction of a 10-year mortality projection.

Additionally, 40% of the \$25.3 billion of GMIB total account value has been invested in managed volatility funds as of December 31, 2017. These funds seek to manage volatility by adjusting the fund holdings within certain guidelines based on capital market movements. Such activity reduces the overall risk of the underlying funds while maintaining their growth opportunities. These risk mitigation techniques reduce or eliminate the need for us to manage the funds' volatility through hedging or reinsurance.

Our GMIB products typically have a waiting period of 10 years to be eligible for annuitization. As of December 31, 2017, only 15% of our contracts with GMIBs were eligible for annuitization. The remaining contracts are not eligible for annuitization for an average of five years.

Once eligible for annuitization, contractholders would be expected to annuitize only if their contracts were in-the-money. We calculate in-the-moneyness with respect to GMIBs consistent with net amount at risk as discussed in Note 4 of the Notes to the Consolidated Financial Statements, by comparing the contractholders' income benefits based on total account values and current annuity rates versus the guaranteed income benefits. The net amount at risk was \$525 million at December 31, 2017, of which \$353 million was related to GMIB guarantees. For those contracts with GMIB, the table below presents details of contracts that are in-the-money and out-of-the money at December 31, 2017:

	In-the- Moneyness	Total Account Value	% of Total
		(In millions)	
In-the-money	30% +	\$ 322	1%
	20% to 30%	278	1%
	10% to 20%	545	2%
	0% to 10%	1,014	4%
		<u>2,159</u>	
Out-of-the-money	-10% to 0%	2,571	10%
	-20% to 10%	3,145	13%
	-20% +	17,382	69%
		<u>23,098</u>	
Total GMIBs		<u>\$ 25,257</u>	

Derivatives Hedging Variable Annuity Guarantees

Our risk mitigating hedging strategy uses various OTC and exchange traded derivatives. The table below presents the gross notional amount, estimated fair value and primary underlying risk exposure of the derivatives hedging our variable annuity guarantees:

Primary Underlying Risk Exposure	Instrument Type	December 31,					
		2017			2016		
		Gross Notional	Estimated Fair Value		Gross Notional	Estimated Fair Value	
		Amount	Assets	Liabilities	Amount	Assets	Liabilities
(In millions)							
Interest rate	Interest rate swaps	\$ 16,080	\$ 433	\$ 22	\$ 19,715	\$ 1,590	\$ 924
	Interest rate futures	3,060	1	4	2,671	2	11
	Interest rate options	10,173	486	11	3,423	449	1
Foreign currency exchange rate	Foreign currency forwards	2,288	5	36	3,086	10	222
	Currency futures	—	—	—	85	—	—
Equity market	Equity futures	3,781	17	4	4,283	29	3
	Equity index options	9,546	383	690	13,975	403	524
	Equity variance swaps	4,661	54	199	8,263	83	239
	Equity total return swaps	1,117	—	41	1,046	1	43
	Total	<u>\$ 50,706</u>	<u>\$ 1,379</u>	<u>\$ 1,007</u>	<u>\$ 56,547</u>	<u>\$ 2,567</u>	<u>\$ 1,967</u>

The change in estimated fair values of our derivatives is recorded in policyholder benefits and claims if such derivatives are hedging guarantees included in future policy benefits, and in net derivative gains (losses) if such derivatives are hedging guarantees included in policyholder account balances.

Our hedging strategy involves the significant use of static longer-term derivative instruments to avoid the need to execute transactions during periods of market disruption or higher volatility. We continually monitor the capital markets for opportunities to adjust our liability coverage, as appropriate. Futures are also used to dynamically adjust the daily coverage levels as markets and liability exposures fluctuate.

We remain liable for the guaranteed benefits in the event that reinsurers or derivative counterparties are unable or unwilling to pay. Certain of our reinsurance agreements and substantially all derivative positions are collateralized and derivatives positions are subject to master netting agreements, both of which significantly reduce the exposure to counterparty risk. In addition, we are subject to the risk that hedging and other risk management actions prove ineffective or that unanticipated policyholder behavior or mortality, combined with adverse market events, produces economic losses beyond the scope of the risk management techniques employed.

Liquidity and Capital Resources

Overview

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility and disruptions in global capital markets, particular markets, or financial asset classes can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities and derivatives are sensitive to changing market factors. Changing conditions in the global capital markets and the economy may affect our financing costs and market interest for our debt or equity securities. For further information regarding market factors that could affect our ability to meet liquidity and capital needs, see “— Industry Trends” and “— Investments — Current Environment.”

Liquidity Management

Based upon the strength of our franchise, diversification of our businesses, strong financial fundamentals and the substantial funding sources available to us as described herein, we continue to believe we have access to ample liquidity to meet business requirements under current market conditions and reasonably possible stress scenarios. We continuously monitor and adjust our liquidity and capital plans for MetLife, Inc. and its subsidiaries in light of market conditions, as well as changing needs and opportunities.

Short-term Liquidity

We maintain a substantial short-term liquidity position, which was \$10.0 billion and \$9.1 billion at December 31, 2017 and 2016, respectively. Short-term liquidity includes cash and cash equivalents and short-term investments, excluding assets that are pledged or otherwise committed, including amounts received in connection with securities lending, repurchase agreements, derivatives, and secured borrowings, as well as amounts held in the closed block.

Liquid Assets

An integral part of our liquidity management includes managing our level of liquid assets, which was \$209.1 billion and \$199.1 billion at December 31, 2017 and 2016, respectively. Liquid assets include cash and cash equivalents, short-term investments and publicly-traded securities, excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include amounts received in connection with securities lending, repurchase agreements, derivatives, regulatory deposits, the collateral financing arrangement, funding agreements and secured borrowings, as well as amounts held in the closed block.

Capital Management

We have established several senior management committees as part of our capital management process. These committees, including the Capital Management Committee and the Enterprise Risk Committee (“ERC”), regularly review actual and projected capital levels (under a variety of scenarios including stress scenarios) and our annual capital plan in accordance with our capital policy. The Capital Management Committee is comprised of members of senior management, including MetLife, Inc.’s Chief Financial Officer (“CFO”), Treasurer and Chief Risk Officer (“CRO”). The ERC is also comprised of members of senior management, including MetLife, Inc.’s CFO, CRO and Chief Investment Officer.

Our Board of Directors and senior management are directly involved in the development and maintenance of our capital policy. The capital policy sets forth, among other things, minimum and target capital levels and the governance of the capital management process. All capital actions, including proposed changes to the annual capital plan, capital targets or capital policy, are reviewed by the Finance and Risk Committee of the Board prior to obtaining full Board approval. The Board approves the capital policy and the annual capital plan and authorizes capital actions, as required.

See “Risk Factors — Capital-Related Risks — Legal and Regulatory Restrictions and Uncertainty and Restrictions Under the Terms of Certain of Our Securities May Prevent Us from Repurchasing Our Stock and Paying Dividends at the Level We Wish” and Note 15 of the Notes to the Consolidated Financial Statements for information regarding restrictions on payment of dividends and stock repurchases. See also “— The Company — Liquidity and Capital Uses — Common Stock Repurchases” for information regarding MetLife, Inc.’s common stock repurchase authorizations.

The Company

Liquidity

Liquidity refers to the ability to generate adequate amounts of cash to meet our needs. We determine our liquidity needs based on a rolling 12-month forecast by portfolio of invested assets which we monitor daily. We adjust the asset mix and asset maturities based on this rolling 12-month forecast. To support this forecast, we conduct cash flow and stress testing, which include various scenarios of the potential risk of early contractholder and policyholder withdrawal. We include provisions limiting withdrawal rights on many of our products, including general account pension products sold to employee benefit plan sponsors. Certain of these provisions prevent the customer from making withdrawals prior to the maturity date of the product. In the event of significant cash requirements beyond anticipated liquidity needs, we have various alternatives available depending on market conditions and the amount and timing of the liquidity need. These available alternatives include cash flows from operations, sales of liquid assets, global funding sources including commercial paper and various credit and committed facilities.

Under certain stressful market and economic conditions, our access to liquidity may deteriorate, or the cost to access liquidity may increase. If we require significant amounts of cash on short notice in excess of anticipated cash requirements or if we are required to post or return cash collateral in connection with derivatives or our securities lending program, we may have difficulty selling investments in a timely manner, be forced to sell them for less than we otherwise would have been able to realize, or both. In addition, in the event of such forced sale, for securities in an unrealized loss position, realized losses would be incurred on securities sold and impairments would be incurred, if there is a need to sell securities prior to recovery, which may negatively impact our financial condition. See “Risk Factors — Investments-Related Risks — Should the Need Arise, We May Have Difficulty Selling Certain Holdings in Our Investment Portfolio or in Our Securities Lending Program in a Timely Manner and Realizing Full Value Given Their Illiquid Nature.”

In extreme circumstances, all general account assets within a particular legal entity — other than those which may have been pledged to a specific purpose — are available to fund obligations of the general account of that legal entity.

Capital

We manage our capital position to maintain our financial strength and credit ratings. Our capital position is supported by our ability to generate strong cash flows within our operating companies and borrow funds at competitive rates, as well as by our demonstrated ability to raise additional capital to meet operating and growth needs despite adverse market and economic conditions.

Rating Agencies

Rating agencies assign insurer financial strength ratings to MetLife, Inc.'s domestic life insurance subsidiaries and credit ratings to MetLife, Inc. and certain of its subsidiaries. Financial strength ratings represent the opinion of rating agencies regarding the ability of an insurance company to pay obligations under insurance policies and contracts in accordance with their terms. Credit ratings indicate the rating agency's opinion regarding a debt issuer's ability to meet the terms of debt obligations in a timely manner. They are important factors in our overall funding profile and ability to access certain types of liquidity. The level and composition of regulatory capital at the subsidiary level and our equity capital are among the many factors considered in determining our insurer financial strength ratings and credit ratings. Each agency has its own capital adequacy evaluation methodology, and assessments are generally based on a combination of factors. In addition to heightening the level of scrutiny that they apply to insurance companies, rating agencies have increased and may continue to increase the frequency and scope of their credit reviews, may request additional information from the companies that they rate and may adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels.

Downgrades in our insurer financial strength ratings could have a material adverse effect on our financial condition and results of operations in many ways. See "Risk Factors — Risks Related to Our Business — A Downgrade or a Potential Downgrade in Our Financial Strength or Credit Ratings Could Result in a Loss of Business and Materially Adversely Affect Our Financial Condition and Results of Operations."

A downgrade in the credit ratings or insurer financial strength ratings of MetLife, Inc. or its subsidiaries would likely impact us in the following ways, including:

- impact our ability to generate cash flows from the sale of funding agreements and other capital market products offered by our Retirement and Income Solutions business;
- impact the cost and availability of financing for MetLife, Inc. and its subsidiaries; and
- result in additional collateral requirements or other required payments under certain agreements, which are eligible to be satisfied in cash or by posting investments held by the subsidiaries subject to the agreements. See "— Liquidity and Capital Uses — Pledged Collateral."

Statutory Capital and Dividends

Our U.S. insurance subsidiaries have statutory surplus well above levels to meet current regulatory requirements.

RBC requirements are used as minimum capital requirements by the NAIC and the state insurance departments to identify companies that merit regulatory action. RBC is based on a formula calculated by applying factors to various asset, premium, claim, expense and statutory reserve items. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk, market risk and business risk and is calculated on an annual basis. The formula is used as an early warning regulatory tool to identify possible inadequately capitalized insurers for purposes of initiating regulatory action, and not as a means to rank insurers generally. These rules apply to most of our U.S. insurance subsidiaries. State insurance laws provide insurance regulators the authority to require various actions by, or take various actions against, insurers whose total adjusted capital does not meet or exceed certain RBC levels. At the date of the most recent annual statutory financial statements filed with insurance regulators, the total adjusted capital of each of these subsidiaries subject to these requirements was in excess of each of those RBC levels.

As a Delaware corporation, American Life is subject to Delaware law; however, because it does not conduct insurance business in Delaware or any other domestic state, it is exempt from RBC requirements under Delaware law. American Life's operations are also regulated by applicable authorities of the jurisdictions in which it operates and is subject to capital and solvency requirements in those jurisdictions.

The amount of dividends that our insurance subsidiaries can pay to MetLife, Inc. or to other parent entities is constrained by the amount of surplus we hold to maintain our ratings and provides an additional margin for risk protection and investment in our businesses. We proactively take actions to maintain capital consistent with these ratings objectives, which may include adjusting dividend amounts and deploying financial resources from internal or external sources of capital. Certain of these activities may require regulatory approval. Furthermore, the payment of dividends and other distributions to MetLife, Inc. and other parent entities by their respective insurance subsidiaries is governed by insurance laws and regulations. See “Business — Regulation — U.S. Regulation — Insurance Regulation,” “Business — Regulation — International Regulation,” “— MetLife, Inc. — Liquidity and Capital Sources — Dividends from Subsidiaries” and Note 15 of the Notes to the Consolidated Financial Statements.

Affiliated Captive Reinsurance Transactions

Various subsidiaries of MetLife, Inc. cede specific policy classes, including term and universal life insurance, participating whole life insurance, long-term disability insurance, group life insurance and other business to various wholly-owned captive reinsurers. The reinsurance activities among these affiliated companies are eliminated within our consolidated results of operations. The statutory reserves of such affiliated captive reinsurers are supported by a combination of funds withheld assets, investment assets and letters of credit issued by unaffiliated financial institutions. MetLife, Inc. has committed to maintain the surplus of two of the domestic affiliated captive reinsurers, as well as provided guarantees of the reinsurers’ and other affiliated international insurance entities’ repayment obligations on the letters of credit. MetLife, Inc. has also provided guarantees of these reinsurers’ repayment obligations on derivative and certain reinsurance agreements entered into by these reinsurers. See “— MetLife, Inc. — Liquidity and Capital Uses — Support Agreements” for further details on certain of these guarantees. Various subsidiaries of MetLife, Inc. enter into reinsurance agreements with affiliated captive reinsurers for risk and capital management purposes, as well as to manage statutory reserve requirements related to universal life and term life insurance policies and other business.

The NAIC continues to review insurance companies’ use of affiliated captive reinsurers and off-shore entities. The NYDFS continues to have a moratorium on new reserve financing transactions involving captive insurers. We are not aware of any states other than New York and California implementing such a moratorium. While such a moratorium would not impact our existing reinsurance agreements with captive reinsurers, a moratorium placed on the use of captives for new reserve financing transactions could impact our ability to write certain products and/or impact our RBC ratios and ability to deploy excess capital in the future. This could result in our need to increase prices, modify product features or limit the availability of those products to our customers. While this affects insurers across the industry, it could adversely impact our competitive position and our results of operations in the future. We continue to evaluate product modifications, pricing structure and alternative means of managing risks, capital and statutory reserves and we expect the discontinued use of captive reinsurance on new reserve financing transactions would not have a material impact on our future consolidated financial results. See Note 6 of the Notes to the Consolidated Financial Statements for further information on our reinsurance activities.

Summary of the Company's Primary Sources and Uses of Liquidity and Capital

Our primary sources and uses of liquidity and capital are summarized as follows:

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Sources:			
Operating activities, net	\$ 12,283	\$ 14,774	\$ 14,052
Changes in policyholder account balances, net	6,131	4,925	—
Changes in payables for collateral under securities loaned and other transactions, net	903	—	1,544
Long-term debt issued	3,657	—	3,893
Financing element on certain derivative instruments and other derivative related transactions, net	—	—	181
Preferred stock issued, net of issuance costs	—	—	1,483
Other, net	118	139	94
Effect of change in foreign currency exchange rates on cash and cash equivalents	323	—	—
Total sources	<u>23,415</u>	<u>19,838</u>	<u>21,247</u>
Uses:			
Investing activities, net	16,876	5,850	10,398
Changes in policyholder account balances, net	—	—	1,717
Changes in payables for collateral under securities loaned and other transactions, net	—	3,636	—
Long-term debt repaid	1,073	1,279	1,438
Collateral financing arrangements repaid	2,951	68	57
Distribution of Brighthouse	2,793	—	—
Financing element on certain derivative instruments and other derivative related transactions, net	151	1,367	—
Treasury stock acquired in connection with share repurchases	2,927	372	1,930
Repurchase of preferred stock	—	—	1,460
Preferred stock repurchase premium	—	—	42
Dividends on preferred stock	103	103	116
Dividends on common stock	1,717	1,736	1,653
Effect of change in foreign currency exchange rates on cash and cash equivalents	—	302	492
Total uses	<u>28,591</u>	<u>14,713</u>	<u>19,303</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (5,176)</u>	<u>\$ 5,125</u>	<u>\$ 1,944</u>

Cash Flows from Operations

The principal cash inflows from our insurance activities come from insurance premiums, net investment income, annuity considerations and deposit funds. The principal cash outflows are the result of various life insurance, property & casualty, annuity and pension products, operating expenses and income tax, as well as interest expense. A primary liquidity concern with respect to these cash flows is the risk of early contractholder and policyholder withdrawal. The cash flows from discontinued operations are not separately classified, but generally arise from the same activities described above.

Cash Flows from Investments

The principal cash inflows from our investment activities come from repayments of principal, proceeds from maturities and sales of investments and settlements of freestanding derivatives. The principal cash outflows relate to purchases of investments, issuances of policy loans and settlements of freestanding derivatives. Additional cash outflows relate to purchases of businesses. We typically have a net cash outflow from investing activities because cash inflows from insurance operations are reinvested in accordance with our ALM discipline to fund insurance liabilities. We closely monitor and manage these risks through our comprehensive investment risk management process. The primary liquidity concerns with respect to these cash flows are the risk of default by debtors and market disruption. The cash flows from discontinued operations are not separately classified, but generally arise from the same activities described above.

Cash Flows from Financing

The principal cash inflows from our financing activities come from issuances of debt and other securities, deposits of funds associated with policyholder account balances and lending of securities. The principal cash outflows come from repayments of debt and collateral financing arrangements, payments of dividends on and repurchases of MetLife, Inc.'s securities, withdrawals associated with policyholder account balances, cash disposed of in the distribution of Brighthouse and the return of securities on loan. The primary liquidity concerns with respect to these cash flows are market disruption and the risk of early contractholder and policyholder withdrawal. The cash flows from discontinued operations are not separately classified, but generally arise from the same activities described above.

Liquidity and Capital Sources

In addition to the general description of liquidity and capital sources in “— Summary of the Company’s Primary Sources and Uses of Liquidity and Capital,” the following additional information is provided regarding our primary sources of liquidity and capital. See Note 3 of the Notes to the Consolidated Financial Statements for information regarding financing transactions related to the Separation.

Global Funding Sources

Liquidity is provided by a variety of global funding sources, including funding agreements, credit and committed facilities and commercial paper. Capital is provided by a variety of global funding sources, including short-term and long-term debt, the collateral financing arrangement, junior subordinated debt securities, preferred securities, equity securities and equity-linked securities. The diversity of our global funding sources enhances our funding flexibility, limits dependence on any one market or source of funds and generally lowers the cost of funds. Our primary global funding sources include:

Preferred Stock

In June 2015, MetLife, Inc. issued 1,500,000 shares of Series C preferred stock, with a \$0.01 par value per share and a liquidation preference of \$1,000 per share, for aggregate proceeds of \$1.5 billion. See Note 15 of the Notes to the Consolidated Financial Statements.

Commercial Paper, Reported in Short-term Debt

MetLife, Inc. and MetLife Funding each have a commercial paper program that is supported by our unsecured revolving credit facility (see “— Credit and Committed Facilities”). MetLife Funding raises cash from its commercial paper program and uses the proceeds to extend loans through MetLife Credit Corp., another subsidiary of MLIC, to affiliates in order to enhance the financial flexibility and liquidity of these companies.

Federal Home Loan Bank Funding Agreements, Reported in Policyholder Account Balances

Certain of our domestic insurance subsidiaries are members of a regional FHLB. During the years ended December 31, 2017, 2016 and 2015, we issued \$22.4 billion, \$17.0 billion and \$17.5 billion, respectively, and repaid \$22.4 billion, \$15.2 billion and \$17.8 billion, respectively, under funding agreements with certain regional FHLBs. At both December 31, 2017 and 2016, total obligations outstanding under these funding agreements were \$15.3 billion. See Note 4 of the Notes to the Consolidated Financial Statements.

Federal Home Loan Bank Advance Agreements, Reported in Payables for Collateral Under Securities Loaned and Other Transactions

During the year ended December 31, 2017, we issued \$301 million and repaid \$1 million, under advance agreements with a regional FHLB. At December 31, 2017, total obligations outstanding under these advance agreements were \$300 million. There were no such transactions during the years ended December 31, 2016 or 2015. See Note 8 of the Notes to the Consolidated Financial Statements.

Special Purpose Entity Funding Agreements, Reported in Policyholder Account Balances

We issue fixed and floating rate funding agreements which are denominated in either U.S. dollars or foreign currencies, to certain special purpose entities (“SPEs”) that have issued either debt securities or commercial paper for which payment of interest and principal is secured by such funding agreements. During the years ended December 31, 2017, 2016 and 2015, we issued \$42.7 billion, \$39.7 billion and \$35.1 billion, respectively, and repaid \$41.4 billion, \$38.5 billion and \$35.5 billion, respectively, under such funding agreements. At December 31, 2017 and 2016, total obligations outstanding under these funding agreements were \$34.2 billion and \$30.8 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements.

Federal Agricultural Mortgage Corporation Funding Agreements, Reported in Policyholder Account Balances

We have issued funding agreements to a subsidiary of Farmer Mac, as well as to certain SPEs that have issued debt securities for which payment of interest and principal is secured by such funding agreements, and such debt securities are also guaranteed as to payment of interest and principal by Farmer Mac. The obligations under all such funding agreements are secured by a pledge of certain eligible agricultural mortgage loans. During the years ended December 31, 2017, 2016 and 2015, we issued \$1.0 billion, \$1.2 billion and \$50 million, respectively, and repaid \$1.0 billion, \$1.2 billion and \$50 million, respectively, under such funding agreements. At both December 31, 2017 and 2016, total obligations outstanding under these funding agreements were \$2.6 billion. See Note 4 of the Notes to the Consolidated Financial Statements.

Long-term Debt Issued

Senior Notes

In November 2015 and March 2015, MetLife, Inc. issued \$1.3 billion and \$1.5 billion of senior notes, respectively. Net proceeds from these issuances were used for general corporate purposes, which included the early redemption or repayment upon maturity of certain senior notes.

Term Loans

In December 2015, MetLife Private Equity Holdings, LLC, a wholly-owned indirect investment subsidiary of MLIC, borrowed \$350 million under term loans.

See Note 12 of the Notes to the Consolidated Financial Statements for further information on long-term debt issued.

Credit and Committed Facilities

At December 31, 2017, we maintained a \$3.0 billion unsecured revolving credit facility and certain committed facilities aggregating \$3.7 billion. When drawn upon, these facilities bear interest at varying rates in accordance with the respective agreements.

The unsecured revolving credit facility is used for general corporate purposes, to support the borrowers’ commercial paper programs and for the issuance of letters of credit. At December 31, 2017, we had outstanding \$130 million in letters of credit and no drawdowns against this facility. Remaining availability was \$2.9 billion at December 31, 2017.

The committed facilities are used as collateral for certain of our affiliated reinsurance liabilities. At December 31, 2017, we had outstanding \$3.1 billion in letters of credit and no drawdowns against these facilities. Remaining availability was \$562 million at December 31, 2017. As of December 31, 2017, Brighthouse was a beneficiary of \$2.4 billion of letters of credit issued under these committed facilities. See Note 3 of the Notes to the Consolidated Financial Statements.

We have no reason to believe that our lending counterparties will be unable to fulfill their respective contractual obligations under these facilities. As commitments associated with letters of credit and financing arrangements may expire unused, these amounts do not necessarily reflect our actual future cash funding requirements.

Affiliated Preferred Units Issuances

In June 2017, Brighthouse Holdings, LLC issued 50,000 6.50% fixed rate cumulative preferred units to MetLife, Inc. and, in turn, MetLife, Inc. sold the preferred units to third-party investors, for net proceeds of \$49 million. See Note 3 of the Notes to the Consolidated Financial Statements.

Outstanding Debt Under Global Funding Sources

The following table summarizes our outstanding debt excluding long-term debt relating to CSEs at:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
	(In millions)	
Short-term debt (1)	\$ 477	\$ 242
Long-term debt (2)	\$ 15,680	\$ 16,429
Collateral financing arrangement (3)	\$ 1,121	\$ 1,274
Junior subordinated debt securities (4)	\$ 3,144	\$ 3,169

- (1) Includes \$377 million and \$142 million of debt that is non-recourse to MetLife, Inc. and MLIC, subject to customary exceptions, at December 31, 2017 and 2016, respectively. Certain subsidiaries have pledged assets to secure this debt.
- (2) Includes \$523 million and \$366 million of debt that is non-recourse to MetLife, Inc. and MLIC, subject to customary exceptions, at December 31, 2017 and 2016, respectively. Certain investment subsidiaries have pledged assets to secure this debt.
- (2) In April 2017, in connection with the Separation, MetLife, Inc. and MetLife Reinsurance Company of South Carolina (“MRSC”) terminated the MRSC collateral financing arrangement associated with secondary guarantees. As a result, the \$2.8 billion collateral financing arrangement liability outstanding was extinguished utilizing \$2.8 billion of assets held in trust with the remaining \$590 million of assets held in trust returned to MetLife, Inc. as a cash return of capital from a subsidiary. For information regarding the remaining collateral financing arrangement, see Note 13 of the Notes to the Consolidated Financial Statements.
- (3) For information regarding the junior subordinated debt securities, see Note 14 of the Notes to the Consolidated Financial Statements and Note 5 in Schedule II of the Notes to the MetLife, Inc. (Parent Company Only) Condensed Financial Information.

Debt and Facility Covenants

Certain of our debt instruments and committed facilities, as well as our unsecured revolving credit facility, contain various administrative, reporting, legal and financial covenants. We believe we were in compliance with all applicable covenants at December 31, 2017.

Dispositions

Cash proceeds from dispositions during the years ended December 31, 2017, 2016 and 2015 were \$0, \$291 million, and \$0, respectively. See Note 3 of the Notes to the Consolidated Financial Statements.

Liquidity and Capital Uses

In addition to the general description of liquidity and capital uses in “— Summary of the Company’s Primary Sources and Uses of Liquidity and Capital” and “— Contractual Obligations,” the following additional information is provided regarding our primary uses of liquidity and capital:

Preferred Stock Repurchase

In June 2015, MetLife, Inc. repurchased and canceled all of its Series B preferred stock for \$1.5 billion in a series of related transactions as described in Note 15 of the Notes to the Consolidated Financial Statements.

Common Stock Repurchases

See Note 15 of the Notes to the Consolidated Financial Statements for information relating to authorizations by the Board of Directors to repurchase MetLife, Inc. common stock, amounts of common stock repurchased pursuant to such authorizations during the years ended December 31, 2017, 2016 and 2015, and the amount remaining under such authorizations at December 31, 2017. See Note 22 of the Notes to the Consolidated Financial Statements for information regarding shares of common stock repurchased subsequent to December 31, 2017.

Common stock repurchases are dependent upon several factors, including our capital position, liquidity, financial strength and credit ratings, general market conditions, the market price of MetLife, Inc.'s common stock compared to management's assessment of the stock's underlying value and applicable regulatory approvals, as well as other legal and accounting factors. See "Business — Regulation — International Regulation — Global Systemically Important Insurers," and "Risk Factors — Capital-Related Risks — Legal and Regulatory Restrictions and Uncertainty and Restrictions Under the Terms of Certain of Our Securities May Prevent Us from Repurchasing Our Stock and Paying Dividends at the Level We Wish."

Dividends

During each of the years ended December 31, 2017, 2016 and 2015, MetLife, Inc. paid \$1.7 billion of dividends on its common stock. During the years ended December 31, 2017, 2016 and 2015, MetLife, Inc. paid dividends on its preferred stock of \$103 million, \$103 million, and \$116 million, respectively. See Note 15 of the Notes to the Consolidated Financial Statements for information regarding the calculation and timing of these dividend payments.

The declaration and payment of common stock dividends is subject to the discretion of our Board of Directors, and will depend on MetLife, Inc.'s financial condition, results of operations, cash requirements, future prospects, regulatory restrictions on the payment of dividends by MetLife, Inc.'s insurance subsidiaries and other factors deemed relevant by the Board. See Note 22 of the Notes to the Consolidated Financial Statements for information regarding a common stock dividend declared subsequent to December 31, 2017.

Preferred stock dividends are paid quarterly in accordance with the terms of MetLife, Inc.'s Floating Rate Non-Cumulative Preferred Stock, Series A. MetLife, Inc. paid dividends on its Series B preferred stock through the June 15, 2015 payment date. Dividends are paid semi-annually on MetLife, Inc.'s Series C preferred stock commencing December 15, 2015 and ending on June 15, 2020, and thereafter will be paid quarterly.

The payment of dividends is also subject to restrictions under the terms of our preferred stock and junior subordinated debentures in situations where we may be experiencing financial stress. See "Risk Factors — Capital-Related Risks — Legal and Regulatory Restrictions and Uncertainty and Restrictions Under the Terms of Certain of Our Securities May Prevent Us from Repurchasing Our Stock and Paying Dividends at the Level We Wish" and Note 15 of the Notes to the Consolidated Financial Statements.

Debt Repayments

See Notes 12 and 13 of the Notes to the Consolidated Financial Statements for further information on long-term and short-term debt and the collateral financing arrangement, respectively, including:

- During 2017, 2016 and 2015, following regulatory approval, MetLife Reinsurance Company of Charleston ("MRC"), a wholly-owned subsidiary of MetLife, Inc., repurchased and canceled \$153 million, \$68 million, and \$57 million, respectively, in aggregate principal amount of its surplus notes, which were reported in collateral financing arrangement on the consolidated balance sheet;
- In December 2017, MetLife, Inc. repaid at maturity its \$500 million 1.756% senior notes;
- In December 2017, MetLife, Inc. repaid at maturity its \$500 million 1.903% senior notes;
- In June 2016, MetLife, Inc. repaid at maturity its \$1.3 billion 6.750% senior notes; and
- In June 2015, MetLife, Inc. repaid at maturity its \$1.0 billion 5.000% senior notes.

Debt Repurchases

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for other securities, in open market purchases, privately negotiated transactions or otherwise. Any such repurchases or exchanges will be dependent upon several factors, including our liquidity requirements, contractual restrictions, general market conditions, and applicable regulatory, legal and accounting factors. Whether or not to repurchase any debt and the size and timing of any such repurchases will be determined at our discretion.

Support Agreements

MetLife, Inc. and several of its subsidiaries (each, an "Obligor") are parties to various capital support commitments and guarantees with subsidiaries. Under these arrangements, each Obligor, with respect to the applicable entity, has agreed to cause such entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations. We anticipate that in the event that these arrangements place demands upon us, there will be sufficient liquidity and capital to enable us to meet anticipated demands. See "— MetLife, Inc. — Liquidity and Capital Uses — Support Agreements."

Insurance Liabilities

Liabilities arising from our insurance activities primarily relate to benefit payments under various life insurance, property & casualty, annuity and group pension products, as well as payments for policy surrenders, withdrawals and loans. For annuity or deposit type products, surrender or lapse behavior differs somewhat by segment. In the MetLife Holdings segment, which includes individual annuities, lapses and surrenders tend to occur in the normal course of business. During the years ended December 31, 2017 and 2016, general account surrenders and withdrawals from annuity products were \$1.6 billion and \$1.5 billion, respectively. In the Retirement and Income Solutions business within the U.S. segment, which includes pension risk transfers, bank-owned life insurance and other fixed annuity contracts, as well as funding agreements and other capital market products, most of the products offered have fixed maturities or fairly predictable surrenders or withdrawals. With regard to the Retirement and Income Solutions business products that provide customers with limited rights to accelerate payments, as of December 31, 2017, there were funding agreements totaling \$114 million that could be put back to the Company.

Pledged Collateral

We pledge collateral to, and have collateral pledged to us by, counterparties in connection with our derivatives. At December 31, 2017 and 2016, we had received pledged cash collateral of \$5.0 billion and \$5.7 billion, respectively. At December 31, 2017 and 2016, we had pledged cash collateral of \$456 million and \$788 million, respectively. With respect to OTC-bilateral derivatives in a net liability position that have credit contingent provisions, a one-notch downgrade in the Company's credit or financial strength rating, as applicable, would have required \$15 million of additional collateral be provided to our counterparties as of December 31, 2017. See Note 9 of the Notes to the Consolidated Financial Statements for additional information about collateral pledged to us, collateral we pledge and derivatives subject to credit contingent provisions.

We pledge collateral and have had collateral pledged to us, and may be required from time to time to pledge additional collateral or be entitled to have additional collateral pledged to us, in connection with the collateral financing arrangement related to the reinsurance of closed block liabilities. See Note 13 of the Notes to the Consolidated Financial Statements.

We pledge collateral from time to time in connection with funding agreements. See Note 4 of the Notes to the Consolidated Financial Statements.

Securities Lending

We participate in a securities lending program whereby securities are loaned to third parties, primarily brokerage firms and commercial banks. We obtain collateral, usually cash, from the borrower, which must be returned to the borrower when the loaned securities are returned to us. Under our securities lending program, we were liable for cash collateral under our control of \$19.4 billion and \$20.1 billion at December 31, 2017 and 2016, respectively. Of these amounts, \$3.8 billion and \$4.5 billion at December 31, 2017 and 2016, respectively, were on open, meaning that the related loaned security could be returned to us on the next business day requiring the immediate return of cash collateral we hold. The estimated fair value of the securities on loan related to the cash collateral on open at December 31, 2017 was \$3.7 billion, all of which were U.S. government and agency securities which, if put to us, could be immediately sold to satisfy the cash requirement. See Note 8 of the Notes to the Consolidated Financial Statements.

Repurchase Agreements

We participate in short-term repurchase agreements whereby securities are loaned to unaffiliated financial institutions. We obtain collateral, usually cash, from the borrower, which must be returned to the borrower when the loaned securities are returned to us. Under these repurchase agreements, we were liable for cash collateral under our control of \$1.1 billion and \$102 million at December 31, 2017 and 2016, respectively. The estimated fair value of the securities on loan at December 31, 2017 was \$1.1 billion which were primarily U.S. government and agency securities which, if put to us, could be immediately sold to satisfy the cash requirement. See Note 8 of the Notes to the Consolidated Financial Statements.

Litigation

Putative or certified class action litigation and other litigation, and claims and assessments against us, in addition to those discussed elsewhere herein and those otherwise provided for on the consolidated financial statements, have arisen in the course of our business, including, but not limited to, in connection with our activities as an insurer, employer, investor, investment advisor, taxpayer and, formerly, a mortgage lending bank. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning our compliance with applicable insurance and other laws and regulations. See Note 20 of the Notes to the Consolidated Financial Statements.

We establish liabilities for litigation and regulatory loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. For material matters where a loss is believed to be reasonably possible but not probable, no accrual is made but we disclose the nature of the contingency and an aggregate estimate of the reasonably possible range of loss in excess of amounts accrued, when such an estimate can be made. It is not possible to predict or determine the ultimate outcome of all pending investigations and legal proceedings. In some of the matters referred to herein, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Although in light of these considerations, it is possible that an adverse outcome in certain cases could have a material adverse effect upon our financial position, based on information currently known by us, in our opinion, the outcome of such pending investigations and legal proceedings are not likely to have such an effect. However, given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on our consolidated net income or cash flows in particular quarterly or annual periods.

Acquisitions

Cash outflows for acquisitions and investments in strategic partnerships during the years ended December 31, 2017, 2016 and 2015 were \$211 million, \$0 and \$0, respectively.

Contractual Obligations

The following table summarizes our major contractual obligations at December 31, 2017:

	<u>Total</u>	<u>One Year or Less</u>	<u>More than One Year to Three Years</u>	<u>More than Three Years to Five Years</u>	<u>More than Five Years</u>
	(In millions)				
Insurance liabilities	\$ 298,966	\$ 20,761	\$ 16,084	\$ 15,627	\$ 246,494
Policyholder account balances	224,784	31,285	23,109	15,684	154,706
Payables for collateral under securities loaned and other transactions	25,723	25,723	—	—	—
Debt	36,153	2,659	3,569	3,689	26,236
Investment commitments	9,513	9,098	312	91	12
Operating leases	2,262	302	521	446	993
Other	18,258	17,856	11	—	391
Total	<u>\$ 615,659</u>	<u>\$ 107,684</u>	<u>\$ 43,606</u>	<u>\$ 35,537</u>	<u>\$ 428,832</u>

Insurance Liabilities

Insurance liabilities include future policy benefits, other policy-related balances, policyholder dividends payable and the policyholder dividend obligation, which are all reported on the consolidated balance sheet and are more fully described in Notes 1 and 4 of the Notes to the Consolidated Financial Statements. The amounts presented reflect future estimated cash payments and (i) are based on mortality, morbidity, lapse and other assumptions comparable with our experience and expectations of future payment patterns; and (ii) consider future premium receipts on current policies in-force. All estimated cash payments presented are undiscounted as to interest, net of estimated future premiums on in-force policies and gross of any reinsurance recoverable. Payment of amounts related to policyholder dividends left on deposit are projected based on assumptions of policyholder withdrawal activity. Because the exact timing and amount of the ultimate policyholder dividend obligation is subject to significant uncertainty and the amount of the policyholder dividend obligation is based upon a long-term projection of the performance of the closed block, we have reflected the obligation at the amount of the liability, if any, presented on the consolidated balance sheet in the more than five years category. Additionally, the more than five years category includes estimated payments due for periods extending for more than 100 years.

The sum of the estimated cash flows of \$299.0 billion exceeds the liability amounts of \$196.3 billion included on the consolidated balance sheet principally due to (i) the time value of money, which accounts for a substantial portion of the difference; (ii) differences in assumptions, most significantly mortality, between the date the liabilities were initially established and the current date; and (iii) liabilities related to accounting conventions, or which are not contractually due, which are excluded.

Actual cash payments may differ significantly from the liabilities as presented on the consolidated balance sheet and the estimated cash payments as presented due to differences between actual experience and the assumptions used in the establishment of these liabilities and the estimation of these cash payments.

For the majority of our insurance operations, estimated contractual obligations for future policy benefits and policyholder account balances, as presented, are derived from the annual asset adequacy analysis used to develop actuarial opinions of statutory reserve adequacy for state regulatory purposes. These cash flows are materially representative of the cash flows under GAAP. See “— Policyholder Account Balances.”

Policyholder Account Balances

See Notes 1 and 4 of the Notes to the Consolidated Financial Statements for a description of the components of policyholder account balances. See “— Insurance Liabilities” regarding the source and uncertainties associated with the estimation of the contractual obligations related to future policy benefits and policyholder account balances.

Amounts presented represent the estimated cash payments undiscounted as to interest and including assumptions related to the receipt of future premiums and deposits; withdrawals, including unscheduled or partial withdrawals; policy lapses; surrender charges; annuitization; mortality; future interest credited; policy loans and other contingent events as appropriate for the respective product type. Such estimated cash payments are also presented net of estimated future premiums on policies currently in-force and gross of any reinsurance recoverable. For obligations denominated in foreign currencies, cash payments have been estimated using current spot foreign currency rates.

The sum of the estimated cash flows of \$224.8 billion exceeds the liability amount of \$182.5 billion included on the consolidated balance sheet principally due to (i) the time value of money, which accounts for a substantial portion of the difference; (ii) differences in assumptions, between the date the liabilities were initially established and the current date; and (iii) liabilities related to accounting conventions, or which are not contractually due, which are excluded.

Payables for Collateral Under Securities Loaned and Other Transactions

We have accepted cash collateral in connection with securities lending and derivatives. As the securities lending transactions expire within the next year and the timing of the return of the derivatives collateral is uncertain, the return of the collateral has been included in the one year or less category in the table above. We also held non-cash collateral, which is not reflected as a liability on the consolidated balance sheet, of \$1.1 billion at December 31, 2017.

Debt

Amounts presented for debt include short-term debt, long-term debt, the collateral financing arrangement and junior subordinated debt securities, the total of which differs from the total of the corresponding amounts presented on the consolidated balance sheet as the amounts presented herein (i) do not include premiums or discounts upon issuance or purchase accounting fair value adjustments; (ii) include future interest on such obligations for the period from January 1, 2018 through maturity; and (iii) do not include long-term debt relating to CSEs at December 31, 2017 as such debt does not represent our contractual obligation. Future interest on variable rate debt was computed using prevailing rates at December 31, 2017 and, as such, does not consider the impact of future rate movements. Future interest on fixed rate debt was computed using the stated rate on the obligations for the period from January 1, 2018 through maturity, except with respect to junior subordinated debt which was computed using the stated rates through the scheduled redemption dates as it is our expectation that such obligations will be redeemed as scheduled. Inclusion of interest payments on junior subordinated debt securities through the final maturity dates would increase the contractual obligation by \$7.7 billion. Pursuant to the collateral financing arrangement, MetLife, Inc. may be required to deliver cash or pledge collateral to the unaffiliated financial institution. See Note 13 of the Notes to the Consolidated Financial Statements.

Investment Commitments

To enhance the return on our investment portfolio, we commit to lend funds under mortgage loans, bank credit facilities, bridge loans and private corporate bond investments and we commit to fund partnership investments. In the table above, the timing of the funding of mortgage loans and private corporate bond investments is based on the expiration dates of the corresponding commitments. As it relates to commitments to fund partnerships and bank credit facilities, we anticipate that these amounts could be invested any time over the next five years; however, as the timing of the fulfillment of the obligation cannot be predicted, such obligations are generally presented in the one year or less category. Commitments to fund bridge loans are short-term obligations and, as a result, are presented in the one year or less category. See Note 20 of the Notes to the Consolidated Financial Statements and “— Off-Balance Sheet Arrangements.”

Operating Leases

As a lessee, we have various operating leases, primarily for office space. Contractual provisions exist that could increase or accelerate those lease obligations presented, including various leases with early buyouts and/or escalation clauses. However, the impact of any such transactions would not be material to our financial position or results of operations. See Note 20 of the Notes to the Consolidated Financial Statements.

Other

Other obligations presented are principally comprised of amounts due under reinsurance agreements, payables related to securities purchased but not yet settled, securities sold short, accrued interest on debt obligations, estimated fair value of derivative obligations, deferred compensation arrangements, guaranty liabilities, and accruals and accounts payable due under contractual obligations, which are all reported in other liabilities on the consolidated balance sheet. If the timing of any of these other obligations is sufficiently uncertain, the amounts are included within the one year or less category. Items reported in other liabilities on the consolidated balance sheet that were excluded from the table represent accounting conventions or are not liabilities due under contractual obligations. Unrecognized tax benefits and related accrued interest totaling \$1.7 billion was excluded as the timing of payment cannot be reliably determined.

Separate account liabilities are excluded as they are fully funded by cash flows from the corresponding separate account assets and are set equal to the estimated fair value of separate account assets.

We also enter into agreements to purchase goods and services in the normal course of business; however, such amounts are excluded as these purchase obligations were not material to our consolidated results of operations or financial position at December 31, 2017.

Additionally, we have agreements in place for services we conduct, generally at cost, between subsidiaries relating to insurance, reinsurance, loans and capitalization. Intercompany transactions have been eliminated in consolidation. Intercompany transactions among insurance subsidiaries and affiliates have been approved by the appropriate insurance regulators as required.

MetLife, Inc.

Liquidity and Capital Management

Liquidity and capital are managed to preserve stable, reliable and cost-effective sources of cash to meet all current and future financial obligations and are provided by a variety of sources, including a portfolio of liquid assets, a diversified mix of short- and long-term funding sources from the wholesale financial markets and the ability to borrow through credit and committed facilities. Liquidity is monitored through the use of internal liquidity risk metrics, including the composition and level of the liquid asset portfolio, timing differences in short-term cash flow obligations, access to the financial markets for capital and debt transactions and exposure to contingent draws on MetLife, Inc.'s liquidity. MetLife, Inc. is an active participant in the global financial markets through which it obtains a significant amount of funding. These markets, which serve as cost-effective sources of funds, are critical components of MetLife, Inc.'s liquidity and capital management. Decisions to access these markets are based upon relative costs, prospective views of balance sheet growth and a targeted liquidity profile and capital structure. A disruption in the financial markets could limit MetLife, Inc.'s access to liquidity.

MetLife, Inc.'s ability to maintain regular access to competitively priced wholesale funds is fostered by its current credit ratings from the major credit rating agencies. We view our capital ratios, credit quality, stable and diverse earnings streams, diversity of liquidity sources and our liquidity monitoring procedures as critical to retaining such credit ratings. See “— The Company — Capital — Rating Agencies.”

Liquidity

For a summary of MetLife, Inc.'s liquidity, see “— The Company — Liquidity.”

Capital

For a summary of MetLife, Inc.'s capital, see “— The Company — Capital.” For further information regarding potential capital restrictions and limitations on MetLife, Inc. as a G-SII, see “Business — Regulation — International Regulation — Global Systemically Important Insurers.” See also “— The Company — Liquidity and Capital Uses — Common Stock Repurchases” and “— The Company — Liquidity and Capital Uses — Preferred Stock Repurchase” for information regarding MetLife, Inc.'s common and preferred stock repurchases, respectively.

Liquid Assets

At December 31, 2017 and 2016, MetLife, Inc. and other MetLife holding companies had \$5.7 billion and \$5.8 billion, respectively, in liquid assets. Of these amounts, \$4.1 billion and \$3.7 billion were held by MetLife, Inc. and \$1.6 billion and \$2.1 billion were held by other MetLife holding companies at December 31, 2017 and 2016, respectively. Liquid assets include cash and cash equivalents, short-term investments and publicly-traded securities excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include amounts received in connection with derivatives and a collateral financing arrangement.

Liquid assets held in non-U.S. holding companies are generated in part through dividends from non-U.S. insurance operations. Such dividends are subject to local insurance regulatory requirements, as discussed in “— Liquidity and Capital Sources — Dividends from Subsidiaries.” The cumulative earnings of certain active non-U.S. operations have historically been reinvested indefinitely in such non-U.S. operations. Following a post-Separation review of our capital needs in the third quarter of 2017, we expect to repatriate approximately \$3.0 billion of pre-2017 earnings in the future. As a result, in the third quarter of 2017, we recorded a \$444 million tax charge related to this future repatriation of pre-2017 earnings. This charge was partially offset by a \$264 million tax benefit associated with dividends from other non-U.S. operations, accordingly, the Company recorded a \$180 million net tax charge in the third quarter of 2017. The enactment of U.S. Tax Reform in the fourth quarter of 2017 moves the U.S. from a worldwide tax system to a participation exemption system by imposing a one-time transition tax on untaxed earnings of foreign subsidiaries by deeming those earnings to be repatriated. As a result, we recorded a \$170 million charge in the fourth quarter of 2017. Subsequent to 2017, we expect to repatriate future foreign earnings back to the U.S. with minimal or no additional U.S. tax. See further information in Note 18 of the Notes to the Consolidated Financial Statements and “— Risk Factors — Regulatory and Legal Risks— U.S. Tax Reform Could Have an Impact on Us.”

See “— Executive Summary — Consolidated Company Outlook,” for the targeted level of liquid assets at the holding companies.

MetLife, Inc. and Other MetLife Holding Companies Sources and Uses of Liquid Assets and Sources and Uses of Liquid Assets Included in Free Cash Flow

MetLife, Inc.'s sources and uses of liquid assets, as well as sources and uses of liquid assets included in free cash flow are summarized as follows.

	Year Ended December 31, 2017		Year Ended December 31, 2016		Year Ended December 31, 2015	
	Sources and Uses of Liquid Assets	Sources and Uses of Liquid Assets Included in Free Cash Flow	Sources and Uses of Liquid Assets	Sources and Uses of Liquid Assets Included in Free Cash Flow	Sources and Uses of Liquid Assets	Sources and Uses of Liquid Assets Included in Free Cash Flow
(In millions)						
MetLife, Inc. (Parent Company Only)						
Sources:						
Dividends and returns of capital from subsidiaries (1)	\$ 7,404	\$ 7,404	\$ 4,550	\$ 4,550	\$ 2,340	\$ 2,340
Long-term debt issued (2)	—	—	—	—	2,739	1,750
Repayments on and (issuances of) loans to subsidiaries and related interest, net (3)	—	—	—	—	383	383
Other, net (4)	107	4	120	(210)	755	795
Total sources	<u>7,511</u>	<u>7,408</u>	<u>4,670</u>	<u>4,340</u>	<u>6,217</u>	<u>5,268</u>
Uses:						
Capital contributions to subsidiaries (5)	339	124	1,733	1,733	667	667
Long-term debt repaid — unaffiliated	1,000	—	1,250	—	1,000	—
Interest paid on debt and financing arrangements — unaffiliated	980	980	983	983	965	965
Dividends on common stock	1,717	—	1,736	—	1,653	—
Treasury stock acquired in connection with share repurchases	2,927	—	372	—	1,930	—
Dividends on preferred stock	103	103	103	103	116	116
Issuances of and (repayments on) loans to subsidiaries and related interest, net (3)	33	33	99	99	—	—
Total uses	<u>7,099</u>	<u>1,240</u>	<u>6,276</u>	<u>2,918</u>	<u>6,331</u>	<u>1,748</u>
Net increase (decrease) in liquid assets, MetLife, Inc. (Parent Company Only)	412		(1,606)		(114)	
Liquid assets, beginning of year	3,683		5,289		5,403	
Liquid assets, end of year	<u>\$ 4,095</u>		<u>\$ 3,683</u>		<u>\$ 5,289</u>	
Free Cash Flow, MetLife, Inc. (Parent Company Only)		6,168		1,422		3,520
Net cash provided by operating activities, MetLife, Inc. (Parent Company Only)	<u>\$ 6,462</u>		<u>\$ 3,747</u>		<u>\$ 1,606</u>	
Other MetLife Holding Companies						
Sources:						
Dividends and returns of capital from subsidiaries	\$ 2,125	\$ 2,125	\$ 1,485	\$ 1,485	\$ 1,354	\$ 1,354
Capital contributions from MetLife, Inc.	—	—	—	—	150	150
Total sources	<u>2,125</u>	<u>2,125</u>	<u>1,485</u>	<u>1,485</u>	<u>1,504</u>	<u>1,504</u>
Uses:						
Capital contributions to subsidiaries	12	12	53	53	27	27
Repayments on and (issuance of) loans to subsidiaries and affiliates and related interest, net	6	6	307	307	510	510
Dividends and returns of capital to MetLife, Inc.	2,200	2,200	—	—	—	—
Other, net	408	408	123	123	506	506
Total uses	<u>2,626</u>	<u>2,626</u>	<u>483</u>	<u>483</u>	<u>1,043</u>	<u>1,043</u>
Net increase (decrease) in liquid assets, Other MetLife Holding Companies	(501)		1,002		461	
Liquid assets, beginning of year	2,144		1,142		681	
Liquid assets, end of year	<u>\$ 1,643</u>		<u>\$ 2,144</u>		<u>\$ 1,142</u>	
Free Cash Flow, Other MetLife Holding Companies		(501)		1,002		461
Net increase (decrease) in liquid assets, All Holding Companies	<u>\$ (89)</u>		<u>\$ (604)</u>		<u>\$ 347</u>	
Free Cash Flow, All Holding Companies (6) (7)		<u>\$ 5,667</u>		<u>\$ 2,424</u>		<u>\$ 3,981</u>

- (1) Dividends and returns of capital to MetLife, Inc. included \$5.2 billion, \$4.6 billion and \$2.3 billion from operating subsidiaries and \$2.2 billion, \$0 and \$0 from other MetLife holding companies during the years ended December 31, 2017, 2016 and 2015, respectively. Included in dividends and returns of capital to MetLife, Inc. above are the following which increased MetLife, Inc. liquid assets and free cash flow: dividends from Brighthouse subsidiaries, of \$1.8 billion, \$556 million and \$500 million, and returns of capital from Brighthouse subsidiaries of \$590 million, \$0 and \$0, during the years ended December 31, 2017, 2016 and 2015, respectively. Also, includes \$49 million from the June 2017, issuance by Brighthouse Holdings, LLC of 50,000 units of 6.50% fixed rate cumulative preferred units to MetLife, Inc. and in turn MetLife, Inc. sold the preferred units to third-party investors.
- (2) Included in free cash flow is the portion of long-term debt issued that represents incremental debt to be at or below target leverage ratios.
- (3) See MetLife, Inc. (Parent Company Only) Condensed Statements of Cash Flows included in Schedule II of the Financial Statement Schedules for the source of liquid assets from receipts on loans to subsidiaries (excluding interest) and for the use of liquid assets for the issuances of loans to subsidiaries (excluding interest).
- (4) Other, net includes \$860 million, \$433 million and \$171 million of net receipts by MetLife, Inc. to and from subsidiaries under a tax sharing agreement and tax payments to tax agencies during the years ended December 31, 2017, 2016 and 2015, respectively.
- (5) Amounts to fund business acquisitions were \$215 million, \$0 and \$0 (included in capital contributions to subsidiaries) during the years ended December 31, 2017, 2016 and 2015, respectively.
- (6) In 2017, \$2.1 billion of Separation-related items (comprised of certain Separation-related inflows primarily related to dividends from Brighthouse, net of outflows) were included in free cash flow, which increased our holding companies' liquid assets, as well as our free cash flow. Excluding these Separation-related items, adjusted free cash flow would be \$3.6 billion for the year ended December 31, 2017. In 2016, we incurred \$2.3 billion of Separation-related items (comprised of certain Separation-related outflows, net of inflows related to dividends from Brighthouse subsidiaries) which reduced our holding companies' liquid assets, as well as our free cash flow. Excluding these Separation-related items, adjusted free cash flow would be \$4.7 billion for the year ended December 31, 2016.
- (7) See “— Non-GAAP and Other Financial Disclosures” for the reconciliation of net cash provided by operating activities of MetLife, Inc. to free cash flow of all holding companies.

Sources and Uses of Liquid Assets of MetLife, Inc.

The primary sources of MetLife, Inc.'s liquid assets are dividends and returns of capital from subsidiaries, issuances of long-term debt, issuance of common or preferred stock, and net receipts from subsidiaries under a tax sharing agreement. MetLife, Inc.'s insurance subsidiaries are subject to regulatory restrictions on the payment of dividends imposed by the regulators of their respective domiciles. See “— Liquidity and Capital Sources — Dividends from Subsidiaries.”

The primary uses of MetLife, Inc.'s liquid assets are principal and interest payments on long-term debt, dividends on or repurchases of common and preferred stock, capital contributions to subsidiaries, funding of business acquisitions, income taxes and operating expenses. MetLife, Inc. is party to various capital support commitments and guarantees with certain of its subsidiaries. See “— Liquidity and Capital Uses — Support Agreements.”

In addition, MetLife, Inc. issues loans to subsidiaries or subsidiaries issue loans to MetLife, Inc. Accordingly, changes in MetLife, Inc. liquid assets include issuances of loans to subsidiaries, proceeds of loans from subsidiaries and the related repayment of principal and payment of interest on such loans. See “— Liquidity and Capital Sources — Long-term Debt Issued — Maturities and Issuances of Affiliated Long-term Debt” and “— Liquidity and Capital Uses — Affiliated Capital and Debt Transactions.”

Sources and Uses of Liquid Assets of Other MetLife Holding Companies

The primary sources of liquid assets of other MetLife holding companies are dividends, returns of capital and remittances from their subsidiaries and branches, principally non-U.S. insurance companies; capital contributions received; receipts of principal and interest on loans to subsidiaries and affiliates and borrowings from subsidiaries and affiliates. MetLife, Inc.'s non-U.S. operations are subject to regulatory restrictions on the payment of dividends imposed by local regulators. See “— Liquidity and Capital Sources — Dividends from Subsidiaries.”

The primary uses of liquid assets of other MetLife holding companies are capital contributions paid to their subsidiaries and branches, principally non-U.S. insurance companies; loans to subsidiaries and affiliates; principal and interest paid on loans from subsidiaries and affiliates; dividends and returns of capital to MetLife, Inc. and the following items, which are reported within other, net: business acquisitions; and operating expenses. There were no uses of liquid assets of other MetLife holding companies to fund business acquisitions during the years ended December 31, 2017, 2016, or 2015.

Liquidity and Capital Sources

In addition to the description of liquidity and capital sources in “— The Company — Summary of the Company’s Primary Sources and Uses of Liquidity and Capital” and “— The Company — Liquidity and Capital Sources” the following additional information is provided regarding MetLife, Inc.’s primary sources of liquidity and capital.

Dividends from Subsidiaries

MetLife, Inc. relies, in part, on dividends from its subsidiaries to meet its cash requirements. MetLife, Inc.’s insurance subsidiaries are subject to regulatory restrictions on the payment of dividends imposed by the regulators of their respective domiciles. The dividend limitation for U.S. insurance subsidiaries is generally based on the surplus to policyholders at the end of the immediately preceding calendar year and statutory net gain from operations for the immediately preceding calendar year. Statutory accounting practices, as prescribed by insurance regulators of various states in which we conduct business, differ in certain respects from accounting principles used in financial statements prepared in conformity with GAAP. The significant differences relate to the treatment of DAC, certain deferred income tax, required investment liabilities, statutory reserve calculation assumptions, goodwill and surplus notes.

The table below sets forth the dividends permitted to be paid by MetLife, Inc.’s primary insurance subsidiaries without insurance regulatory approval and the respective dividends paid:

Company	2018	2017		2016		2015	
	Permitted Without Approval (1)	Paid (2)	Permitted Without Approval (3)	Paid (2)	Permitted Without Approval (3)	Paid (2)	Permitted Without Approval (3)
(In millions)							
Metropolitan Life Insurance Company (4)	\$ 3,075	\$ 2,523	\$ 2,723	\$ 5,740 (5)	\$ 3,753	\$ 1,489	\$ 1,200
American Life Insurance Company	\$ —	\$ 2,200 (6)	\$ —	\$ —	\$ —	\$ —	\$ —
Brighthouse Life Insurance Company	N/A	\$ —	\$ 473 (7)	\$ 261	\$ 586	\$ 500	\$ 3,056
Metropolitan Property and Casualty Insurance Company	\$ 125	\$ 185	\$ 98	\$ 228	\$ 130	\$ 235	\$ 239
Metropolitan Tower Life Insurance Company	\$ 73	\$ —	\$ 66	\$ 60	\$ 70	\$ 102	\$ 102
New England Life Insurance Company	N/A	\$ —	\$ 106 (7)	\$ 295 (8)	\$ 156	\$ 199 (9)	\$ 199
General American Life Insurance Company	\$ 118	\$ 1	\$ 91	\$ —	\$ 136	\$ —	\$ 88

- (1) Reflects dividend amounts that may be paid during 2018 without prior regulatory approval. However, because dividend tests may be based on dividends previously paid over rolling 12-month periods, if paid before a specified date during 2018, some or all of such dividends may require regulatory approval. See also note (7) below regarding the impact of the Separation on the dividends permitted to be paid by Brighthouse Insurance and New England Life Insurance Company (“NELICO”).
- (2) Reflects all amounts paid, including those requiring regulatory approval.
- (3) Reflects dividend amounts that could have been paid during the relevant year without prior regulatory approval.
- (4) The New York Insurance Law was amended, permitting MLIC to pay dividends without prior regulatory approval under one of two alternative formulations beginning in 2016. See Note 15 of the Notes to the Consolidated Financial Statements. The dividend amounts that MLIC was permitted to pay starting in 2016 and going forward were calculated using the new formulation.

- (5) In 2016, MLIC paid an ordinary cash dividend to MetLife, Inc. in the amount of \$3.6 billion. In addition, in December 2016, MLIC distributed all of the issued and outstanding shares of common stock of each of NELICO and GALIC to MetLife, Inc. in the form of a non-cash extraordinary dividend in the amount of \$981 million and \$1.2 billion, respectively, as calculated on a statutory basis.
- (6) Represents an extraordinary dividend.
- (7) Effective April 28, 2017 in connection with the Separation, MetLife, Inc. contributed all of the issued and outstanding shares of common stock of each of Brighthouse Insurance and NELICO to Brighthouse Holdings, LLC. As a result of the Separation, Brighthouse Insurance and NELICO ceased to be subsidiaries of MetLife, Inc. Accordingly, MetLife, Inc. will no longer receive dividends from Brighthouse Insurance or NELICO after the Separation. See Note 3 of the Notes to the Consolidated Financial Statements.
- (8) Represents an extraordinary dividend paid by NELICO in 2016 to MetLife, Inc.
- (9) Dividends paid by NELICO in 2015 were paid to its former parent, MLIC.

In addition to the amounts presented in the table above, on August 3, 2017, Brighthouse Financial, Inc. paid a cash dividend to MetLife, Inc. of \$1.8 billion in connection with the Separation. For the years ended December 31, 2017, 2016 and 2015, MetLife, Inc. also received cash payments of \$39 million, \$26 million and \$9 million, respectively, representing dividends from non-Brighthouse subsidiaries. Additionally, for the year ended December 31, 2017, MetLife, Inc. received cash returns of capital of \$610 million from certain subsidiaries, including \$590 million from MRSC in connection with the Separation. For the years ended December 31, 2016 and 2015, MetLife, Inc. received cash of \$80 million and \$5 million, respectively, representing returns of capital from certain subsidiaries. See Note 3 of the Notes to the Consolidated Financial Statements.

The dividend capacity of our non-U.S. operations is subject to similar restrictions established by the local regulators. The non-U.S. regulatory regimes also commonly limit dividend payments to the parent company to a portion of the subsidiary's prior year statutory income, as determined by the local accounting principles. The regulators of our non-U.S. operations, including the FSA, may also limit or not permit profit repatriations or other transfers of funds to the U.S. if such transfers are deemed to be detrimental to the solvency or financial strength of the non-U.S. operations, or for other reasons. Most of our non-U.S. subsidiaries are second tier subsidiaries which are owned by various non-U.S. holding companies. The capital and rating considerations applicable to our first tier subsidiaries may also impact the dividend flow into MetLife, Inc.

We proactively manage target and excess capital levels and dividend flows and forecast local capital positions as part of the financial planning cycle. The dividend capacity of certain U.S. and non-U.S. subsidiaries is also subject to business targets in excess of the minimum capital necessary to maintain the desired rating or level of financial strength in the relevant market. See "Risk Factors — Capital-Related Risks — As a Holding Company, MetLife, Inc. Depends on the Ability of Its Subsidiaries to Pay Dividends, a Major Component of Holding Company Free Cash Flow" and Note 15 of the Notes to the Consolidated Financial Statements.

Short-term Debt

MetLife, Inc. maintains a commercial paper program, the proceeds of which can be used to finance the general liquidity needs of MetLife, Inc. and its subsidiaries. MetLife, Inc. had no short-term debt outstanding at either December 31, 2017 or 2016.

Preferred Stock

For information on MetLife, Inc.'s preferred stock, see "— The Company — Liquidity and Capital Sources — Global Funding Sources — Preferred Stock."

Long-term Debt Issued

For information on MetLife, Inc.'s unaffiliated long-term debt issued, see "— The Company — Liquidity and Capital Sources — Global Funding Sources — Long-term Debt Issued."

Maturities and Issuances of Affiliated Long-term Debt

In September 2016, a \$250 million senior note issued to MLIC matured and, subsequently, in September 2016 MetLife, Inc. issued a new \$250 million senior note to MLIC. The note matures in September 2020 and bears interest at a rate per annum of 3.03%, payable semi-annually.

Collateral Financing Arrangement and Junior Subordinated Debt Securities

For information on MetLife, Inc.’s collateral financing arrangement and junior subordinated debt securities, see Notes 13 and 14 of the Notes to the Consolidated Financial Statements, respectively and Note 5 in Schedule II of the Notes to the MetLife, Inc. (Parent Company Only) Condensed Financial Information.

Credit and Committed Facilities

The committed facilities are used as collateral for certain of the Company’s affiliated reinsurance liabilities. MetLife, Inc. maintains a committed facility with a capacity of \$395 million. At December 31, 2017, MetLife, Inc. had outstanding under this facility \$395 million in letters of credit, no drawdowns outstanding and no remaining availability. In addition, MetLife, Inc. is a party and/or guarantor to committed facilities of certain of its subsidiaries, which aggregated \$3.3 billion at December 31, 2017. See Note 3 of the Notes to the Consolidated Financial Statements for discussion of reductions in the committed facilities totaling \$7.8 billion in April 2017 in connection with the Separation.

See “— The Company — Liquidity and Capital Sources — Global Funding Sources — Credit and Committed Facilities,” as well as Note 12 of the Notes to the Consolidated Financial Statements, for further information regarding the unsecured revolving credit facility and these committed facilities.

In June 2016, MetLife, Inc. entered into a five-year agreement with an indirect wholly-owned subsidiary, MetLife Ireland Treasury d.a.c. (formerly known as MetLife Ireland Treasury Limited) (“MIT”), to borrow up to \$1.3 billion on a revolving basis, at interest rates based on the United States Internal Revenue Service’s safe harbor interest rate in effect at the time of the borrowing. MetLife, Inc. may borrow funds under the agreement at MIT’s discretion and subject to the availability of funds. There were no outstanding borrowings at December 31, 2017.

Long-term Debt Outstanding

The following table summarizes the outstanding long-term debt of MetLife, Inc. at:

	December 31,	
	2017	2016
	(In millions)	
Long-term debt — unaffiliated	\$ 14,599	\$ 15,505
Long-term debt — affiliated (1)	\$ 2,000	\$ 3,100
Collateral financing arrangement (2)	\$ —	\$ 2,797
Junior subordinated debt securities (3)	\$ 2,454	\$ 1,734

- (1) On April 28, 2017, in connection with the Separation, MetLife, Inc. repaid \$750 million and \$350 million of senior notes to MetLife Reinsurance Company of Delaware (“MRD”) due September 2032 and December 2033, respectively, in an exchange transaction. The \$750 million senior note bore interest at a fixed rate of 4.21% and the \$350 million senior note bore interest at a fixed rate of 5.10%. Simultaneously, MRD repaid \$750 million and \$350 million of surplus notes to MetLife, Inc. See “— Liquidity and Capital Uses — Affiliated Capital and Debt Transactions.”
- (2) See Note 3 of the Notes to the Consolidated Financial Statements for discussion of a \$2.8 billion repayment on the MRSC collateral financing agreement liability in April 2017 in connection with the Separation, utilizing assets held in trust.
- (3) See “— Liquidity and Capital Uses — Affiliated Capital and Debt Transactions” for discussion of a \$750 million junior subordinated debt securities exchange. Also see Note 5 in Schedule II of the Notes to the MetLife, Inc. (Parent Company Only) Condensed Financial Information for information regarding the Junior Subordinated Debt Securities exchange transaction in February 2017.

Debt and Facility Covenants

Certain of MetLife, Inc.’s debt instruments and committed facilities, as well as its unsecured revolving credit facility, contain various administrative, reporting, legal and financial covenants. MetLife, Inc. believes it was in compliance with all applicable covenants at December 31, 2017.

Dispositions

Cash proceeds from dispositions during the years ended December 31, 2017, 2016 and 2015 were \$0, \$291 million, and \$0, respectively. See Note 3 of the Notes to the Consolidated Financial Statements.

Liquidity and Capital Uses

The primary uses of liquidity of MetLife, Inc. include debt service, cash dividends on common and preferred stock, capital contributions to subsidiaries, common and preferred stock repurchases, payment of general operating expenses and acquisitions. Based on our analysis and comparison of our current and future cash inflows from the dividends we receive from subsidiaries that are permitted to be paid without prior insurance regulatory approval, our investment portfolio and other cash flows and anticipated access to the capital markets, we believe there will be sufficient liquidity and capital to enable MetLife, Inc. to make payments on debt, pay cash dividends on its common and preferred stock, contribute capital to its subsidiaries, repurchase its common and preferred stock, pay all general operating expenses and meet its cash needs.

In addition to the description of liquidity and capital uses in “— The Company — Liquidity and Capital Uses” and “— The Company — Contractual Obligations” the following additional information is provided regarding MetLife, Inc.’s primary uses of liquidity and capital:

Affiliated Capital and Debt Transactions

During the year ended December 31, 2017, MetLife, Inc. invested a net amount of \$729 million in various non-Brighthouse subsidiaries. During the years ended December 31, 2016 and 2015, MetLife, Inc. invested a net amount of \$1.5 billion and \$88 million, respectively, in various subsidiaries. The investment in 2016 included a cash capital contribution of \$1.5 billion to Brighthouse Insurance in connection with the Separation.

MetLife, Inc. lends funds, as necessary, to its subsidiaries and affiliates, some of which are regulated, to meet their capital requirements. MetLife, Inc. had loans to subsidiaries outstanding of \$100 million and \$1.2 billion at December 31, 2017 and 2016, respectively.

In April 2017, in connection with the Separation, MRD repaid \$750 million and \$350 million surplus notes to MetLife, Inc., in an exchange transaction. The \$750 million surplus note bore interest at a fixed rate of 5.13% and the \$350 million surplus note bore interest at a fixed rate of 6.00%, both payable semi-annually. Simultaneously, MetLife, Inc. repaid \$750 million and \$350 million senior notes to MRD.

In February 2017, MetLife, Inc. exchanged \$750 million aggregate principal amount of its 9.250% Fixed-to-Floating Rate Junior Subordinated Debentures due 2068 for \$750 million aggregate liquidation preference of the 9.250% Fixed-to-Floating Rate Exchangeable Surplus Trust Securities of MetLife Capital Trust X (the “Trust”). As a result of the exchange, MetLife, Inc. became the sole beneficial owner of the Trust, a special purpose entity which issued the exchangeable surplus trust securities to third-party investors. In March 2017, MetLife, Inc. dissolved the Trust and became the direct holder of \$750 million 8.595% surplus notes previously held by the Trust that were issued by Brighthouse Insurance. See Note 14 of the Notes to the Consolidated Financial Statements. In June 2017, MetLife, Inc. forgave Brighthouse Insurance’s obligation to pay the principal amount of such surplus notes. This transaction, which was a non-cash capital contribution to Brighthouse Holdings, LLC, and a corresponding non-cash capital contribution to Brighthouse Insurance, had no impact on the consolidated financial statements of MetLife, Inc. as of the date of the transaction.

In April 2016, American Life issued a \$140 million short-term note to MetLife, Inc. which was repaid in June 2016. The short-term note bore interest at six-month LIBOR plus 1.00%.

In May 2015, American Life issued a \$150 million short-term note to MetLife, Inc. which was repaid in June 2015. The short-term note bore interest at six-month LIBOR plus 1.00%.

In April 2015, American Life issued a \$150 million short-term note to MetLife, Inc. which was repaid in May 2015. The short-term note bore interest at six-month LIBOR plus 0.875%.

In July 2013, MIT borrowed the Chilean peso equivalent of \$1.5 billion from MetLife, Inc., which was due July 2023. The loan bore interest at a fixed rate of 8.5%, payable annually. In December, September and June 2015, MIT made loan payments of the Chilean peso equivalent of \$77 million, \$153 million and \$231 million, respectively. At December 31, 2015, the loan was fully paid.

Debt Repayments

For information on MetLife, Inc.’s debt repayments, see “— The Company — Liquidity and Capital Uses — Debt Repayments.” MetLife, Inc. intends to repay or refinance, in whole or in part, all the debt that is due in 2018.

Repayments of Affiliated Long-term Debt

In April 2017, in connection with the Separation, MetLife, Inc. in an exchange transaction repaid \$750 million and \$350 million of senior notes to MRD due September 2032 and December 2033, respectively. The \$750 million senior note bore interest at a fixed rate of 4.21% and the \$350 million senior note bore interest at a fixed rate of 5.10%. Simultaneously, MRD repaid \$750 million and \$350 million of surplus notes to MetLife, Inc.

In June 2016, March 2016 and December 2015, MetLife, Inc. repaid \$204 million, \$10 million and \$286 million, respectively, of affiliated long-term debt to MetLife Exchange Trust I, at maturity, in exchange for returns of capital. The long-term notes bore interest at three-month LIBOR plus 0.70%.

Maturities of Senior Notes

The following table summarizes MetLife, Inc.’s outstanding senior notes by year of maturity through 2022 and 2023 to 2046, excluding any premium or discount and unamortized issuance costs, at December 31, 2017:

Year of Maturity	Principal (In millions)	Interest Rate
2018	\$ 1,035	6.82%
2019	\$ 1,035	7.72%
2019	\$ 500	3.54%
2019	\$ 250	3.57%
2020	\$ 541	5.25%
2020	\$ 250	3.03%
2021	\$ 1,000	4.75%
2021	\$ 500	5.64%
2021	\$ 500	5.86%
2022	\$ 500	3.05%
2023 - 2046	\$ 10,574	Ranging from 3.00% - 6.50%

Support Agreements

MetLife, Inc. is party to various capital support commitments and guarantees with certain of its subsidiaries. Under these arrangements, MetLife, Inc. has agreed to cause each such entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations. See “— The Company — Liquidity and Capital Uses — Support Agreements.”

MetLife, Inc. guarantees the obligations of its subsidiary, DelAm, under a stop loss reinsurance agreement with RGA Reinsurance (Barbados) Inc. (“RGARe”), pursuant to which RGARe retrocedes to DelAm a portion of the whole life medical insurance business that RGARe assumed from American Life on behalf of its Japan operations. Also, MetLife, Inc. guarantees the obligations of its subsidiary, Missouri Reinsurance, Inc. (“MoRe”), under a retrocession agreement with RGARe, pursuant to which MoRe retrocedes a portion of the closed block liabilities associated with industrial life and ordinary life insurance policies that it assumed from MLIC.

MetLife, Inc. guarantees the obligations of MetLife Reinsurance Company of Bermuda, Ltd. (“MrB”), a Bermuda insurance affiliate and an indirect, wholly-owned subsidiary of MetLife, Inc. under a reinsurance agreement with Mitsui Sumitomo Primary Life Insurance Co., Ltd. (“Mitsui”), a former affiliate that is now an unaffiliated third party, under which MrB reinsures certain variable annuity business written by Mitsui.

MetLife, Inc. guarantees the obligations of MrB in an aggregate amount up to \$1.0 billion, under a reinsurance agreement with MetLife Europe d.a.c. (“MEL”) (formerly known as MetLife Europe Limited), under which MrB reinsured the guaranteed living benefits and guaranteed death benefits associated with certain unit-linked annuity contracts issued by MEL.

MetLife, Inc., in connection with MetLife Reinsurance Company of Vermont (“MRV”) reinsurance of certain universal life and term life insurance risks, committed to the Vermont Department of Banking, Insurance, Securities and Health Care Administration to take necessary action to cause the two protected cells of MRV to maintain total adjusted capital in an amount that is equal to or greater than 200% of each such protected cell’s authorized control level RBC, as defined in Vermont state insurance statutes. See Note 12 of the Notes to the Consolidated Financial Statements.

MetLife, Inc., in connection with the collateral financing arrangement associated with MRC’s reinsurance of a portion of the liabilities associated with the closed block, committed to the South Carolina Department of Insurance to make capital contributions, if necessary, to MRC so that MRC may at all times maintain its total adjusted capital in an amount that is equal to or greater than 200% of the company action level RBC, as defined in South Carolina state insurance statutes as in effect on the date of determination or December 31, 2007, whichever calculation produces the greater capital requirement, or as otherwise required by the South Carolina Department of Insurance. See Note 13 of the Notes to the Consolidated Financial Statements.

MetLife, Inc. guarantees obligations arising from derivatives of the following subsidiaries: MrB, MetLife International Holdings, LLC and MetLife Worldwide Holdings, LLC. These subsidiaries are exposed to various risks relating to their ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. These subsidiaries use a variety of strategies to manage these risks, including the use of derivatives. Further, all of the subsidiaries’ derivatives are subject to industry standard netting agreements and collateral agreements that limit the unsecured portion of any open derivative position. On a net counterparty basis at December 31, 2017 and 2016, derivative transactions with positive mark-to-market values (in-the-money) were \$515 million and \$495 million, respectively, and derivative transactions with negative mark-to-market values (out-of-the-money) were \$126 million and \$237 million, respectively. To secure the obligations represented by the out of-the-money transactions, the subsidiaries had provided collateral to their counterparties with an estimated fair value of \$114 million and \$233 million at December 31, 2017 and 2016, respectively. Accordingly, unsecured derivative liabilities guaranteed by MetLife, Inc. were \$12 million and \$4 million at December 31, 2017 and 2016, respectively.

MetLife, Inc. also guarantees the obligations of certain of its subsidiaries under committed facilities with third-party banks. See Note 12 of the Notes to the Consolidated Financial Statements.

Acquisitions

Cash outflows for acquisitions during the year ended December 31, 2017 were \$211 million. There were no cash outflows from MetLife, Inc. for acquisitions during either of the years ended December 31, 2016 or 2015.

Adoption of New Accounting Pronouncements

See Note 1 of the Notes to the Consolidated Financial Statements.

Future Adoption of New Accounting Pronouncements

See Note 1 of the Notes to the Consolidated Financial Statements.

Non-GAAP and Other Financial Disclosures

In this report, the Company presents certain measures of its performance that are not calculated in accordance with GAAP. We believe that these non-GAAP financial measures enhance the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of our business.

The following non-GAAP financial measures should not be viewed as substitutes for the most directly comparable financial measures calculated in accordance with GAAP:

Non-GAAP financial measures:	Comparable GAAP financial measures:
(i) adjusted revenues	(i) revenues
(ii) adjusted expenses	(ii) expenses
(iii) adjusted earnings	(iii) income (loss) from continuing operations, net of income tax
(iv) adjusted earnings available to common shareholders	(iv) net income (loss) available to MetLife, Inc.’s common shareholders
(v) free cash flow of all holding companies	(v) MetLife, Inc.’s net cash provided by operating activities

Reconciliations of these non-GAAP measures to the most directly comparable historical GAAP measures are included in this section and the results of operations, see “— Results of Operations.” Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures is not accessible on a forward-looking basis because we believe it is not possible without unreasonable efforts to provide other than a range of net investment gains and losses and net derivative gains and losses, which can fluctuate significantly within or outside the range and from period to period and may have a material impact on net income. These “adjusted” non-GAAP financial measures were formerly referred to as “operating” non-GAAP financial measures.

Our definitions of the various non-GAAP and other financial measures discussed in this report may differ from those used by other companies:

Adjusted earnings and related measures:

- adjusted earnings; and
- adjusted earnings available to common shareholders.

These measures are used by management to evaluate performance and allocate resources. Consistent with GAAP guidance for segment reporting, adjusted earnings is also our GAAP measure of segment performance. Adjusted earnings and other financial measures based on adjusted earnings are also the measures by which senior management’s and many other employees’ performance is evaluated for the purposes of determining their compensation under applicable compensation plans. Adjusted earnings and other financial measures based on adjusted earnings allow analysis of our performance relative to our business plan and facilitate comparisons to industry results.

Adjusted earnings is defined as adjusted revenues less adjusted expenses, both net of income tax. Adjusted earnings available to common shareholders is defined as adjusted earnings less preferred stock dividends.

Adjusted revenues and adjusted expenses

These financial measures focus on our primary businesses principally by excluding the impact of market volatility, which could distort trends, and revenues and costs related to non-core products and certain entities required to be consolidated under GAAP. Also, these measures exclude results of discontinued operations under GAAP and other businesses that have been or will be sold or exited by MetLife but do not meet the discontinued operations criteria under GAAP and are referred to as divested businesses. Divested businesses also includes the net impact of transactions with exited businesses that have been eliminated in consolidation under GAAP and costs relating to businesses that have been or will be sold or exited by MetLife that do not meet the criteria to be included in results of discontinued operations under GAAP. In addition, for the year ended December 31, 2016, adjusted revenues and adjusted expenses exclude the financial impact of converting the Company’s Japan operations to calendar year-end reporting without retrospective application of this change to prior periods and is referred to as lag elimination. Adjusted revenues also excludes net investment gains (losses) and net derivative gains (losses). Adjusted expenses also excludes goodwill impairments.

The following additional adjustments are made to revenues, in the line items indicated, in calculating adjusted revenues:

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

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

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

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

The tax impact of the adjustments mentioned above are calculated net of the U.S. or foreign statutory tax rate, which could differ from the Company’s effective tax rate. Additionally, the provision for income tax (expense) benefit also includes the impact related to the timing of certain tax credits, as well as certain tax reforms.

Return on equity, allocated equity and related measures:

- MetLife, Inc.’s common stockholders’ equity, excluding AOCI other than FCTA, is defined as MetLife, Inc.’s common stockholders’ equity, excluding the net unrealized investment gains (losses) and defined benefit plans adjustment components of AOCI, net of income tax.
- Adjusted ROE is defined as adjusted earnings available to common shareholders, divided by average GAAP common stockholders’ equity.
- Adjusted ROE, excluding AOCI other than FCTA, is defined as adjusted earnings available to common shareholders divided by average GAAP common stockholders’ equity, excluding AOCI other than FCTA.
- Allocated equity is the portion of MetLife, Inc.’s common stockholders’ equity that management allocates to each of its segments and sub-segments based on local capital requirements and economic capital. See “— Economic Capital.” Allocated equity excludes the impact of AOCI other than FCTA.

The above measures represent a level of equity consistent with the view that, in the ordinary course of business, we do not plan to sell most investments for the sole purpose of realizing gains or losses. Also refer to the utilization of adjusted earnings and other financial measures based on adjusted earnings mentioned above.

The following additional information is relevant to an understanding of our performance results:

- The impact of changes in our foreign currency exchange rates is calculated using the average foreign currency exchange rates for the current period and is applied to each of the comparable periods (“Constant Currency Basis”).
- We sometimes refer to sales activity for various products. These sales statistics do not correspond to revenues under GAAP, but are used as relevant measures of business activity. Further, sales statistics for our Latin America, Asia and EMEA segments are on a Constant Currency Basis.
- Asymmetrical and non-economic accounting refers to: (i) the portion of net derivative gains (losses) on embedded derivatives attributable to the inclusion of our credit spreads in the liability valuations, (ii) hedging activity that generates net derivative gains (losses) and creates fluctuations in net income because hedge accounting cannot be achieved and the item being hedged does not have an offsetting gain or loss recognized in earnings, (iii) inflation-indexed benefit adjustments associated with contracts backed by inflation-indexed investments and amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and other pass through adjustments, and (iv) impact of changes in foreign currency exchange rates on the re-measurement of foreign denominated unhedged funding agreements and financing transactions to the U.S. dollar and the re-measurement of certain liabilities from non-functional currencies to functional currencies. We believe that excluding the impact of asymmetrical and non-economic accounting from total GAAP results enhances investor understanding of our performance by disclosing how these accounting practices affect reported GAAP results.
- The Company uses a measure of free cash flow to facilitate an understanding of its ability to generate cash for reinvestment into its businesses or use in non-mandatory capital actions. The Company defines free cash flow as the sum of cash available at MetLife’s holding companies from dividends from operating subsidiaries, expenses and other net flows of the holding companies (including capital contributions to subsidiaries), and net contributions from debt to be at or below target leverage ratios. This measure of free cash flow is prior to capital actions, such as common stock dividends and repurchases, debt reduction and mergers and acquisitions. Free cash flow should not be viewed as a substitute for net cash provided by (used in) operating activities calculated in accordance with GAAP. The free cash flow ratio is typically expressed as a percentage of annual adjusted earnings available to common shareholders. A reconciliation of net cash provided by operating activities of MetLife, Inc. to free cash flow of all holding companies for the years ended December 31, 2017, 2016 and 2015 is provided below.

Reconciliation of Net Cash Provided by Operating Activities of MetLife, Inc. to Free Cash Flow of All Holding Companies

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
MetLife, Inc. (parent company only) net cash provided by operating activities	\$ 6,462	\$ 3,747	\$ 1,606
Adjustments from net cash provided by operating activities to free cash flow:			
Add: Incremental debt to be at or below target leverage ratios	—	—	1,750
Add: Capital contributions to subsidiaries	(124)	(1,733)	(667)
Add: Returns of capital from subsidiaries	610	80	5
Add: Repayments on and (issuances of) loans to subsidiaries, net	—	—	461
Add: Investment portfolio and derivatives changes and other, net	(780)	(672)	365
MetLife, Inc. (parent company only) free cash flow	<u>6,168</u>	<u>1,422</u>	<u>3,520</u>
Other MetLife, Inc. holding companies:			
Add: Dividends and returns of capital from subsidiaries	2,125	1,485	1,354
Add: Capital contributions from MetLife, Inc.	—	—	150
Add: Capital contributions to subsidiaries	(12)	(53)	(27)
Add: Repayments on and (issuances of) loans to subsidiaries, net	(6)	(307)	(510)
Add: Other expenses	(626)	(671)	(729)
Add: Dividends and returns of capital to MetLife, Inc.	(2,200)	—	—
Add: Investment portfolio and derivative changes and other, net	218	548	223
Total other MetLife, Inc. holding companies free cash flow	<u>(501)</u>	<u>1,002</u>	<u>461</u>
Free cash flow of all holding companies (1)	<u><u>\$ 5,667</u></u>	<u><u>\$ 2,424</u></u>	<u><u>\$ 3,981</u></u>

Ratio of net cash provided by operating activities to consolidated net income (loss) available to MetLife, Inc.'s common shareholders:

MetLife, Inc. (parent company only) net cash provided by operating activities	\$ 6,462	\$ 3,747	\$ 1,606
Consolidated net income (loss) available to MetLife, Inc.'s common shareholders (1)	\$ 3,907	\$ 747	\$ 5,215
Ratio of net cash provided by operating activities (parent company only) to consolidated net income (loss) available to MetLife, Inc.'s common shareholders (1) (2)	165%	502%	31%

Ratio of free cash flow to adjusted earnings available to common shareholders:

Free cash flow of all holding companies (3)	\$ 5,667	\$ 2,424	\$ 3,981
Consolidated adjusted earnings available to common shareholders (3)	\$ 4,235	\$ 4,033	\$ 3,914
Ratio of free cash flow of all holding companies to consolidated adjusted earnings available to common shareholders (3)	134%	60%	102%

- (1) Consolidated net income (loss) available to MetLife, Inc.'s common shareholders for 2017 includes Separation-related costs of \$312 million, net of income tax. Excluding this amount from the denominator of the ratio, this ratio, as adjusted, would be 153%. Consolidated net income (loss) available to MetLife, Inc.'s common shareholders for 2016 includes Separation-related costs of \$73 million, net of income tax. Excluding this amount from the denominator of the ratio, this ratio, as adjusted, would be 457%. Consolidated net income (loss) available to MetLife, Inc.'s common shareholders for 2015 includes a non-cash charge of \$792 million, net of income tax, related to an uncertain tax position. Excluding this charge from the denominator of the ratio, this ratio, as adjusted, would be 27%. See “— Liquidity and Capital Resources — MetLife, Inc. — Liquid Assets — MetLife, Inc. and Other MetLife Holding Companies Sources and Uses of Liquid Assets and Sources and Uses of Liquid Assets included in Free Cash Flow.”

- (2) Including the free cash flow of other MetLife, Inc. holding companies of (\$501) million, \$1.0 billion and \$461 million for the years ended December 31, 2017, 2016 and 2015, respectively, in the numerator of the ratio, this ratio, as adjusted, would be 153%, 636% and 40%, respectively. Including the free cash flow of other MetLife, Inc. holding companies in the numerator of the ratio and excluding the Separation-related costs and uncertain tax position non-cash charge from the denominator of the ratio, this ratio, as adjusted, would be 141%, 579% and 34% for the years ended December 31, 2017, 2016 and 2015, respectively.
- (3) i) In 2017, \$2.1 billion of Separation-related items (comprised of certain Separation-related inflows primarily related to dividends from Brighthouse, net of outflows) were included, which increased our holding companies' liquid assets, as well as our free cash flow. Excluding these Separation-related items, adjusted free cash flow would be \$3.6 billion for the year ended December 31, 2017. Consolidated adjusted earnings available to common shareholders for 2017 was negatively impacted by notable items, primarily related to tax adjustments, of \$622 million, net of income tax. Excluding the Separation-related items, which increased free cash flow, from the numerator of the ratio and excluding such notable items negatively impacting consolidated adjusted earnings available to common shareholders from the denominator of the ratio, the adjusted free cash flow ratio for 2017 would be 75%.
- ii) In 2016, we incurred \$2.3 billion of Separation-related items (comprised of certain Separation-related outflows, net of inflows related to dividends from Brighthouse subsidiaries) which reduced our holding companies' liquid assets, as well as our free cash flow. Excluding these Separation-related items, adjusted free cash flow would be \$4.7 billion for the year ended December 31, 2016. Consolidated adjusted earnings available to common shareholders for 2016 was negatively impacted by notable items, primarily related to the actuarial assumption review and other insurance adjustments, of \$709 million, net of income tax, and Separation-related costs of \$15 million, net of income tax. Excluding the Separation-related items, which reduced free cash flow, from the numerator of the ratio and excluding such notable items and Separation-related costs negatively impacting consolidated adjusted earnings available to common shareholders from the denominator of the ratio, the adjusted free cash flow ratio for 2016 would be 98%.
- iii) In 2015, dividends from Brighthouse subsidiaries of \$500 million were included in and increased our holding companies' liquid assets, as well as our free cash flow. Excluding these inflows related to dividends from Brighthouse subsidiaries, adjusted free cash flow would be \$3.5 billion for the year ended December 31, 2015. Consolidated adjusted earnings available to common shareholders for 2015 includes a non-cash charge of \$792 million, net of income tax, related to an uncertain tax position. Excluding these Brighthouse inflows, which increased free cash flow, from the numerator of the ratio and excluding such non-cash charge negatively impacting consolidated adjusted earnings available to common shareholders from the denominator of the ratio, the adjusted free cash flow ratio for 2015 would be 74%.

Subsequent Events

See Note 22 of the Notes to the Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Risk Management

We have an integrated process for managing risk, which we conduct through multiple Board and senior management committees (financial and non-financial) across the GRM, ALM, Finance, Treasury, Investments and business segment departments. The risk committee structure is designed to provide a consolidated enterprise-wide assessment and management of risk. The ERC is responsible for reviewing all material risks to the enterprise and deciding on actions, if necessary, in the event risks exceed desired tolerances, taking into consideration industry best practices and the current environment to resolve or mitigate those risks. Additional committees at the MetLife, Inc. and subsidiary insurance company level manage capital and risk positions, and establish corporate business standards.

Global Risk Management

Independent from the lines of business, the centralized GRM, led by the CRO, coordinates across all committees to ensure that all material risks are properly identified, measured, aggregated, managed and reported across the Company. The CRO reports to the CEO and is primarily responsible for maintaining and communicating the Company's enterprise risk policies and for monitoring and analyzing all material risks.

GRM considers and monitors a full range of risks against the Company's solvency, liquidity, earnings, business operations and reputation. GRM's primary responsibilities consist of:

- implementing a corporate risk framework, which outlines our enterprise approach for managing risk;
- developing policies and procedures for managing, measuring, monitoring and controlling those risks identified in the corporate risk framework;
- coordinating Own Risk and Solvency Assessments for the Board, senior management and regulator use;
- establishing appropriate corporate risk tolerance levels;
- recommending risk appetite statements and investment general authorizations to the Board;
- measuring capital on an economic basis;
- recommending capital allocations on an economic capital basis; and
- reporting to (i) the Finance and Risk Committee of MetLife, Inc.'s Board of Directors; (ii) the Investment Committee of MetLife, Inc.'s Board of Directors (iii) the Compensation Committee of MetLife, Inc.'s Board of Directors; and (iv) the financial and non-financial senior management committees on various aspects of risk.

Asset/Liability Management

We actively manage our assets using an approach that is liability driven and balances quality, diversification, asset/liability matching, liquidity, concentration and investment return. The goals of the investment process are to optimize, net of income tax, risk-adjusted investment income and risk-adjusted total return while ensuring that the assets and liabilities are reasonably aligned on a cash flow and duration basis. The ALM process is the shared responsibility of the ALM, GRM, and Investments departments, with the engagement of senior members of the business segments, and is governed by the ALM Committees. The ALM Committees' duties include reviewing and approving target portfolios investment guidelines and limits, approving significant portfolio and ALM strategies and providing oversight of the ALM process. The directives of the ALM Committees are carried out and monitored through ALM Working Groups which are set up to manage risk by geography, product or portfolio type. Generally, our ALM Steering Committee and the Hybrid Guarantee Product ALM Committee oversee the activities of the underlying ALM Committees and Working Groups. The ALM Steering Committee and Hybrid Guarantee Product ALM Committee report to the ERC.

We establish portfolio guidelines that define ranges and limits related to asset allocation, interest rate risk, liquidity, concentration and other risks for each major business segment, legal entity or insurance product group. These guidelines support implementation of investment strategies used to adequately fund our liabilities within acceptable levels of risk. We also establish VA hedging programs and associated investment portfolios for different blocks of VA business. The ALM Working Groups monitor these strategies and programs through regular review of portfolio metrics, such as effective duration, yield curve sensitivity, convexity, value at risk, VA market sensitivities (to interest rates, equity market levels, equity volatility, and foreign exchange rates), stress scenario payoffs, liquidity, foreign exchange, asset sector concentration and credit quality.

Market Risk Exposures

We regularly analyze our exposure to interest rate, foreign currency exchange rate and equity market price risk. As a result of that analysis, we have determined that the estimated fair values of certain assets and liabilities are materially exposed to changes in interest rates, foreign currency exchange rates and equity markets. We have exposure to market risk through our insurance operations and investment activities. For purposes of this disclosure, "market risk" is defined as the risk of loss resulting from changes in interest rates, foreign currency exchange rates and equity markets.

Interest Rates

Our exposure to interest rate changes results most significantly from our holdings of fixed maturity securities, as well as our interest rate sensitive liabilities. The fixed maturity securities include U.S. and foreign government bonds, securities issued by government agencies, corporate bonds, mortgage-backed securities and ABS, all of which are mainly exposed to changes in medium- and long-term interest rates. The interest rate sensitive liabilities for purposes of this disclosure include debt, policyholder account balances related to certain investment type contracts, and embedded derivatives on variable annuities with guaranteed minimum benefits which have the same type of interest rate exposure (medium- and long-term interest rates) as fixed maturity securities. The interest rate sensitive liabilities for purposes of this disclosure exclude a significant portion of the liabilities relating to insurance contracts. See "Risk Factors — Economic Environment and Capital Markets-Related Risks — We Are Exposed to Significant Global Financial and Capital Markets Risks Which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and May Cause Our Net Investment Income to Vary from Period to Period."

Foreign Currency Exchange Rates

Our exposure to fluctuations in foreign currency exchange rates against the U.S. dollar results from our holdings in non-U.S. dollar denominated fixed maturity and equity securities, mortgage loans, and certain liabilities, as well as through our investments in foreign subsidiaries. The foreign currency exchange rate liabilities for purposes of this disclosure exclude a significant portion of the liabilities relating to insurance contracts. The principal currencies that create foreign currency exchange rate risk in our investment portfolios and liabilities are the Euro, the Japanese yen and the British pound. Selectively, we use U.S. dollar assets to support certain long-duration foreign currency liabilities. Through our investments in foreign subsidiaries and joint ventures, we are primarily exposed to the Japanese yen, the Euro, the Australian dollar, the British pound, the Mexican peso, the Chilean peso and the Korean won. In addition to hedging with foreign currency swaps, forwards and options, local surplus in some countries may be held entirely or in part in U.S. dollar assets, which further minimize exposure to foreign currency exchange rate fluctuation risk. We have matched much of our foreign currency liabilities in our foreign subsidiaries with their respective foreign currency assets, thereby reducing our risk to foreign currency exchange rate fluctuation. See “Risk Factors — Risks Related to Our Business — Fluctuations in Foreign Currency Exchange Rates Could Negatively Affect Our Profitability.”

Equity Market

Along with investments in equity securities, we have exposure to equity market risk through certain liabilities that involve long-term guarantees on equity performance such as embedded derivatives on variable annuities with guaranteed minimum benefits and certain policyholder account balances. In addition, we have a significant equity ownership position in Brighthouse Financial, Inc., and changes in the market price of its common stock may have a material impact on us. Our equity exposure to Brighthouse Financial, Inc. is included in the analysis. Equity exposures associated with other limited partnership interests are excluded from this discussion as they are not considered financial instruments under GAAP.

Management of Market Risk Exposures

We use a variety of strategies to manage interest rate, foreign currency exchange rate and equity market risk, including the use of derivatives.

Interest Rate Risk Management

To manage interest rate risk, we analyze interest rate risk using various models, including multi-scenario cash flow projection models that forecast cash flows of the liabilities and their supporting investments, including derivatives. These projections involve evaluating the potential gain or loss on most of our in-force business under various increasing and decreasing interest rate environments. The NYDFS regulations require that we perform some of these analyses annually as part of our review of the sufficiency of our regulatory reserves. For several of our legal entities, we maintain segmented operating and surplus asset portfolios for the purpose of ALM and the allocation of investment income to product lines. For each segment, invested assets greater than or equal to the GAAP liabilities net of certain non-invested assets allocated to the segment are maintained, with any excess allocated to Corporate & Other. The business segments may reflect differences in legal entity, statutory line of business and any product market characteristic which may drive a distinct investment strategy with respect to duration, liquidity or credit quality of the invested assets. Certain smaller entities make use of unsegmented general accounts for which the investment strategy reflects the aggregate characteristics of liabilities in those entities. We measure relative sensitivities of the value of our assets and liabilities to changes in key assumptions utilizing internal models. These models reflect specific product characteristics and include assumptions based on current and anticipated experience regarding lapse, mortality and interest crediting rates. In addition, these models include asset cash flow projections reflecting interest payments, sinking fund payments, principal payments, bond calls, mortgage loan prepayments and defaults.

We employ product design, pricing and ALM strategies to reduce the potential effects of interest rate movements. Product design and pricing strategies include the use of surrender charges or restrictions on withdrawals in some products and the ability to reset crediting rates for certain products. ALM strategies include the use of derivatives. We also use reinsurance to mitigate interest rate risk.

We also use common industry metrics, such as duration and convexity, to measure the relative sensitivity of assets and liability values to changes in interest rates. In computing the duration of liabilities, we consider all policyholder guarantees and how we intend to set indeterminate policy elements such as interest credits or dividends. Each asset portfolio or portfolio group has a duration target based on the liability duration and the investment objectives of that portfolio. Where a liability cash flow may exceed the maturity of available assets, we may support such liabilities with equity investments, derivatives or interest rate curve mismatch strategies.

Foreign Currency Exchange Rate Risk Management

MetLife has a well-established Enterprise Foreign Exchange (“FX”) Risk Policy to ensure it manages foreign currency exchange rate exposures within its risk tolerance. In general, investments backing specific liabilities are currency matched. This is achieved through direct investments in matching currency or through the use of FX derivatives. Enterprise FX risk limits are established by the ERC. Management of each of our segments, with oversight from our FX Risk Committee and the respective ALM committee for the segment, is responsible for managing any foreign currency exchange rate exposure.

We use foreign currency swaps, forwards and options to mitigate the liability exposure, risk of loss and financial statement volatility associated with our investments in foreign subsidiaries, foreign currency denominated fixed income investments and the sale of certain insurance products.

Equity Market Risk Management

We manage equity market risk on an integrated basis with other risks through our ALM strategies, including the dynamic hedging of certain variable annuity guarantee benefits, as well as reinsurance, in order to limit losses, minimize exposure to large risks, and provide additional capacity for future growth. We also manage equity market risk exposure in our investment portfolio through the use of derivatives. These derivatives include exchange-traded equity futures, equity index options contracts, total rate of return swaps and equity variance swaps. This risk is managed by our ALM Unit in partnership with the Investments Department.

Hedging Activities

We use derivative contracts primarily to hedge a wide range of risks including interest rate risk, foreign currency exchange rate risk, and equity market risk. Derivative hedges are designed to reduce risk on an economic basis while considering their impact on financial results under different accounting regimes, including U.S. GAAP and local statutory accounting. Our derivative hedge programs vary depending on the type of risk being hedged. Some hedge programs are asset or liability specific while others are portfolio hedges that reduce risk related to a group of liabilities or assets. Our use of derivatives by major hedge programs is as follows:

- **Risks Related to Guarantee Benefits** — We use a wide range of derivative contracts to mitigate the risk associated with variable annuity living guarantee benefits. These derivatives include equity and interest rate futures, interest rate swaps, currency futures/forwards, equity indexed options, total rate of return swaps, interest rate option contracts and equity variance swaps.
- **Minimum Interest Rate Guarantees** — For certain liability contracts, we provide the contractholder a guaranteed minimum interest rate. These contracts include certain fixed annuities and other insurance liabilities. We purchase interest rate floors to reduce risk associated with these liability guarantees.
- **Reinvestment Risk in Long-Duration Liability Contracts** — Derivatives are used to hedge interest rate risk related to certain long-duration liability contracts. Hedges include interest rate swaps and swaptions.
- **Foreign Currency Exchange Rate Risk** — We use currency swaps, forwards and options to hedge foreign currency exchange rate risk. These hedges are generally used to swap foreign currency denominated bonds, investments in foreign subsidiaries or equity market exposures to U.S. dollars. Our foreign subsidiaries also use these hedges to swap non-local currency assets to local currency, to match liabilities.
- **General ALM Hedging Strategies** — In the ordinary course of managing our asset/liability risks, we use interest rate futures, interest rate swaps, interest rate caps, and inflation swaps. These hedges are designed to reduce interest rate risk or inflation risk related to the existing assets or liabilities or related to expected future cash flows.

Risk Measurement: Sensitivity Analysis

We measure market risk related to our market sensitive assets and liabilities based on changes in interest rates, foreign currency exchange rates and equity market prices utilizing a sensitivity analysis. For purposes of this disclosure, a significant portion of the liabilities relating to insurance contracts is excluded, as discussed further below. This analysis estimates the potential changes in estimated fair value based on a hypothetical 10% change (increase or decrease) in interest rates, foreign currency exchange rates and equity market prices. We believe that a 10% change (increase or decrease) in these market rates and prices is reasonably possible in the near term. In performing the analysis summarized below, we used market rates at December 31, 2017. The sensitivity analysis separately calculates each of our market risk exposures (interest rate, foreign currency exchange rate and equity market) relating to our assets and liabilities. We modeled the impact of changes in market rates and prices on the estimated fair values of our market sensitive assets and liabilities as follows:

- the net present values of our interest rate sensitive exposures resulting from a 10% change (increase or decrease) in interest rates;
- the U.S. dollar equivalent estimated fair values of our foreign currency exposures due to a 10% change (increase in the value of the U.S. dollar compared to all foreign currencies or decrease in the value of the U.S. dollar compared to all foreign currencies) in foreign currency exchange rates; and
- the estimated fair value of our equity positions due to a 10% change (increase or decrease) in equity market prices.

The sensitivity analysis is an estimate and should not be viewed as predictive of our future financial performance. We cannot ensure that our actual losses in any particular period will not exceed the amounts indicated in the table below. Limitations related to this sensitivity analysis include:

- interest sensitive and foreign currency exchange sensitive liabilities do not include \$193.5 billion of insurance contracts, which are accounted for on a book value basis. Management believes that the changes in the economic value of those contracts under changing interest rates and changing foreign currency exchange rates would offset a significant portion of the fair value changes of interest sensitive and foreign currency exchange rate sensitive assets.
- the market risk information is limited by the assumptions and parameters established in creating the related sensitivity analysis, including the impact of prepayment rates on mortgage loans;
- sensitivities do not include the impact on asset or liability valuation of changes in market liquidity or changes in market credit spreads;
- foreign currency risk is not isolated for certain embedded derivatives within host asset and liability contracts, as the risk on these instruments is reflected as equity;
- for the derivatives that qualify as hedges, and for certain other assets such as mortgage loans, the impact on reported earnings may be materially different from the change in market values;
- the analysis excludes liabilities pursuant to insurance contracts and real estate holdings; and
- the model assumes that the composition of assets and liabilities remains unchanged throughout the period.

Accordingly, we use such models as tools and not as substitutes for the experience and judgment of our management. Based on our analysis of the impact of a 10% change (increase or decrease) in market rates and prices, we have determined that such a change could have a material adverse effect on the estimated fair value of certain assets and liabilities from interest rate, foreign currency exchange rate and equity market exposures.

The table below illustrates the potential loss in estimated fair value for each market risk exposure of our market sensitive assets and liabilities at:

	December 31, 2017	
	(In millions)	
Interest rate risk	\$	5,862
Foreign currency exchange rate risk	\$	7,867
Equity market risk	\$	71

In 2016, the Company reinvested its trading securities portfolio into other asset classes and, at December 31, 2016, the Company no longer held any actively traded securities. The potential losses in estimated fair value presented are for non-trading securities.

The risk sensitivities derived used a 10% increase to interest rates, a 10% strengthening of the U.S. dollar against foreign currencies, and a 10% decrease in equity prices.

The table below provides additional detail regarding the potential loss in estimated fair value of our interest sensitive financial instruments due to a 10% increase in yield curve by type of asset or liability at:

	December 31, 2017		
	Notional Amount	Estimated Fair Value (1)	Assuming a 10% Increase in the Yield Curve
	(In millions)		
Assets			
Fixed maturity securities		\$ 308,931	\$ (5,130)
Equity securities		\$ 2,513	—
FVO general account securities		\$ 2,224	(7)
Mortgage loans		\$ 69,797	(657)
Policy loans		\$ 11,512	(103)
Short-term investments		\$ 4,870	(4)
Other invested assets		\$ 608	—
Cash and cash equivalents		\$ 12,701	—
Accrued investment income		\$ 3,524	—
Premiums, reinsurance and other receivables		\$ 4,339	(236)
Other assets		\$ 328	(3)
Embedded derivatives within asset host contracts (2)		\$ 144	—
Total assets			\$ (6,140)
Liabilities (3)			
Policyholder account balances		\$ 111,415	\$ 581
Payables for collateral under securities loaned and other transactions		\$ 25,723	—
Short-term debt		\$ 477	—
Long-term debt		\$ 17,773	380
Collateral financing arrangement		\$ 894	—
Junior subordinated debt securities		\$ 4,319	106
Other liabilities		\$ 3,841	(43)
Embedded derivatives within liability host contracts (2)		\$ 418	105
Total liabilities			\$ 1,129
Derivative Instruments			
Interest rate swaps	\$ 67,912	\$ 4,144	\$ (629)
Interest rate floors	\$ 7,201	\$ 92	(22)
Interest rate caps	\$ 53,079	\$ 76	43
Interest rate futures	\$ 4,366	\$ (2)	34
Interest rate options	\$ 12,009	\$ 645	(25)
Interest rate forwards	\$ 3,549	\$ (170)	(130)
Interest rate total return swaps	\$ 1,048	\$ 6	(53)
Synthetic GICs	\$ 11,318	\$ —	—
Foreign currency swaps	\$ 43,170	\$ (304)	(62)
Foreign currency forwards	\$ 15,823	\$ (149)	2
Currency futures	\$ 846	\$ 2	—
Currency options	\$ 12,531	\$ (70)	(4)
Credit default swaps	\$ 13,395	\$ 235	(1)
Equity futures	\$ 4,005	\$ 14	—
Equity index options	\$ 19,886	\$ (121)	(4)
Equity variance swaps	\$ 4,661	\$ (145)	—
Equity total return swaps	\$ 1,117	\$ (41)	—
Total derivative instruments			\$ (851)
Net Change			\$ (5,862)

- (1) Separate account assets and liabilities and contractholder-directed unit-linked investments and associated policyholder account balances, which are interest rate sensitive, are not included herein as any interest rate risk is borne by the contractholder. FVO general account securities and long-term debt exclude \$6 million and \$5 million, respectively, related to CSEs. See Note 8 of the Notes to the Consolidated Financial Statements for information regarding CSEs.

- (2) Embedded derivatives are recognized on the consolidated balance sheet in the same caption as the host contract.
- (3) Excludes \$193.5 billion of liabilities, at carrying value, pursuant to insurance contracts reported within future policy benefits and other policy-related balances. These liabilities would economically offset a significant portion of the net change in fair value of our financial instruments resulting from a 10% increase in the yield curve.

Sensitivity to rising interest rates increased \$0.1 billion to \$5.9 billion at December 31, 2017 from \$5.8 billion December 31, 2016. Sensitivity increased \$0.2 billion as a result of increased rates and durations, since the sensitivity is calculated based on a 10% increase in the yield curve, offset with a decrease of \$0.1 billion from our use of derivatives, used by the Company as hedges against low rates.

The table below provides additional detail regarding the potential loss in estimated fair value of our portfolio due to a 10% increase in the U.S. dollar compared to all foreign currencies at:

	December 31, 2017		
	Notional Amount	Estimated Fair Value (1)	Assuming a 10% Increase in the Foreign Exchange Rate
	(In millions)		
Assets			
Fixed maturity securities	\$	308,931	\$ (9,746)
Equity securities	\$	2,513	(59)
FVO general account securities	\$	2,224	(93)
Mortgage loans	\$	69,797	(870)
Policy loans	\$	11,512	(157)
Short-term investments	\$	4,870	(312)
Other invested assets	\$	608	(207)
Cash and cash equivalents	\$	12,701	(478)
Accrued investment income	\$	3,524	(103)
Premiums, reinsurance and other receivables	\$	4,339	(43)
Other assets	\$	328	(8)
Embedded derivatives within asset host contracts (2)	\$	144	(14)
Total assets			\$ (12,090)
Liabilities (3)			
Policyholder account balances	\$	111,415	\$ 3,722
Payables for collateral under securities loaned and other transactions	\$	25,723	123
Long-term debt	\$	17,773	118
Other liabilities	\$	3,841	9
Embedded derivatives within liability host contracts (2)	\$	418	42
Total liabilities			\$ 4,014
Derivative Instruments			
Interest rate swaps	\$	67,912	\$ 4,144
Interest rate floors	\$	7,201	92
Interest rate caps	\$	53,079	76
Interest rate futures	\$	4,366	(2)
Interest rate options	\$	12,009	645
Interest rate forwards	\$	3,549	(170)
Interest rate total return swaps	\$	1,048	6
Synthetic GICs	\$	11,318	—
Foreign currency swaps	\$	43,170	(304)
Foreign currency forwards	\$	15,823	(149)
Currency futures	\$	846	2
Currency options	\$	12,531	(70)
Credit default swaps	\$	13,395	235
Equity futures	\$	4,005	14
Equity index options	\$	19,886	(121)
Equity variance swaps	\$	4,661	(145)
Equity total return swaps	\$	1,117	(41)
Total derivative instruments			\$ 209
Net Change			\$ (7,867)

- (1) Does not necessarily represent those financial instruments solely subject to foreign currency exchange rate risk. Separate account assets and liabilities and contractholder-directed unit-linked investments and associated policyholder account balances, which are foreign currency exchange rate sensitive, are not included herein as any foreign currency exchange rate risk is borne by the contractholder. FVO general securities and long-term debt exclude \$6 million and \$5 million, respectively, related to CSEs. See Note 8 of the Notes to the Consolidated Financial Statements for information regarding CSEs.

- (2) Embedded derivatives are recognized on the consolidated balance sheet in the same caption as the host contract.
- (3) Excludes \$193.5 billion of liabilities, at carrying value, pursuant to insurance contracts reported within future policy benefits and other policy-related balances. These liabilities would economically offset a significant portion of the net change in fair value of our financial instruments resulting from a 10% increase in foreign currency exchange rates.

Sensitivity to foreign currency exchange rates increased by \$1.0 billion, or 13%, to \$7.9 billion at December 31, 2017 from \$6.9 billion at December 31, 2016. This change was primarily due to an increase in the fair value of foreign currency assets which may be backing foreign currency liabilities that are not included in this analysis.

The table below provides additional detail regarding the potential loss in estimated fair value of our portfolio due to a 10% decrease in equity prices by type of asset or liability at:

	December 31, 2017		
	Notional Amount	Estimated Fair Value (1)	Assuming a 10% Decrease in Equity Prices
	(In millions)		
Assets			
Equity securities	\$	2,513	\$ (251)
FVO general account securities	\$	2,224	(157)
Embedded derivatives within asset host contracts (2)	\$	144	—
Total assets			\$ (408)
Liabilities			
Policyholder account balances	\$	111,415	\$ —
Embedded derivatives within liability host contracts (2)	\$	418	(228)
Total liabilities			\$ (228)
Derivative Instruments			
Interest rate swaps	\$	67,912	\$ 4,144
Interest rate floors	\$	7,201	\$ 92
Interest rate caps	\$	53,079	\$ 76
Interest rate futures	\$	4,366	\$ (2)
Interest rate options	\$	12,009	\$ 645
Interest rate forwards	\$	3,549	\$ (170)
Interest rate total return swaps	\$	1,048	\$ 6
Synthetic GICs	\$	11,318	\$ —
Foreign currency swaps	\$	43,170	\$ (304)
Foreign currency forwards	\$	15,823	\$ (149)
Currency futures	\$	846	\$ 2
Currency options	\$	12,531	\$ (70)
Credit default swaps	\$	13,395	\$ 235
Equity futures	\$	4,005	\$ 14
Equity index options	\$	19,886	\$ (121)
Equity variance swaps	\$	4,661	\$ (145)
Equity total return swaps	\$	1,117	\$ (41)
Total derivative instruments			\$ 565
Net Change			\$ (71)

- (1) Does not necessarily represent those financial instruments solely subject to equity price risk. Additionally, separate account assets and liabilities and contractholder-directed unit-linked investments and associated policyholder account balances, which are equity market sensitive, are not included herein as any equity market risk is borne by the contractholder.
- (2) Embedded derivatives are recognized on the consolidated balance sheet in the same caption as the host contract.

As of December 31, 2017, sensitivity to a 10% equity market decrease was \$71 million. This compares to a \$23 million sensitivity to a 10% equity market increase at December 31, 2016. The change is primarily due to the application of shock to BHF stock acquired in the Separation.

Item 8. Financial Statements and Supplementary Data**Index to Consolidated Financial Statements, Notes and Schedules**

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	201
Financial Statements at December 31, 2017 and 2016 and for the Years Ended December 31, 2017, 2016 and 2015:	
Consolidated Balance Sheets	202
Consolidated Statements of Operations	203
Consolidated Statements of Comprehensive Income (Loss)	204
Consolidated Statements of Equity	205
Consolidated Statements of Cash Flows	206
Notes to the Consolidated Financial Statements	
Note 1 — Business, Basis of Presentation and Summary of Significant Accounting Policies	208
Note 2 — Segment Information	230
Note 3 — Dispositions	237
Note 4 — Insurance	247
Note 5 — Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles	265
Note 6 — Reinsurance	268
Note 7 — Closed Block	272
Note 8 — Investments	274
Note 9 — Derivatives	294
Note 10 — Fair Value	308
Note 11 — Goodwill	328
Note 12 — Long-term and Short-term Debt	330
Note 13 — Collateral Financing Arrangement	332
Note 14 — Junior Subordinated Debt Securities	334
Note 15 — Equity	335
Note 16 — Other Expenses	354
Note 17 — Employee Benefit Plans	355
Note 18 — Income Tax	366
Note 19 — Earnings Per Common Share	373
Note 20 — Contingencies, Commitments and Guarantees	374
Note 21 — Quarterly Results of Operations (Unaudited)	384
Note 22 — Subsequent Events	385
Financial Statement Schedules at December 31, 2017 and 2016 and for the Years Ended December 31, 2017, 2016 and 2015:	
Schedule I — Consolidated Summary of Investments — Other Than Investments in Related Parties	386
Schedule II — Condensed Financial Information (Parent Company Only)	387
Schedule III — Consolidated Supplementary Insurance Information	396
Schedule IV — Consolidated Reinsurance	398

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of MetLife, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of MetLife, Inc. and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and the schedules listed in the Index to Consolidated Financial Statements, Notes and Schedules (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2018, expressed an adverse opinion on the Company's internal control over financial reporting because of material weaknesses.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP
New York, New York
March 1, 2018

We have served as the Company's auditor since at least 1968; however, the specific year has not been determined.

MetLife, Inc.
**Consolidated Balance Sheets
December 31, 2017 and 2016**
(In millions, except share and per share data)

	2017	2016
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: \$286,069 and \$271,676, respectively)	\$ 308,931	\$ 289,563
Equity securities available-for-sale, at estimated fair value (cost: \$2,140 and \$2,464, respectively)	2,513	2,894
Fair value option securities, at estimated fair value (\$6 and \$8, respectively, relating to variable interest entities)	16,745	13,923
Mortgage loans (net of valuation allowances of \$314 and \$304, respectively; includes \$520 and \$566, respectively, under the fair value option)	68,731	65,167
Policy loans	9,669	9,511
Real estate and real estate joint ventures (includes \$25 and \$59, respectively, of real estate held-for-sale)	9,637	8,891
Other limited partnership interests (includes \$0 and \$14, respectively, relating to variable interest entities)	5,708	5,136
Short-term investments, principally at estimated fair value	4,870	6,523
Other invested assets (includes \$125 and \$31, respectively, relating to variable interest entities)	17,263	19,303
Total investments	444,067	420,911
Cash and cash equivalents, principally at estimated fair value (includes \$12 and \$1, respectively, relating to variable interest entities)	12,701	12,651
Accrued investment income	3,524	3,308
Premiums, reinsurance and other receivables (includes \$3 and \$2, respectively, relating to variable interest entities)	18,423	15,445
Deferred policy acquisition costs and value of business acquired	18,419	17,590
Current income tax recoverable	—	20
Goodwill	9,590	9,220
Assets of disposed subsidiary	—	216,983
Other assets (includes \$2 and \$3, respectively, relating to variable interest entities)	8,167	7,058
Separate account assets	205,001	195,578
Total assets	\$ 719,892	\$ 898,764
Liabilities and Equity		
Liabilities		
Future policy benefits	\$ 177,974	\$ 166,636
Policyholder account balances	182,518	172,486
Other policy-related balances	15,515	13,402
Policyholder dividends payable	682	696
Policyholder dividend obligation	2,121	1,931
Payables for collateral under securities loaned and other transactions	25,723	25,873
Short-term debt	477	242
Long-term debt (includes \$6 and \$12, respectively, at estimated fair value, relating to variable interest entities)	15,686	16,441
Collateral financing arrangement	1,121	1,274
Junior subordinated debt securities	3,144	3,169
Liabilities of disposed subsidiary	—	202,707
Current income tax payable	311	—
Deferred income tax liability	6,767	6,892
Other liabilities (includes \$3 and \$0, respectively, relating to variable interest entities)	23,982	23,735
Separate account liabilities	205,001	195,578
Total liabilities	661,022	831,062
Contingencies, Commitments and Guarantees (Note 20)		
Equity		
MetLife, Inc.'s stockholders' equity:		
Preferred stock, par value \$0.01 per share; \$2,100 aggregate liquidation preference	—	—
Common stock, par value \$0.01 per share; 3,000,000,000 shares authorized; 1,168,710,101 and 1,164,029,985 shares issued, respectively; 1,043,588,396 and 1,095,519,005 shares outstanding, respectively	12	12
Additional paid-in capital	31,111	30,944
Retained earnings	26,527	34,683
Treasury stock, at cost; 125,121,705 and 68,510,980 shares, respectively	(6,401)	(3,474)
Accumulated other comprehensive income (loss)	7,427	5,366
Total MetLife, Inc.'s stockholders' equity	58,676	67,531
Noncontrolling interests	194	171
Total equity	58,870	67,702
Total liabilities and equity	\$ 719,892	\$ 898,764

See accompanying notes to the consolidated financial statements.

MetLife, Inc.
Consolidated Statements of Operations
For the Years Ended December 31, 2017, 2016 and 2015
(In millions, except per share data)

	2017	2016	2015
Revenues			
Premiums	\$ 38,992	\$ 37,202	\$ 36,403
Universal life and investment-type product policy fees	5,510	5,483	5,570
Net investment income	17,363	16,790	16,205
Other revenues	1,341	1,685	1,927
Net investment gains (losses):			
Other-than-temporary impairments on fixed maturity securities	(11)	(96)	(61)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	1	(11)	2
Other net investment gains (losses)	(298)	424	668
Total net investment gains (losses)	(308)	317	609
Net derivative gains (losses)	(590)	(690)	629
Total revenues	62,308	60,787	61,343
Expenses			
Policyholder benefits and claims	38,313	36,358	35,144
Interest credited to policyholder account balances	5,607	5,176	4,415
Policyholder dividends	1,231	1,223	1,356
Other expenses	13,621	13,749	14,777
Total expenses	58,772	56,506	55,692
Income (loss) from continuing operations before provision for income tax	3,536	4,281	5,651
Provision for income tax expense (benefit)	(1,470)	693	1,590
Income (loss) from continuing operations, net of income tax	5,006	3,588	4,061
Income (loss) from discontinued operations, net of income tax	(986)	(2,734)	1,324
Net income (loss)	4,020	854	5,385
Less: Net income (loss) attributable to noncontrolling interests	10	4	12
Net income (loss) attributable to MetLife, Inc.	4,010	850	5,373
Less: Preferred stock dividends	103	103	116
Preferred stock repurchase premium	—	—	42
Net income (loss) available to MetLife, Inc.'s common shareholders	\$ 3,907	\$ 747	\$ 5,215
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders per common share:			
Basic	\$ 4.57	\$ 3.16	\$ 3.48
Diluted	\$ 4.53	\$ 3.13	\$ 3.44
Net income (loss) available to MetLife, Inc.'s common shareholders per common share:			
Basic	\$ 3.65	\$ 0.68	\$ 4.67
Diluted	\$ 3.62	\$ 0.67	\$ 4.62
Cash dividends declared per common share	\$ 1.600	\$ 1.575	\$ 1.475

See accompanying notes to the consolidated financial statements.

MetLife, Inc.

**Consolidated Statements of Comprehensive Income (Loss)
For the Years Ended December 31, 2017, 2016 and 2015**

(In millions)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net income (loss)	\$ 4,020	\$ 854	\$ 5,385
Other comprehensive income (loss):			
Unrealized investment gains (losses), net of related offsets	4,623	796	(7,449)
Unrealized gains (losses) on derivatives	(1,165)	573	589
Foreign currency translation adjustments	767	(363)	(1,624)
Defined benefit plans adjustment	144	131	354
Other comprehensive income (loss), before income tax	4,369	1,137	(8,130)
Income tax (expense) benefit related to items of other comprehensive income (loss)	(984)	(450)	2,203
Other comprehensive income (loss), net of income tax	3,385	687	(5,927)
Comprehensive income (loss)	7,405	1,541	(542)
Less: Comprehensive income (loss) attributable to noncontrolling interest, net of income tax	14	92	32
Comprehensive income (loss) attributable to MetLife, Inc.	<u>\$ 7,391</u>	<u>\$ 1,449</u>	<u>\$ (574)</u>

See accompanying notes to the consolidated financial statements.

MetLife, Inc.
Consolidated Statements of Equity
For the Years Ended December 31, 2017, 2016 and 2015
(In millions)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss)	Total MetLife, Inc.'s Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2014, as previously reported	\$ 1	\$ 12	\$ 30,543	\$ 32,020	\$ (1,172)	\$ 10,649	\$ 72,053	\$ 507	\$ 72,560
Prior-period revisions (Note 1)	—	—	—	90	—	65	155	—	155
Balance at December 31, 2014	\$ 1	\$ 12	\$ 30,543	\$ 32,110	\$ (1,172)	\$ 10,714	\$ 72,208	\$ 507	\$ 72,715
Repurchase of preferred stock	(1)		(1,459)				(1,460)		(1,460)
Preferred stock repurchase premium				(42)			(42)		(42)
Preferred stock issuance			1,483				1,483		1,483
Treasury stock acquired in connection with share repurchases					(1,930)		(1,930)		(1,930)
Stock-based compensation			182				182		182
Dividends on preferred stock				(116)			(116)		(116)
Dividends on common stock				(1,653)			(1,653)		(1,653)
Change in equity of noncontrolling interests								(69)	(69)
Net income (loss)				5,373			5,373	12	5,385
Other comprehensive income (loss), net of income tax						(5,947)	(5,947)	20	(5,927)
Balance at December 31, 2015	—	12	30,749	35,672	(3,102)	4,767	68,098	470	68,568
Treasury stock acquired in connection with share repurchases					(372)		(372)		(372)
Stock-based compensation			195				195		195
Dividends on preferred stock				(103)			(103)		(103)
Dividends on common stock				(1,736)			(1,736)		(1,736)
Change in equity of noncontrolling interests								(391)	(391)
Net income (loss)				850			850	4	854
Other comprehensive income (loss), net of income tax						599	599	88	687
Balance at December 31, 2016	—	12	30,944	34,683	(3,474)	5,366	67,531	171	67,702
Treasury stock acquired in connection with share repurchases					(2,927)		(2,927)		(2,927)
Stock-based compensation			167				167		167
Dividends on preferred stock				(103)			(103)		(103)
Dividends on common stock				(1,717)			(1,717)		(1,717)
Distribution of Brighthouse, net of income tax (Note 3)				(10,346)		(1,320)	(11,666)		(11,666)
Change in equity of noncontrolling interests								9	9
Net income (loss)				4,010			4,010	10	4,020
Other comprehensive income (loss), net of income tax						3,381	3,381	4	3,385
Balance at December 31, 2017	\$ —	\$ 12	\$ 31,111	\$ 26,527	\$ (6,401)	\$ 7,427	\$ 58,676	\$ 194	\$ 58,870

See accompanying notes to the consolidated financial statements.

MetLife, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2017, 2016 and 2015
(In millions)

	2017	2016	2015
Cash flows from operating activities			
Net income (loss)	\$ 4,020	\$ 854	\$ 5,385
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expenses	795	652	693
Amortization of premiums and accretion of discounts associated with investments, net	(1,044)	(1,110)	(1,141)
(Gains) losses on investments and from sales of businesses, net	363	(183)	(560)
(Gains) losses on derivatives, net	3,610	8,779	1,371
(Income) loss from equity method investments, net of dividends or distributions	194	475	481
Interest credited to policyholder account balances	6,260	6,282	5,610
Universal life and investment-type product policy fees	(7,708)	(9,207)	(9,507)
Goodwill impairment	—	260	—
Change in fair value option and trading securities	(436)	111	784
Change in accrued investment income	(280)	(31)	138
Change in premiums, reinsurance and other receivables	(991)	(2,158)	(831)
Change in deferred policy acquisition costs and value of business acquired, net	(693)	(937)	488
Change in income tax	(2,796)	(1,522)	715
Change in other assets	691	3,248	2,752
Change in insurance-related liabilities and policy-related balances	8,511	6,321	6,408
Change in other liabilities	1,603	2,801	1,172
Other, net	184	139	94
Net cash provided by (used in) operating activities	<u>12,283</u>	<u>14,774</u>	<u>14,052</u>
Cash flows from investing activities			
Sales, maturities and repayments of:			
Fixed maturity securities	95,945	150,658	146,732
Equity securities	1,433	1,241	1,117
Mortgage loans	10,353	12,977	12,647
Real estate and real estate joint ventures	972	826	3,256
Other limited partnership interests	1,082	1,542	1,827
Purchases of:			
Fixed maturity securities	(105,683)	(146,397)	(148,799)
Equity securities	(920)	(1,006)	(996)
Mortgage loans	(14,374)	(21,017)	(20,449)
Real estate and real estate joint ventures	(1,446)	(1,515)	(1,298)
Other limited partnership interests	(1,486)	(1,313)	(1,429)
Cash received in connection with freestanding derivatives	5,315	4,259	2,690
Cash paid in connection with freestanding derivatives	(8,696)	(6,963)	(4,211)
Cash received under repurchase agreements	—	—	199
Cash paid under repurchase agreements	—	—	(199)
Cash received under reverse repurchase agreements	—	—	199
Cash paid under reverse repurchase agreements	—	—	(199)
Cash disposed due to distribution of Brighthouse	(663)	—	—
Sales of businesses, net of cash and cash equivalents disposed of \$0, \$135 and \$0, respectively	—	156	—
Purchases of businesses	(211)	—	—
Purchases of investments in operating joint ventures	—	(39)	—
Net change in policy loans	(67)	195	287
Net change in short-term investments	2,087	1,270	(777)
Net change in other invested assets	(171)	(267)	(936)
Other, net	(346)	(457)	(59)
Net cash provided by (used in) investing activities	<u>\$ (16,876)</u>	<u>\$ (5,850)</u>	<u>\$ (10,398)</u>

See accompanying notes to the consolidated financial statements.

MetLife, Inc.
Consolidated Statements of Cash Flows — (continued)
For the Years Ended December 31, 2017, 2016 and 2015
(In millions)

	2017	2016	2015
Cash flows from financing activities			
Policyholder account balances:			
Deposits	\$ 88,511	\$ 88,188	\$ 92,904
Withdrawals	(82,380)	(83,263)	(94,621)
Net change in payables for collateral under securities loaned and other transactions	903	(3,636)	1,544
Long-term debt issued	3,657	—	3,893
Long-term debt repaid	(1,073)	(1,279)	(1,438)
Collateral financing arrangements repaid	(2,951)	(68)	(57)
Distribution of Brighthouse	(2,793)	—	—
Financing element on certain derivative instruments and other derivative related transactions, net	(151)	(1,367)	181
Treasury stock acquired in connection with share repurchases	(2,927)	(372)	(1,930)
Preferred stock issued, net of issuance costs	—	—	1,483
Repurchase of preferred stock	—	—	(1,460)
Preferred stock repurchase premium	—	—	(42)
Dividends on preferred stock	(103)	(103)	(116)
Dividends on common stock	(1,717)	(1,736)	(1,653)
Other, net	118	139	94
Net cash provided by (used in) financing activities	(906)	(3,497)	(1,218)
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	323	(302)	(492)
Change in cash and cash equivalents	(5,176)	5,125	1,944
Cash and cash equivalents, beginning of year	17,877	12,752	10,808
Cash and cash equivalents, end of year	\$ 12,701	\$ 17,877	\$ 12,752
Cash and cash equivalents, of disposed subsidiary, beginning of year	\$ 5,226	\$ 1,570	\$ 1,603
Cash and cash equivalents, of disposed subsidiary, end of year	\$ —	\$ 5,226	\$ 1,570
Cash and cash equivalents, from continuing operations, beginning of year	\$ 12,651	\$ 11,182	\$ 9,205
Cash and cash equivalents, from continuing operations, end of year	\$ 12,701	\$ 12,651	\$ 11,182
Supplemental disclosures of cash flow information:			
Net cash paid (received) for:			
Interest	\$ 1,118	\$ 1,202	\$ 1,178
Income tax	\$ 1,530	\$ 672	\$ 1,127
Non-cash transactions			
Disposal of Brighthouse (See Note 3):			
Assets disposed	\$ 225,502	\$ —	\$ —
Liabilities disposed	(210,999)	—	—
Net assets disposed	14,503	—	—
Cash disposed	(3,456)	—	—
Net non-cash disposed	\$ 11,047	\$ —	\$ —
Fixed maturity securities received in connection with pension risk transfer transactions	\$ —	\$ 985	\$ 903
Reduction of fixed maturity securities in connection with a reinsurance transaction	\$ —	\$ 224	\$ —
Reduction of other invested assets in connection with a reinsurance transaction	\$ —	\$ 676	\$ —
Deconsolidation of operating joint venture:			
Reduction of fixed maturity securities	\$ —	\$ 917	\$ —
Reduction of noncontrolling interests	\$ —	\$ 373	\$ —
Deconsolidation of real estate investment vehicles:			
Reduction of long-term debt	\$ —	\$ —	\$ 571
Reduction of real estate and real estate joint ventures	\$ —	\$ —	\$ 688

See accompanying notes to the consolidated financial statements.

MetLife, Inc.**Notes to the Consolidated Financial Statements****1. Business, Basis of Presentation and Summary of Significant Accounting Policies****Business**

“MetLife” and the “Company” refer to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliates. MetLife is one of the world’s leading financial services companies, providing insurance, annuities, employee benefits and asset management. MetLife is organized into five segments: U.S.; Asia; Latin America; Europe, the Middle East and Africa (“EMEA”); and MetLife Holdings.

On August 4, 2017, MetLife, Inc. completed the separation of Brighthouse Financial, Inc. and its subsidiaries (“Brighthouse”) through a distribution of 96,776,670 shares of Brighthouse Financial, Inc. common stock to the MetLife, Inc. common shareholders (the “Separation”). See Note 3 for additional information on the Separation.

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

Consolidation

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

Prior to January 1, 2016, certain international subsidiaries had a fiscal year cutoff of November 30th. The Company’s consolidated financial statements for 2015 reflect the operating results of such subsidiaries for the year ended November 30, 2015. Effective January 1, 2016, the Company converted its Japan operations to calendar year-end reporting. The elimination of a one-month reporting lag of a subsidiary is considered a change in accounting principle and requires retrospective application. While the Company believes that eliminating the lag in the reporting of its Japan operations was preferable in order to consistently reflect events, economic conditions and global trends on the financial statements, the Company determined that it was impracticable to apply the effects of the lag elimination to financial reporting periods prior to January 1, 2015. The effect of not retroactively applying this change in accounting, however, was not material to the 2015 or 2016 consolidated financial statements. Therefore, the Company reported the cumulative effect of the change in accounting principle in net income for the year ended December 31, 2016 and did not retrospectively apply the effects of this change to prior periods.

Discontinued Operations

The results of operations of a component of the Company that has either been disposed of or is classified as held-for-sale are reported in discontinued operations if certain criteria are met. A disposal of a component is reported in discontinued operations if the disposal represents a strategic shift that has or will have a major effect on the Company’s operations and financial results.

The results of Brighthouse are reflected in MetLife, Inc.'s consolidated financial statements as discontinued operations and, therefore, are presented as assets and liabilities of disposed subsidiary on the consolidated balance sheets and income (loss) from discontinued operations on the consolidated statements of operations. Intercompany transactions between the Company and Brighthouse prior to the Separation have been eliminated. See Note 3 for information on discontinued operations and transactions with Brighthouse.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)****Separate Accounts**

Separate accounts are established in conformity with insurance laws. Generally, the assets of the separate accounts cannot be used to settle the liabilities that arise from any other business of the Company. Separate account assets are subject to general account claims only to the extent the value of such assets exceeds the separate account liabilities. The Company reports separately, as assets and liabilities, investments held in separate accounts and liabilities of the separate accounts if:

- such separate accounts are legally recognized;
- assets supporting the contract liabilities are legally insulated from the Company's general account liabilities;
- investments are directed by the contractholder; and
- all investment performance, net of contract fees and assessments, is passed through to the contractholder.

The Company reports separate account assets at their fair value which is based on the estimated fair values of the underlying assets comprising the individual separate account portfolios. Investment performance (including investment income, net investment gains (losses) and changes in unrealized gains (losses)) and the corresponding amounts credited to contractholders of such separate accounts are offset within the same line on the statements of operations. Separate accounts credited with a contractual investment return are combined on a line-by-line basis with the Company's general account assets, liabilities, revenues and expenses and the accounting for these investments is consistent with the methodologies described herein for similar financial instruments held within the general account. Unit-linked separate account investments that are directed by contractholders but do not meet one or more of the other above criteria are included in fair value option ("FVO") securities.

The Company's revenues reflect fees charged to the separate accounts, including mortality charges, risk charges, policy administration fees, investment management fees and surrender charges. Such fees are included in universal life and investment-type product policy fees on the statements of operations.

Reclassifications

Certain amounts in the prior years' consolidated financial statements and related footnotes thereto have been reclassified to conform with the current year presentation as discussed throughout the Notes to the Consolidated Financial Statements.

Revisions

As a result of the following adjustments, amounts previously reported have been immaterially restated. In addition, the Company has corrected other unrelated immaterial errors which were previously recorded in the periods the Company identified them.

Group Annuity Reserves

On December 15, 2017, the Company announced that it was undertaking a review of practices and procedures used to estimate its reserves related to certain Retirement and Income Solutions ("RIS") group annuitants who have been unresponsive or missing over time. As a result of this process, the Company increased reserves by \$510 million, before income tax, to reinstate reserves previously released, and to reflect accrued interest and other related liabilities. Of this increase, \$372 million was considered an error and, recording this amount in the fourth quarter of 2017 financial statements would have had a material effect on the results of operations for 2017.

Assumed Variable Annuity Guarantee Reserves

An internal review of practices and procedures was completed in early 2018, focusing on the calculation of certain reserves associated with MetLife Holdings variable annuity guarantees assumed from a former operating joint venture in Japan. As a result, the Company reduced these reserves by \$896 million, before income tax. Of this decrease, \$682 million was considered an error and, recording this amount in the fourth quarter of 2017 financial statements would have had a material effect on the results of operations for 2017.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

A summary of the revisions to prior period net income (loss) available to MetLife, Inc.'s common shareholders is shown in the table below:

	For the Years Ended December 31,	
	2016	2015
	(In millions)	
Assumed variable annuity guarantee reserves	\$ 184	\$ 80
Group annuity reserves	(33)	(31)
Other revisions to continuing operations, net	(10)	(106)
Impact to income (loss) from continuing operations before provision for income tax	141	(57)
Provision for income tax expense (benefit) (1)	27	(110)
Impact to income (loss) from continuing operations, net of income tax	114	53
Other revisions to discontinued operations, net of income tax (1)	(64)	10
Impact to net income (loss) available to MetLife, Inc.'s common shareholders	<u>\$ 50</u>	<u>\$ 63</u>

(1) Includes impact of certain tax-specific revisions.

The impact of the revisions is shown in the tables below:

Consolidated Balance Sheets	December 31, 2016		
	As Previously Reported	Revisions	As Revised
	(In millions)		
Liabilities			
Future policy benefits	\$ 166,701	\$ (65)	\$ 166,636
Policyholder account balances	\$ 173,168	\$ (682)	\$ 172,486
Other policy-related balances	\$ 13,030	\$ 372	\$ 13,402
Deferred income tax liability	\$ 6,774	\$ 118	\$ 6,892
Other liabilities	\$ 23,700	\$ 35	\$ 23,735
Total liabilities	\$ 831,284	\$ (222)	\$ 831,062
Stockholders' Equity			
Retained earnings	\$ 34,480	\$ 203	\$ 34,683
Accumulated other comprehensive income	\$ 5,347	\$ 19	\$ 5,366
Total MetLife, Inc.'s stockholders' equity	\$ 67,309	\$ 222	\$ 67,531
Total equity	\$ 67,480	\$ 222	\$ 67,702

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

Consolidated Statements of Operations	For the Years Ended December 31,					
	2016			2015		
	As Previously Reported	Revisions	As Revised	As Previously Reported	Revisions	As Revised
	(In millions, except per share data)					
Revenues						
Universal life and investment-type product policy fees	\$ 5,482	\$ 1	\$ 5,483	\$ 5,570	\$ —	\$ 5,570
Net investment income	\$ 16,790	\$ —	\$ 16,790	\$ 16,243	\$ (38)	\$ 16,205
Other net investment gains (losses)	\$ 412	\$ 12	\$ 424	\$ 705	\$ (37)	\$ 668
Total net investment gain (losses)	\$ 305	\$ 12	\$ 317	\$ 646	\$ (37)	\$ 609
Net derivatives gain (losses)	\$ (874)	184	\$ (690)	\$ 545	\$ 84	\$ 629
Total revenues	\$ 60,590	\$ 197	\$ 60,787	\$ 61,334	\$ 9	\$ 61,343
Expenses						
Policyholder benefits and claims	\$ 36,316	\$ 42	\$ 36,358	\$ 35,102	\$ 42	\$ 35,144
Other expenses	\$ 13,735	\$ 14	\$ 13,749	\$ 14,753	\$ 24	\$ 14,777
Total expenses	\$ 56,450	\$ 56	\$ 56,506	\$ 55,626	\$ 66	\$ 55,692
Income (loss) from continuing operations before provision for income tax	\$ 4,140	\$ 141	\$ 4,281	\$ 5,708	\$ (57)	\$ 5,651
Provision for income tax expense (benefit)	\$ 666	\$ 27	\$ 693	\$ 1,700	\$ (110)	\$ 1,590
Income (loss) from continuing operations, net of income tax	\$ 3,474	\$ 114	\$ 3,588	\$ 4,008	\$ 53	\$ 4,061
Income (loss) from discontinued operations, net of income tax	\$ (2,670)	\$ (64)	\$ (2,734)	\$ 1,314	\$ 10	\$ 1,324
Net income (loss)	\$ 804	\$ 50	\$ 854	\$ 5,322	\$ 63	\$ 5,385
Net income (loss) attributable to MetLife, Inc.	\$ 800	\$ 50	\$ 850	\$ 5,310	\$ 63	\$ 5,373
Net income (loss) available to MetLife, Inc.'s common shareholders	\$ 697	\$ 50	\$ 747	\$ 5,152	\$ 63	\$ 5,215
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders per common share:						
Basic	\$ 3.06	\$ 0.10	\$ 3.16	\$ 3.43	\$ 0.05	\$ 3.48
Diluted	\$ 3.04	\$ 0.09	\$ 3.13	\$ 3.40	\$ 0.04	\$ 3.44
Net income (loss) available to MetLife, Inc.'s common shareholders per common share:						
Basic	\$ 0.63	\$ 0.05	\$ 0.68	\$ 4.61	\$ 0.06	\$ 4.67
Diluted	\$ 0.63	\$ 0.04	\$ 0.67	\$ 4.57	\$ 0.05	\$ 4.62

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

Consolidated Statements of Comprehensive Income (Loss)	For the Years Ended December 31,					
	2016			2015		
	As Previously Reported	Revisions	As Revised	As Previously Reported	Revisions	As Revised
	(In millions)					
Net income (loss)	\$ 804	\$ 50	\$ 854	\$ 5,322	\$ 63	\$ 5,385
Unrealized investment gains (losses), net of related offsets	\$ 760	\$ 36	\$ 796	\$ (7,443)	\$ (6)	\$ (7,449)
Other comprehensive income (loss), before income tax	\$ 1,101	\$ 36	\$ 1,137	\$ (8,124)	\$ (6)	\$ (8,130)
Income tax (expense) benefit related to items of other comprehensive income (loss)	\$ (437)	\$ (13)	\$ (450)	\$ 2,266	\$ (63)	\$ 2,203
Other comprehensive income (loss), net of income tax	\$ 664	\$ 23	\$ 687	\$ (5,858)	\$ (69)	\$ (5,927)
Comprehensive income (loss)	\$ 1,468	\$ 73	\$ 1,541	\$ (536)	\$ (6)	\$ (542)
Comprehensive income (loss) attributable to MetLife, Inc.	\$ 1,376	\$ 73	\$ 1,449	\$ (568)	\$ (6)	\$ (574)

Consolidated Statements of Equity	As Previously Reported	Revisions	As Revised
	(In millions)		
Retained Earnings			
Balance at December 31, 2014	\$ 32,020	\$ 90	\$32,110
Net income (loss)	\$ 5,310	\$ 63	\$ 5,373
Balance at December 31, 2015	\$ 35,519	\$ 153	\$35,672
Net income (loss)	\$ 800	\$ 50	\$ 850
Balance at December 31, 2016	\$ 34,480	\$ 203	\$34,683
Accumulated Other Comprehensive Income (Loss)			
Balance at December 31, 2014	\$ 10,649	\$ 65	\$10,714
Other comprehensive income (loss), net of income tax	\$ (5,878)	\$ (69)	\$ (5,947)
Balance at December 31, 2015	\$ 4,771	\$ (4)	\$ 4,767
Other comprehensive income (loss), net of income tax	\$ 576	\$ 23	\$ 599
Balance at December 31, 2016	\$ 5,347	\$ 19	\$ 5,366
Total MetLife, Inc.'s Stockholders' Equity			
Balance at December 31, 2014	\$ 72,053	\$ 155	\$72,208
Balance at December 31, 2015	\$ 67,949	\$ 149	\$68,098
Balance at December 31, 2016	\$ 67,309	\$ 222	\$67,531
Total Equity			
Balance at December 31, 2014	\$ 72,560	\$ 155	\$72,715
Balance at December 31, 2015	\$ 68,419	\$ 149	\$68,568
Balance at December 31, 2016	\$ 67,480	\$ 222	\$67,702

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

Consolidated Statements of Cash Flows	For the Years Ended December 31,					
	2016			2015		
	As Previously Reported	Revisions	As Revised	As Previously Reported	Revisions	As Revised
	(In millions)					
Cash flows from operating activities						
Net income (loss)	\$ 804	\$ 50	\$ 854	\$ 5,322	\$ 63	\$ 5,385
(Gains) losses on investments and from sales of businesses, net	\$ (171)	\$ (12)	\$ (183)	\$ (597)	\$ 37	\$ (560)
(Gains) losses on derivatives, net	\$ 8,963	\$ (184)	\$ 8,779	\$ 1,451	\$ (80)	\$ 1,371
Universal life and investment-type product policy fees	\$ (9,206)	\$ (1)	\$ (9,207)	\$ (9,507)	\$ —	\$ (9,507)
Change in premiums, reinsurance and other receivables	\$ (2,125)	\$ (33)	\$ (2,158)	\$ (837)	\$ 6	\$ (831)
Change in deferred policy acquisition costs and value of business acquired, net	\$ (949)	\$ 12	\$ (937)	\$ 491	\$ (3)	\$ 488
Change in income tax	\$ (1,557)	\$ 35	\$ (1,522)	\$ 825	\$ (110)	\$ 715
Change in insurance-related liabilities and policy-related balances	\$ 6,279	\$ 42	\$ 6,321	\$ 6,366	\$ 42	\$ 6,408
Change in other liabilities	\$ 2,766	\$ 35	\$ 2,801	\$ 1,134	\$ 38	\$ 1,172
Other, net (1)	\$ 136	\$ 56	\$ 192	\$ 164	\$ 7	\$ 171

- (1) Excludes impact related to adoption during 2017 of stock-based compensation guidance which decreased Other, net by \$53 million and \$77 million for the years ended December 31, 2016 and 2015, respectively. See “— Adoption of New Accounting Pronouncements.”

Summary of Significant Accounting Policies

The following are the Company’s significant accounting policies with references to notes providing additional information on such policies and critical accounting estimates relating to such policies.

Accounting Policy	Note
Insurance	4
Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles	5
Reinsurance	6
Investments	8
Derivatives	9
Fair Value	10
Goodwill	11
Employee Benefit Plans	17
Income Tax	18
Litigation Contingencies	20

Notes to the Consolidated Financial Statements — (continued)**1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)****Insurance****Future Policy Benefit Liabilities and Policyholder Account Balances**

The Company establishes liabilities for amounts payable under insurance policies. Generally, amounts are payable over an extended period of time and related liabilities are calculated as the present value of future expected benefits to be paid, reduced by the present value of future expected premiums. Such liabilities are established based on methods and underlying assumptions in accordance with GAAP and applicable actuarial standards. Principal assumptions used in the establishment of liabilities for future policy benefits are mortality, morbidity, policy lapse, renewal, retirement, disability incidence, disability terminations, investment returns, inflation, expenses and other contingent events as appropriate to the respective product type and geographical area. These assumptions are established at the time the policy is issued and are intended to estimate the experience for the period the policy benefits are payable. Utilizing these assumptions, liabilities are established on a block of business basis. For long duration insurance contracts, assumptions such as mortality, morbidity and interest rates are “locked in” upon the issuance of new business. However, significant adverse changes in experience on such contracts may require the establishment of premium deficiency reserves. Such reserves are determined based on the then current assumptions and do not include a provision for adverse deviation.

Premium deficiency reserves may also be established for short-duration contracts to provide for expected future losses. These reserves are based on actuarial estimates of the amount of loss inherent in that period, including losses incurred for which claims have not been reported. The provisions for unreported claims are calculated using studies that measure the historical length of time between the incurred date of a claim and its eventual reporting to the Company. Anticipated investment income is considered in the calculation of premium deficiency losses for short-duration contracts.

Liabilities for universal and variable life policies with secondary guarantees (“ULSG”) and paid-up guarantees are determined by estimating the expected value of death benefits payable when the account balance is projected to be zero and recognizing those benefits ratably over the accumulation period based on total expected assessments. The assumptions used in estimating the secondary and paid-up guarantee liabilities are consistent with those used for amortizing deferred policy acquisition costs (“DAC”), and are thus subject to the same variability and risk as further discussed herein. The assumptions of investment performance and volatility for variable products are consistent with historical experience of appropriate underlying equity indices, such as the Standard & Poor’s Global Ratings (“S&P”) 500 Index. The benefits used in calculating the liabilities are based on the average benefits payable over a range of scenarios.

The Company regularly reviews its estimates of liabilities for future policy benefits and compares them with its actual experience. Differences result in changes to the liability balances with related charges or credits to benefit expenses in the period in which the changes occur.

Policyholder account balances relate to contracts or contract features where the Company has no significant insurance risk.

The Company issues directly and assumes through reinsurance certain variable annuity products with guaranteed minimum benefits that provide the policyholder a minimum return based on their initial deposit (i.e., the benefit base) less withdrawals. These guarantees are accounted for as insurance liabilities or as embedded derivatives depending on how and when the benefit is paid. Specifically, a guarantee is accounted for as an embedded derivative if a guarantee is paid without requiring (i) the occurrence of specific insurable event, or (ii) the policyholder to annuitize. Alternatively, a guarantee is accounted for as an insurance liability if the guarantee is paid only upon either (i) the occurrence of a specific insurable event, or (ii) annuitization. In certain cases, a guarantee may have elements of both an insurance liability and an embedded derivative and in such cases the guarantee is split and accounted for under both models.

Guarantees accounted for as insurance liabilities in future policy benefits include guaranteed minimum death benefits (“GMDBs”), the portion of guaranteed minimum income benefits (“GMIBs”) that require annuitization, and the life-contingent portion of guaranteed minimum withdrawal benefits (“GMWBs”).

Guarantees accounted for as embedded derivatives in policyholder account balances include the non life-contingent portion of GMWBs, guaranteed minimum accumulation benefits (“GMABs”) and the portion of GMIBs that do not require annuitization. At inception, the Company attributes to the embedded derivative a portion of the projected future guarantee fees to be collected from the policyholder equal to the present value of projected future guaranteed benefits. Any additional fees represent “excess” fees and are reported in universal life and investment-type product policy fees.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)***Other Policy-Related Balances*

Other policy-related balances include policy and contract claims, premiums received in advance, unearned revenue liabilities, obligations assumed under structured settlements, policyholder dividends due and unpaid, policyholder dividends left on deposit and negative value of business acquired.

The liability for policy and contract claims generally relates to incurred but not reported (“IBNR”) death, disability, long-term care and dental claims, as well as claims which have been reported but not yet settled. The liability for these claims is based on the Company’s estimated ultimate cost of settling all claims. The Company derives estimates for the development of IBNR claims principally from analyses of historical patterns of claims by business line. The methods used to determine these estimates are continually reviewed. Adjustments resulting from this continuous review process and differences between estimates and payments for claims are recognized in policyholder benefits and claims expense in the period in which the estimates are changed or payments are made.

The Company accounts for the prepayment of premiums on its individual life, group life and health contracts as premiums received in advance and applies the cash received to premiums when due.

The unearned revenue liability relates to universal life-type and investment-type products and represents policy charges for services to be provided in future periods. The charges are deferred as unearned revenue and amortized using the product’s estimated gross profits and margins, similar to DAC as discussed further herein. Such amortization is recorded in universal life and investment-type product policy fees.

See Note 3 for additional information on obligations assumed under structured settlement assignments.

See “— Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles” for a discussion of negative value of business acquired.

Recognition of Insurance Revenues and Deposits

Premiums related to traditional life, annuity contracts with life contingencies, long-duration accident & health, and credit insurance policies are recognized as revenues when due from policyholders. Policyholder benefits and expenses are provided to recognize profits over the estimated lives of the insurance policies. When premiums are due over a significantly shorter period than the period over which benefits are provided, any excess profit is deferred and recognized into earnings in a constant relationship to insurance in-force or, for annuities, the amount of expected future policy benefit payments.

Premiums related to short-duration non-medical health and disability, accident & health, and certain credit insurance contracts are recognized on a pro rata basis over the applicable contract term.

Deposits related to universal life-type and investment-type products are credited to policyholder account balances. Revenues from such contracts consist of fees for mortality, policy administration and surrender charges and are recorded in universal life and investment-type product policy fees in the period in which services are provided. Amounts that are charged to earnings include interest credited and benefit claims incurred in excess of related policyholder account balances.

Premiums related to property & casualty contracts are recognized as revenue on a pro rata basis over the applicable contract term. Unearned premiums, representing the portion of premium written related to the unexpired coverage, are also included in future policy benefits.

All revenues and expenses are presented net of reinsurance as applicable.

Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles

The Company incurs significant costs in connection with acquiring new and renewal insurance business. Costs that are related directly to the successful acquisition or renewal of insurance contracts are capitalized as DAC. Such costs include:

- incremental direct costs of contract acquisition, such as commissions;
- the portion of an employee’s total compensation and benefits related to time spent selling, underwriting or processing the issuance of new and renewal insurance business only with respect to actual policies acquired or renewed;
- other essential direct costs that would not have been incurred had a policy not been acquired or renewed; and
- the costs of direct-response advertising, the primary purpose of which is to elicit sales to customers who could be shown to have responded specifically to the advertising and that results in probable future benefits.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

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

All other acquisition-related costs, including those related to general advertising and solicitation, market research, agent training, product development, unsuccessful sales and underwriting efforts, as well as all indirect costs, are expensed as incurred.

Value of business acquired (“VOBA”) is an intangible asset resulting from a business combination that represents the excess of book value over the estimated fair value of acquired insurance, annuity, and investment-type contracts in-force at the acquisition date. The estimated fair value of the acquired liabilities is based on projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns, nonperformance risk adjustment and other factors. Actual experience on the purchased business may vary from these projections.

DAC and VOBA are amortized as follows:

Products:	In proportion to the following over estimated lives of the contracts:
<ul style="list-style-type: none"> • Nonparticipating and non-dividend-paying traditional contracts: <ul style="list-style-type: none"> • Term insurance • Nonparticipating whole life insurance • Traditional group life insurance • Non-medical health insurance • Accident & health insurance 	Actual and expected future gross premiums.
<ul style="list-style-type: none"> • Participating, dividend-paying traditional contracts 	Actual and expected future gross margins.
<ul style="list-style-type: none"> • Fixed and variable universal life contracts • Fixed and variable deferred annuity contracts 	Actual and expected future gross profits.
<ul style="list-style-type: none"> • Credit insurance contracts • Property & casualty insurance contracts • Other short-duration contracts 	Actual and future earned premiums.

See Note 5 for additional information on DAC and VOBA amortization. Amortization of DAC and VOBA is included in other expenses.

The recovery of DAC and VOBA is dependent upon the future profitability of the related business. DAC and VOBA are aggregated on the financial statements for reporting purposes.

The Company generally has two different types of sales inducements which are included in other assets: (i) the policyholder receives a bonus whereby the policyholder’s initial account balance is increased by an amount equal to a specified percentage of the customer’s deposit; and (ii) the policyholder receives a higher interest rate using a dollar cost averaging method than would have been received based on the normal general account interest rate credited. The Company defers sales inducements and amortizes them over the life of the policy using the same methodology and assumptions used to amortize DAC. The amortization of sales inducements is included in policyholder benefits and claims. Each year, or more frequently if circumstances indicate a potential recoverability issue exists, the Company reviews deferred sales inducements (“DSI”) to determine the recoverability of the asset.

Value of distribution agreements acquired (“VODA”) is reported in other assets and represents the present value of expected future profits associated with the expected future business derived from the distribution agreements acquired as part of a business combination. Value of customer relationships acquired (“VOCRA”) is also reported in other assets and represents the present value of the expected future profits associated with the expected future business acquired through existing customers of the acquired company or business. The VODA and VOCRA associated with past business combinations are amortized over useful lives ranging from 10 to 40 years and such amortization is included in other expenses. Each year, or more frequently if circumstances indicate a possible impairment exists, the Company reviews VODA and VOCRA to determine whether the asset is impaired.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)**

For certain acquired blocks of business, the estimated fair value of the in-force contract obligations exceeded the book value of assumed in-force insurance policy liabilities, resulting in negative VOBA, which is presented separately from VOBA as an additional insurance liability. The fair value of the in-force contract obligations is based on projections by each block of business. Negative VOBA is amortized over the policy period in proportion to the approximate consumption of losses included in the liability usually expressed in terms of insurance in-force or account value. Such amortization is recorded as an offset in other expenses.

Reinsurance

For each of its reinsurance agreements, the Company determines whether the agreement provides indemnification against loss or liability relating to insurance risk in accordance with applicable accounting standards. Cessions under reinsurance agreements do not discharge the Company's obligations as the primary insurer. The Company reviews all contractual features, including those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims.

For reinsurance of existing in-force blocks of long-duration contracts that transfer significant insurance risk, the difference, if any, between the amounts paid (received), and the liabilities ceded (assumed) related to the underlying contracts is considered the net cost of reinsurance at the inception of the reinsurance agreement. The net cost of reinsurance is recorded as an adjustment to DAC and recognized as a component of other expenses on a basis consistent with the way the acquisition costs on the underlying reinsured contracts would be recognized. Subsequent amounts paid (received) on the reinsurance of in-force blocks, as well as amounts paid (received) related to new business, are recorded as ceded (assumed) premiums; and ceded (assumed) premiums, reinsurance and other receivables (future policy benefits) are established.

For prospective reinsurance of short-duration contracts that meet the criteria for reinsurance accounting, amounts paid (received) are recorded as ceded (assumed) premiums and ceded (assumed) unearned premiums. Unearned premiums are reflected as a component of premiums, reinsurance and other receivables (future policy benefits). Such amounts are amortized through earned premiums over the remaining contract period in proportion to the amount of insurance protection provided. For retroactive reinsurance of short-duration contracts that meet the criteria of reinsurance accounting, amounts paid (received) in excess of the related insurance liabilities ceded (assumed) are recognized immediately as a loss and are reported in the appropriate line item within the statement of operations. Any gain on such retroactive agreement is deferred and is amortized as part of DAC, primarily using the recovery method.

Amounts currently recoverable under reinsurance agreements are included in premiums, reinsurance and other receivables and amounts currently payable are included in other liabilities. Assets and liabilities relating to reinsurance agreements with the same reinsurer may be recorded net on the balance sheet, if a right of offset exists within the reinsurance agreement. In the event that reinsurers do not meet their obligations to the Company under the terms of the reinsurance agreements, reinsurance recoverable balances could become uncollectible. In such instances, reinsurance recoverable balances are stated net of allowances for uncollectible reinsurance.

Premiums, fees and policyholder benefits and claims include amounts assumed under reinsurance agreements and are net of reinsurance ceded. Amounts received from reinsurers for policy administration are reported in other revenues. With respect to GMIBs, a portion of the directly written GMIBs are accounted for as insurance liabilities, but the associated reinsurance agreements contain embedded derivatives. These embedded derivatives are included in premiums, reinsurance and other receivables with changes in estimated fair value reported in policyholder benefits and claims.

If the Company determines that a reinsurance agreement does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk, the Company records the agreement using the deposit method of accounting. Deposits received are included in other liabilities and deposits made are included within premiums, reinsurance and other receivables. As amounts are paid or received, consistent with the underlying contracts, the deposit assets or liabilities are adjusted. Interest on such deposits is recorded as other revenues or other expenses, as appropriate. Periodically, the Company evaluates the adequacy of the expected payments or recoveries and adjusts the deposit asset or liability through other revenues or other expenses, as appropriate.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)****Investments****Net Investment Income and Net Investment Gains (Losses)**

Income from investments is reported within net investment income, unless otherwise stated herein. Gains and losses on sales of investments, impairment losses and changes in valuation allowances are reported within net investment gains (losses), unless otherwise stated herein.

Fixed Maturity and Equity Securities

The majority of the Company's fixed maturity and equity securities are classified as available-for-sale ("AFS") and are reported at their estimated fair value. Unrealized investment gains and losses on these securities are recorded as a separate component of other comprehensive income (loss) ("OCI"), net of policy-related amounts and deferred income taxes. All security transactions are recorded on a trade date basis. Investment gains and losses on sales are determined on a specific identification basis.

Interest income and prepayment fees are recognized when earned. Interest income is recognized using an effective yield method giving effect to amortization of premiums and accretion of discounts, and is based on the estimated economic life of the securities, which for mortgage-backed and asset-backed securities considers the estimated timing and amount of prepayments of the underlying loans. See Note 8 "— Investments — Fixed Maturity and Equity Securities AFS — Methodology for Amortization of Premium and Accretion of Discount on Structured Securities." The amortization of premium and accretion of discount of fixed maturity securities also takes into consideration call and maturity dates. Dividends on equity securities are recognized when declared.

The Company periodically evaluates fixed maturity and equity securities for impairment. The assessment of whether impairments have occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in estimated fair value, as well as an analysis of the gross unrealized losses by severity and/or age as described in Note 8 "— Evaluation of AFS Securities for OTTI and Evaluating Temporarily Impaired AFS Securities."

For fixed maturity securities in an unrealized loss position, an other-than-temporary impairment ("OTTI") is recognized in earnings when it is anticipated that the amortized cost will not be recovered. When either: (i) the Company has the intent to sell the security; or (ii) it is more likely than not that the Company will be required to sell the security before recovery, the OTTI recognized in earnings is the entire difference between the security's amortized cost and estimated fair value. If neither of these conditions exists, the difference between the amortized cost of the security and the present value of projected future cash flows expected to be collected is recognized as an OTTI in earnings ("credit loss"). If the estimated fair value is less than the present value of projected future cash flows expected to be collected, this portion of OTTI related to other-than-credit factors ("noncredit loss") is recorded in OCI.

With respect to equity securities, the Company considers in its OTTI analysis its intent and ability to hold a particular equity security for a period of time sufficient to allow for the recovery of its estimated fair value to an amount equal to or greater than cost. If a sale decision is made for an equity security and recovery to an amount at least equal to cost prior to the sale is not expected, the security will be deemed to be other-than-temporarily impaired in the period that the sale decision was made and an OTTI loss will be recorded in earnings. The OTTI loss recognized is the entire difference between the security's cost and its estimated fair value.

FVO Securities

FVO securities are stated at estimated fair value and include investments for which the FVO has been elected ("FVO Securities"). FVO Securities include:

- fixed maturity and equity securities held-for-investment by the general account to support asset and liability management strategies for certain insurance products and investments in certain separate accounts ("FVO general account securities"); and
- contractholder-directed investments supporting unit-linked variable annuity type liabilities which do not qualify for presentation and reporting as separate account summary total assets and liabilities. These investments are primarily mutual funds and, to a lesser extent, fixed maturity and equity securities, short-term investments and cash and cash equivalents. The investment returns on these investments inure to contractholders and are offset by a corresponding change in policyholder account balances through interest credited to policyholder account balances ("FVO contractholder-directed unit-linked investments").

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)**

Investments that are actively purchased and sold (“Actively traded securities”) principally include fixed maturity securities and short sale agreement liabilities, which are included in other liabilities.

The Company previously maintained a trading securities portfolio. During 2016, the Company reinvested this portfolio into other asset classes and at December 31, 2016 the Company no longer held any Actively traded securities. Changes in estimated fair value of FVO Securities and Actively traded securities are included in net investment income, except for certain securities included in FVO Securities, where changes are included in net investment gains (losses).

Mortgage Loans

The Company disaggregates its mortgage loan investments into three portfolio segments: commercial, agricultural and residential. The accounting policies that are applicable to all portfolio segments are presented below and the accounting policies related to each of the portfolio segments are included in Note 8.

Mortgage loans are stated at unpaid principal balance, adjusted for any unamortized premium or discount, deferred fees or expenses, and are net of valuation allowances. Interest income and prepayment fees are recognized when earned. Interest income is recognized using an effective yield method giving effect to amortization of premiums and accretion of discounts.

Also included in mortgage loans are residential mortgage loans for which the FVO was elected, and which are stated at estimated fair value. Changes in estimated fair value are recognized in net investment income.

Policy Loans

Policy loans are stated at unpaid principal balances. Interest income is recorded as earned using the contractual interest rate. Generally, accrued interest is capitalized on the policy’s anniversary date. Valuation allowances are not established for policy loans, as they are fully collateralized by the cash surrender value of the underlying insurance policies. Any unpaid principal and accrued interest is deducted from the cash surrender value or the death benefit prior to settlement of the insurance policy.

Real Estate

Real estate held-for-investment is stated at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful life of the asset (typically 20 to 55 years). Rental income is recognized on a straight-line basis over the term of the respective leases. The Company periodically reviews its real estate held-for-investment for impairment and tests for recoverability whenever events or changes in circumstances indicate the carrying value may not be recoverable and exceeds its estimated fair value. Properties whose carrying values are greater than their undiscounted cash flows are written down to their estimated fair value, which is generally computed using the present value of expected future cash flows discounted at a rate commensurate with the underlying risks.

Real estate for which the Company commits to a plan to sell within one year and actively markets in its current condition for a reasonable price in comparison to its estimated fair value is classified as held-for-sale. Real estate held-for-sale is stated at the lower of depreciated cost or estimated fair value less expected disposition costs and is not depreciated.

Real Estate Joint Ventures and Other Limited Partnership Interests

The Company uses the equity method of accounting for equity securities when it has significant influence or at least 20% interest and for real estate joint ventures and other limited partnership interests (“investees”) when it has more than a minor ownership interest or more than a minor influence over the investee’s operations. The Company generally recognizes its share of the investee’s earnings on a three-month lag in instances where the investee’s financial information is not sufficiently timely or when the investee’s reporting period differs from the Company’s reporting period.

The Company uses the cost method of accounting for investments in which it has virtually no influence over the investee’s operations. The Company recognizes distributions on cost method investments when such distributions become payable or received. Because of the nature and structure of these cost method investments, they do not meet the characteristics of an equity security in accordance with applicable accounting standards.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)**

The Company routinely evaluates its equity method and cost method investments for impairment. For equity method investees, the Company considers financial and other information provided by the investee, other known information and inherent risks in the underlying investments, as well as future capital commitments, in determining whether an impairment has occurred. The Company considers its cost method investments for impairment when the carrying value of such investments exceeds the net asset value (“NAV”). The Company takes into consideration the severity and duration of this excess when determining whether the cost method investment is impaired.

Short-term Investments

Short-term investments include securities and other investments with remaining maturities of one year or less, but greater than three months, at the time of purchase and are stated at estimated fair value or amortized cost, which approximates estimated fair value.

Other Invested Assets

Other invested assets consist principally of the following:

- Freestanding derivatives with positive estimated fair values which are described in “— Derivatives” below.
- Tax credit and renewable energy partnerships which derive a significant source of investment return in the form of income tax credits or other tax incentives. Where tax credits are guaranteed by a creditworthy third party, the investment is accounted for under the effective yield method. Otherwise, the investment is accounted for under the equity method. See Note 18.
- Leveraged leases which are recorded net of non-recourse debt. Income is recognized by applying the leveraged lease’s estimated rate of return to the net investment in the lease. Leveraged leases derive investment returns in part from their income tax treatment. The Company regularly reviews residual values for impairment.
- Direct financing leases gross investment is equal to the minimum lease payments plus the unguaranteed residual value. Income is recorded by applying the pre-tax internal rate of return to the investment balance. The Company regularly reviews lease receivables for impairment. Certain direct financing leases are linked to inflation.
- Annuities funding structured settlement claims represent annuities funding claims assumed by the Company in its capacity as a structured settlements assignment company. The annuities are stated at their contract value, which represents the present value of the future periodic claim payments to be provided. The net investment income recognized reflects the amortization of discount of the annuity at its implied effective interest rate. See Note 3.
- Funds withheld represent a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements. The Company recognizes interest on funds withheld at rates defined by the terms of the agreement which may be contractually specified or directly related to the underlying investments.
- Investments in operating joint ventures that engage in insurance underwriting activities are accounted for under the equity method.

Securities Lending Program

Securities lending transactions, whereby blocks of securities are loaned to third parties, primarily brokerage firms and commercial banks, are treated as financing arrangements and the associated liability is recorded at the amount of cash received. The Company obtains collateral at the inception of the loan, usually cash, in an amount generally equal to 102% of the estimated fair value of the securities loaned, and maintains it at a level greater than or equal to 100% for the duration of the loan. Securities loaned under such transactions may be sold or re-pledged by the transferee. The Company is liable to return to the counterparties the cash collateral received. Security collateral on deposit from counterparties in connection with securities lending transactions may not be sold or re-pledged, unless the counterparty is in default, and is not reflected on the Company’s financial statements. The Company monitors the estimated fair value of the securities loaned on a daily basis and additional collateral is obtained as necessary throughout the duration of the loan. Income and expenses associated with securities lending transactions are reported as investment income and investment expense, respectively, within net investment income.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

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

Repurchase Agreements

The Company participates in short-term repurchase agreements with unaffiliated financial institutions. Under these agreements, the Company lends fixed maturity securities and receives cash as collateral in an amount generally equal to 85% to 100% of the estimated fair value of the securities loaned at the inception of the transaction. The associated liability is recorded at the amount of cash received. The Company monitors the estimated fair value of the collateral and the securities loaned throughout the duration of the transaction and additional collateral is obtained as necessary. Securities loaned under such transactions may be sold or re-pledged by the transferee.

FHLB Boston Advance Agreements

A subsidiary of the Company has entered into short-term advance agreements with the Federal Home Loan Bank (“FHLB”) of Boston (“FHLB Boston”): Under these advance agreements, the subsidiary pledges fixed maturity securities as collateral and receives cash, which is segregated and reinvested, primarily into fixed maturity securities and cash equivalents. While the collateral management practices are unique to this program, these transactions are accounted for and have collateral maintenance requirements similar to securities lending and repurchase agreement transactions, as described above, but securities pledged as collateral may not be sold or re-pledged by the transferee.

Derivatives

Freestanding Derivatives

Freestanding derivatives are carried on the Company’s balance sheet either as assets within other invested assets or as liabilities within other liabilities at estimated fair value. The Company does not offset the estimated fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement.

Accruals on derivatives are generally recorded in accrued investment income or within other liabilities. However, accruals that are not scheduled to settle within one year are included with the derivatives carrying value in other invested assets or other liabilities.

If a derivative is not designated as an accounting hedge or its use in managing risk does not qualify for hedge accounting, changes in the estimated fair value of the derivative are reported in net derivative gains (losses) except as follows:

Statement of Operations Presentation:	Derivative:
Policyholder benefits and claims	<ul style="list-style-type: none"> • Economic hedges of variable annuity guarantees included in future policy benefits
Net investment income	<ul style="list-style-type: none"> • Economic hedges of equity method investments in joint ventures • All derivatives held in relation to trading portfolios • Derivatives held within contractholder-directed unit-linked investments

Hedge Accounting

To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge. Hedge designation and financial statement presentation of changes in estimated fair value of the hedging derivatives are as follows:

- Fair value hedge (a hedge of the estimated fair value of a recognized asset or liability) - in net derivative gains (losses), consistent with the change in estimated fair value of the hedged item attributable to the designated risk being hedged.
- Cash flow hedge (a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability) - effectiveness in OCI (deferred gains or losses on the derivative are reclassified into the statement of operations when the Company’s earnings are affected by the variability in cash flows of the hedged item); ineffectiveness in net derivative gains (losses).
- Net investment in a foreign operation hedge - effectiveness in OCI, consistent with the translation adjustment for the hedged net investment in the foreign operation; ineffectiveness in net derivative gains (losses).

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)**

The changes in estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported on the statement of operations within interest income or interest expense to match the location of the hedged item. Accruals on derivatives in net investment hedges are recognized in OCI.

In its hedge documentation, the Company sets forth how the hedging instrument is expected to hedge the designated risks related to the hedged item and sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument's effectiveness and the method that will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and at least quarterly throughout the life of the designated hedging relationship. Assessments of hedge effectiveness and measurements of ineffectiveness are also subject to interpretation and estimation and different interpretations or estimates may have a material effect on the amount reported in net income.

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

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

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

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

Embedded Derivatives

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

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

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)**

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

Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In most cases, the exit price and the transaction (or entry) price will be the same at initial recognition.

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

Goodwill

Goodwill represents the future economic benefits arising from net assets acquired in a business combination that are not individually identified and recognized. Goodwill is calculated as the excess of cost over the estimated fair value of such net assets acquired, is not amortized, and is tested for impairment based on a fair value approach at least annually, or more frequently if events or circumstances indicate that there may be justification for conducting an interim test. The Company performs its annual goodwill impairment testing during the third quarter based upon data as of the close of the second quarter. Goodwill associated with a business acquisition is not tested for impairment during the year the business is acquired unless there is a significant identified impairment event.

The impairment test is performed at the reporting unit level, which is the operating segment or a business one level below the operating segment, if discrete financial information is prepared and regularly reviewed by management at that level. For purposes of goodwill impairment testing, if the carrying value of a reporting unit exceeds its estimated fair value, there may be an indication of impairment. In such instances, the implied fair value of the goodwill is determined in the same manner as the amount of goodwill that would be determined in a business combination. The excess of the carrying value of goodwill over the implied fair value of goodwill would be recognized as an impairment and recorded as a charge against net income.

On an ongoing basis, the Company evaluates potential triggering events that may affect the estimated fair value of the Company’s reporting units to assess whether any goodwill impairment exists. Deteriorating or adverse market conditions for certain reporting units may have a significant impact on the estimated fair value of these reporting units and could result in future impairments of goodwill.

Employee Benefit Plans

Certain subsidiaries of MetLife, Inc. sponsor and/or administer various plans that provide defined benefit pension and other postretirement benefits covering eligible employees. Measurement dates used for all of the subsidiaries’ defined benefit pension and other postretirement benefit plans correspond with the fiscal year ends of sponsoring subsidiaries, which is December 31 for U.S. and non-U.S. subsidiaries.

The Company recognizes the funded status of each of its defined benefit pension and postretirement benefit plans, measured as the difference between the fair value of plan assets and the benefit obligation, which is the projected benefit obligation (“PBO”) for pension benefits and the accumulated postretirement benefit obligation (“APBO”) for other postretirement benefits in other assets or other liabilities.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)**

Actuarial gains and losses result from differences between the actual experience and the assumed experience on plan assets or PBO during a particular period and are recorded in accumulated OCI (“AOCI”). To the extent such gains and losses exceed 10% of the greater of the PBO or the estimated fair value of plan assets, the excess is amortized into net periodic benefit costs, generally over the average projected future service years of the active employees. In addition, prior service costs (credit) are recognized in AOCI at the time of the amendment and then amortized to net periodic benefit costs over the average projected future service years of the active employees.

Net periodic benefit costs are determined using management’s estimates and actuarial assumptions and are comprised of service cost, interest cost, settlement and curtailment costs, expected return on plan assets, amortization of net actuarial (gains) losses, and amortization of prior service costs (credit). Fair value is used to determine the expected return on plan assets.

The subsidiaries also sponsor defined contribution plans for substantially all U.S. employees under which a portion of employee contributions is matched. Applicable matching contributions are made each payroll period. Accordingly, the Company recognizes compensation cost for current matching contributions. As all contributions are transferred currently as earned to the defined contribution plans, no liability for matching contributions is recognized on the balance sheets.

Income Tax

MetLife, Inc. and its includable life insurance and non-life insurance subsidiaries file a consolidated U.S. federal income tax return in accordance with the provisions of the Internal Revenue Code of 1986, as amended. Non-includable subsidiaries file either separate individual corporate tax returns or separate consolidated tax returns.

The Company’s accounting for income taxes represents management’s best estimate of various events and transactions.

Deferred tax assets and liabilities resulting from temporary differences between the financial reporting and tax bases of assets and liabilities are measured at the balance sheet date using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse.

The realization of deferred tax assets depends upon the existence of sufficient taxable income within the carryback or carryforward periods under the tax law in the applicable tax jurisdiction. Valuation allowances are established against deferred tax assets when management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Significant judgment is required in determining whether valuation allowances should be established, as well as the amount of such allowances. When making such determination, the Company considers many factors, including:

- the nature, frequency, and amount of cumulative financial reporting income and losses in recent years;
- the jurisdiction in which the deferred tax asset was generated;
- the length of time that carryforward can be utilized in the various taxing jurisdictions;
- future taxable income exclusive of reversing temporary differences and carryforwards;
- future reversals of existing taxable temporary differences;
- taxable income in prior carryback years; and
- tax planning strategies.

The Company may be required to change its provision for income taxes when estimates used in determining valuation allowances on deferred tax assets significantly change or when receipt of new information indicates the need for adjustment in valuation allowances. Additionally, the effect of changes in tax laws, tax regulations, or interpretations of such laws or regulations, is recognized in net income tax expense (benefit) in the period of change.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded on the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Unrecognized tax benefits due to tax uncertainties that do not meet the threshold are included within other liabilities and are charged to earnings in the period that such determination is made.

The Company classifies interest recognized as interest expense and penalties recognized as a component of income tax expense.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)**

On December 22, 2017, President Trump signed into law H.R.1, commonly referred to as the Tax Cuts and Jobs Act of 2017 (“U.S. Tax Reform”). See Note 18 for additional information on U.S. Tax Reform and related Staff Accounting Bulletin (“SAB”) 118 provisional amounts.

Litigation Contingencies

The Company is a party to a number of legal actions and is involved in a number of regulatory investigations. Given the inherent unpredictability of these matters, it is difficult to estimate the impact on the Company’s financial position. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Except as otherwise disclosed in Note 20, legal costs are recognized as incurred. On a quarterly and annual basis, the Company reviews relevant information with respect to liabilities for litigation, regulatory investigations and litigation-related contingencies to be reflected on the Company’s financial statements.

Other Accounting Policies**Stock-Based Compensation**

The Company grants certain employees and directors stock-based compensation awards under various plans that are subject to specific vesting conditions. With the exception of performance shares granted in 2013 and after which are re-measured quarterly, the cost of all stock-based transactions is measured at fair value at grant date and recognized over the period during which a grantee is required to provide services in exchange for the award. Although the terms of the Company’s stock-based plans do not accelerate vesting upon the attainment of the applicable criteria for post-employment award continuation, the requisite service period subsequent to attaining such criteria is considered non-substantive. Accordingly, the Company recognizes compensation expense related to stock-based awards over the shorter of the requisite service period or the period to attainment of such criteria. An estimation of future forfeitures of stock-based awards is incorporated into the determination of compensation expense when recognizing expense over the requisite service period.

Cash and Cash Equivalents

The Company considers all highly liquid securities and other investments purchased with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are stated at amortized cost, which approximates estimated fair value.

Property, Equipment, Leasehold Improvements and Computer Software

Property, equipment and leasehold improvements, which are included in other assets, are stated at cost, less accumulated depreciation and amortization. Depreciation is determined using the straight-line method over the estimated useful lives of the assets, as appropriate. The estimated life is generally 40 years for company occupied real estate property, from one to 25 years for leasehold improvements, and from three to seven years for all other property and equipment. The cost basis of the property, equipment and leasehold improvements was \$2.5 billion and \$2.4 billion at December 31, 2017 and 2016, respectively. Accumulated depreciation and amortization of property, equipment and leasehold improvements was \$1.1 billion at both December 31, 2017 and 2016. Related depreciation and amortization expense was \$207 million, \$206 million and \$215 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Computer software, which is included in other assets, is stated at cost, less accumulated amortization. Purchased software costs, as well as certain internal and external costs incurred to develop internal-use computer software during the application development stage, are capitalized. Such costs are amortized generally over a four-year period using the straight-line method. The cost basis of computer software was \$2.8 billion and \$2.2 billion at December 31, 2017 and 2016, respectively. Accumulated amortization of capitalized software was \$2.0 billion and \$1.5 billion at December 31, 2017 and 2016, respectively. Related amortization expense was \$250 million, \$208 million and \$212 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Other Revenues

Other revenues primarily include, in addition to items described elsewhere herein, prepaid legal plan fees, administrative service fees, and fees related to certain stable value products. Such fees are recognized in the period in which services are performed.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)***Policyholder Dividends*

Policyholder dividends are approved annually by the insurance subsidiaries' boards of directors. The aggregate amount of policyholder dividends is related to actual interest, mortality, morbidity and expense experience for the year, as well as management's judgment as to the appropriate level of statutory surplus to be retained by the insurance subsidiaries.

Foreign Currency

Assets, liabilities and operations of foreign affiliates and subsidiaries are recorded based on the functional currency of each entity. The determination of the functional currency is made based on the appropriate economic and management indicators. For most of the Company's foreign operations, the local currency is the functional currency. For certain other foreign operations, such as Japan, the local currency and one or more other currencies qualify as functional currencies. Assets and liabilities of foreign affiliates and subsidiaries are translated from the functional currency to U.S. dollars at the exchange rates in effect at each year-end and revenues and expenses are translated at the average exchange rates during the year. The resulting translation adjustments are charged or credited directly to OCI, net of applicable taxes. Gains and losses from foreign currency transactions, including the effect of re-measurement of monetary assets and liabilities to the appropriate functional currency, are reported as part of net investment gains (losses) in the period in which they occur.

Earnings Per Common Share

Basic earnings per common share are computed based on the weighted average number of common shares, or their equivalent, outstanding during the period. Diluted earnings per common share include the dilutive effect of the assumed exercise or issuance of stock-based awards using the treasury stock method. Under the treasury stock method, exercise or issuance of stock-based awards is assumed to occur with the proceeds used to purchase common stock at the average market price for the period. The difference between the number of shares assumed issued and number of shares assumed purchased represents the dilutive shares.

Adoption of New Accounting Pronouncements

Effective January 1, 2017, the Company early adopted guidance relating to business combinations. The new guidance clarifies the definition of a business and requires that an entity apply certain criteria in order to determine when a set of assets and activities qualifies as a business. The adoption of this standard will result in fewer acquisitions qualifying as businesses and, accordingly, acquisition costs for those acquisitions that do not qualify as businesses will be capitalized rather than expensed. The adoption did not have a material impact on the Company's consolidated financial statements.

Effective January 1, 2017, the Company retrospectively adopted guidance relating to consolidation. The new guidance does not change the characteristics of a primary beneficiary under current GAAP. It changes how a reporting entity evaluates whether it is the primary beneficiary of a VIE by changing how a reporting entity that is a single decisionmaker of a VIE handles indirect interests in the entity held through related parties that are under common control with the reporting entity. The adoption of this new guidance did not have a material impact on the Company's consolidated financial statements.

Effective January 1, 2017, the Company adopted guidance related to stock-based compensation. The new guidance changes several aspects of the accounting for share-based payment and award transactions, including (i) income tax consequences when awards vest or are settled; (ii) classification as either equity or liability due to statutory tax withholding requirements; and (iii) classification on the statement of cash flows. In addition, the new guidance provides an accounting policy election to account for forfeitures as they occur, rather than to account for them based on an estimate of expected forfeitures. The Company has elected to continue to account for forfeitures based on an estimate of expected forfeitures. In addition, the Company elected to apply the change in presentation in the consolidated statements of cash flows related to excess tax benefits prospectively and prior periods have not been adjusted. The change in presentation for cash paid to a taxing authority when directly withholding equivalent shares has been classified as a financing activity in the consolidated statements of cash flows. The change was applied retrospectively and thus the directly withheld share equivalent amount was reclassified from an operating activity to a financing activity in the consolidated statements of cash flows. The adoption of this new guidance did not have a material impact on the Company's consolidated financial statements.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)**

Effective January 1, 2016, the Company retrospectively adopted guidance relating to short-duration contracts. The new guidance requires insurance entities to provide users of financial statements with more transparent information about initial claim estimates and subsequent adjustments to these estimates, including information on: (i) reconciling from the claim development table to the balance sheet liability, (ii) methodologies and judgments in estimating claims, and (iii) the timing and frequency of claims. The adoption did not have an impact on the Company's consolidated financial statements other than expanded disclosures in Note 4.

Effective January 1, 2016, the Company retrospectively adopted new guidance relating to the consolidation of certain entities. The objective of the new standard is to improve targeted areas of the consolidation guidance and to reduce the number of consolidation models. The new consolidation standard provides guidance on how a reporting entity (i) evaluates whether the entity should consolidate limited partnerships and similar entities, (ii) assesses whether the fees paid to a decisionmaker or service provider are variable interests in a VIE, and (iii) assesses the variable interests in a VIE held by related parties of the reporting entity. The new guidance also eliminates the VIE consolidation model based on majority exposure to variability that applied to certain investment companies and similar entities. The adoption of the new guidance did not impact which entities are consolidated by the Company. The consolidated VIE assets and liabilities and unconsolidated VIE carrying amounts and maximum exposure to loss as of December 31, 2016, disclosed in Note 8, reflect the application of the new guidance.

Other

Effective January 3, 2017, the Chicago Mercantile Exchange ("CME") amended its rulebook, resulting in the characterization of variation margin transfers as settlement payments, as opposed to adjustments to collateral. These amendments impacted the accounting treatment of the Company's centrally cleared derivatives for which the CME serves as the central clearing party. As of the effective date, the application of the amended rulebook reduced gross derivative assets by \$1.8 billion, gross derivative liabilities by \$2.0 billion, accrued investment income by \$101 million, accrued investment expense recorded within other liabilities by \$14 million, collateral receivables recorded within premiums, reinsurance and other receivables of \$991 million, and collateral payables recorded within payables for collateral under securities loaned and other transactions of \$816 million.

Future Adoption of New Accounting Pronouncements

In February 2018, the Financial Accounting Standards Board ("FASB") issued new guidance on reporting comprehensive income (Accounting Standards Update ("ASU") 2018-02, *Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from AOCI*). The new guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years and should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate or law in U.S. Tax Reform is recognized. Early adoption is permitted. Current GAAP guidance requires that the effect of a change in tax laws or rates on deferred tax liabilities or assets to be included in income from continuing operations in the reporting period that includes the enactment date, even if the related income tax effects were originally charged or credited directly to AOCI. The new guidance allows a reclassification of AOCI to retained earnings for stranded tax effects resulting from U.S. Tax Reform. Also, the new guidance requires certain disclosures about stranded tax effects. The Company will early adopt the new guidance in the first quarter of 2018. The Company expects the impact of this new guidance at adoption will be a decrease to retained earnings as of January 1, 2018 of approximately \$1.2 billion with a corresponding increase to AOCI.

In August 2017, the FASB issued new guidance on hedging activities (ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*). The new guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years and should be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings. Early adoption is permitted. The new guidance simplifies the application of hedge accounting in certain situations and amends the hedge accounting model to enable entities to better portray the economics of their risk management activities in the financial statements. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In May 2017, the FASB issued new guidance on share-based payment awards (ASU 2017-09, *Compensation - Stock Compensation (Topic 718) - Scope of Modification Accounting*). The new guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The new guidance should be applied prospectively to an award modified on or after the adoption date. Early adoption is permitted. The ASU includes guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. The adoption of this new guidance will not have a material impact on the Company's consolidated financial statements.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)**

In March 2017, the FASB issued new guidance on purchased callable debt securities (ASU 2017-08, *Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities*). The new guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years and should be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings. Early adoption is permitted. The ASU shortens the amortization period for certain callable debt securities held at a premium and requires the premium to be amortized to the earliest call date. However, the new guidance does not require an accounting change for securities held at a discount whose discount continues to be amortized to maturity. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In March 2017, the FASB issued new guidance on the presentation of net periodic pension cost and net periodic postretirement benefit cost (ASU 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*). The new guidance is effective for annual periods beginning after December 15, 2017 and interim periods within those annual periods. The guidance requires that an employer that offers to its employees defined benefit pension or other postretirement benefit plans report the service cost component in the same line item or items as other compensation costs. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item is not used, the line item used in the income statement to present the other components of net benefit cost must be disclosed. In addition, the guidance allows only the service cost component to be eligible for capitalization when applicable. The guidance should be applied retrospectively for the presentation of the service cost component in the income statement with a practical expedient for the estimation basis for applying the retrospective presentation requirements, and prospectively for the capitalization of the service component. The adoption of this new guidance will not have a material impact on the Company's consolidated financial statements.

In February 2017, the FASB issued new guidance on derecognition of nonfinancial assets (ASU 2017-05, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*). The new guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. Early adoption is permitted for interim or annual reporting periods beginning after December 15, 2016. The guidance may be applied retrospectively for all periods presented or retrospectively with a cumulative-effect adjustment to retained earnings at the date of adoption. The new guidance clarifies the scope and accounting of a financial asset that meets the definition of an "in-substance nonfinancial asset" and defines the term, "in-substance nonfinancial asset." The ASU also adds guidance for partial sales of nonfinancial assets. The adoption of this new guidance will not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued new guidance on goodwill impairment (ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*). The new guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years, and should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The new guidance simplifies the current two-step goodwill impairment test by eliminating Step 2 of the test. The new guidance requires a one-step impairment test in which an entity compares the fair value of a reporting unit with its carrying amount and recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, if any. The Company expects the adoption of this new guidance will reduce the complexity involved with the evaluation of goodwill for impairment. The impact of this guidance will depend on the outcomes of future goodwill impairment tests.

In November 2016, the FASB issued new guidance on restricted cash (ASU 2016-18, *Statement of Cash Flows (Topic 230): A consensus of the FASB Emerging Issues Task Force*). The new guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, and should be applied on a retrospective basis. Early adoption is permitted. The new guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, the new guidance requires that amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance does not provide a definition of restricted cash or restricted cash equivalents. The adoption of this new guidance will not have a material impact on the Company's consolidated financial statements.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)**

In October 2016, the FASB issued new guidance on tax accounting for intra-entity transfers of assets (ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*). The new guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, and should be applied on a modified retrospective basis. The Company will apply this guidance as of January 1, 2018. Current guidance prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. The new guidance requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Based on the Company's assessment of the intra-entity asset transfers and related deferred income taxes that are in scope, the Company expects the adoption of this new guidance will not have a material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued new guidance on cash flow statement presentation (ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*). The new guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, and should be applied retrospectively to all periods presented. Early adoption is permitted in any interim or annual period. The new guidance addresses diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The adoption of this new guidance will not have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued new guidance on measurement of credit losses on financial instruments (ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*). The new guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. This ASU replaces the incurred loss impairment methodology with one that reflects expected credit losses. The measurement of expected credit losses should be based on historical loss information, current conditions, and reasonable and supportable forecasts. The new guidance requires that an OTTI on a debt security will be recognized as an allowance going forward, such that improvements in expected future cash flows after an impairment will no longer be reflected as a prospective yield adjustment through net investment income, but rather a reversal of the previous impairment and recognized through realized investment gains and losses. The guidance also requires enhanced disclosures. The Company has assessed the asset classes impacted by the new guidance and is currently assessing the accounting and reporting system changes that will be required to comply with the new guidance. The Company believes that the most significant impact upon adoption will be to its mortgage loan investments. The Company is continuing to evaluate the overall impact of the new guidance on its consolidated financial statements.

In February 2016, the FASB issued new guidance on leasing transactions (ASU 2016-02, *Leases - Topic 842*). The new guidance is effective for the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and requires a modified retrospective transition approach. Early adoption is permitted. The new guidance requires a lessee to recognize assets and liabilities for leases with lease terms of more than 12 months. Leases would be classified as finance or operating leases and both types of leases will be recognized on the balance sheet. Lessor accounting will remain largely unchanged from current guidance except for certain targeted changes. The new guidance will also require new qualitative and quantitative disclosures. The Company's implementation efforts are primarily focused on the review of its existing lease contracts, identification of other contracts that may fall under the scope of the new guidance, and performing a gap analysis on the current state of lease-related activities compared with the future state of lease-related activities. The Company is currently evaluating the overall impact of the new guidance on its consolidated financial statements.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)**

In January 2016, the FASB issued new guidance (ASU 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*, as amended by ASU 2018-03, *Financial Instruments-Overall: Technical Corrections and Improvements*, issued in February 2018) on the recognition and measurement of financial instruments. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for the instrument-specific credit risk provision. The new guidance changes the current accounting guidance related to (i) the classification and measurement of certain equity investments, (ii) the presentation of changes in the fair value of financial liabilities measured under the FVO that are due to instrument-specific credit risk, and (iii) certain disclosures associated with the fair value of financial instruments. Additionally, there will no longer be a requirement to assess equity securities for impairment since such securities will be measured at fair value through net income. The Company has assessed the population of financial instruments that are subject to the new guidance and has determined that the most significant impact will be the requirement to report changes in fair value in net income each reporting period for all equity securities currently classified as AFS and to a lesser extent, other limited partnership interests and real estate joint ventures that are currently accounted for under the cost method. The Company will utilize a modified retrospective approach to adopt the new guidance effective January 1, 2018. The expected impact related to the change in accounting for equity securities AFS will be \$280 million of net unrealized investment gains, net of income tax, which will be reclassified from AOCI to retained earnings. The estimated financial statement impact related to cost method other limited partnership interests and real estate joint ventures was not material.

In May 2014, the FASB issued a comprehensive new revenue recognition standard (ASU 2014-09, *Revenue from Contracts with Customers - Topic 606*), effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The Company will apply this guidance retrospectively with a cumulative-effect adjustment as of January 1, 2018. The new guidance supersedes nearly all existing revenue recognition guidance under U.S. GAAP. However, it does not impact the accounting for insurance and investment contracts within the scope of Accounting Standards Codification (ASC) Topic 944, *Financial Services - Insurance*, leases, financial instruments and certain guarantees. For those contracts that are impacted, the new guidance requires an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled, in exchange for those goods or services. The Company identified revenue streams within the scope of the guidance that are all included within other revenues in the consolidated statements of operations and evaluated the related contracts, primarily consisting of prepaid legal plans and administrative-only contracts within the U.S. segment, distribution and administrative services fees within the MetLife Holdings segment, and fee-based investment management services within Corporate & Other. As other revenues represents approximately 2% of consolidated total revenues for the year ended December 31, 2017, the modified retrospective adoption as of January 1, 2018, did not have a material impact on the Company's consolidated financial position and the Company has not identified any material prospective changes in the recognition and measurement of other revenue. The Company expects to expand its qualitative disclosures within the notes to the consolidated financial statements.

Other

Effective January 16, 2018, the London Clearing House ("LCH") amended its rulebook, resulting in the characterization of variation margin transfers as settlement payments, as opposed to adjustments to collateral. These amendments will impact the accounting treatment of the Company's centrally cleared derivatives, for which the LCH serves as the central clearing party. The application of the amended rulebook is expected to reduce the gross derivative assets and liabilities, as well as the related collateral, recorded on the consolidated balance sheet for trades cleared through the LCH. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

2. Segment Information

Following the Separation and the elimination of the Brighthouse Financial segment, as described in Note 3, MetLife is organized into five segments: U.S.; Asia; Latin America; EMEA; and MetLife Holdings. In addition, the Company reports certain of its results of operations in Corporate & Other.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****2. Segment Information (continued)*****U.S.***

The U.S. segment offers a broad range of protection products and services aimed at serving the financial needs of customers throughout their lives. These products are sold to corporations and their respective employees, other institutions and their respective members, as well as individuals. The U.S. segment is organized into three businesses: Group Benefits, Retirement and Income Solutions and Property & Casualty.

- The Group Benefits business offers insurance products and services which include life, dental, group short- and long-term disability, individual disability, accidental death and dismemberment, vision and accident & health coverages, as well as prepaid legal plans. This business also sells administrative services-only arrangements to some employers.
- The Retirement and Income Solutions business offers a broad range of annuity and investment products, including capital market investment products, institutional income annuities, stable value and pension risk transfer products. This business also includes products to fund tort settlements, as well as postretirement benefits and company-, bank- or trust-owned life insurance.
- The Property & Casualty business offers personal and commercial lines of property and casualty insurance, including private passenger automobile, homeowners' and personal excess liability insurance. In addition, Property & Casualty offers small business owners property, liability and business interruption insurance.

Asia

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

Latin America

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

EMEA

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

MetLife Holdings

The MetLife Holdings segment consists of operations relating to products and businesses no longer actively marketed by the Company in the United States, such as variable, universal, term and whole life insurance, variable, fixed and index-linked annuities, long-term care insurance, as well as the assumed variable annuity guarantees from the Company's former operating joint venture in Japan.

Corporate & Other

Corporate & Other contains the excess capital, as well as certain charges and activities, not allocated to the segments, including external integration and disposition costs, internal resource costs for associates committed to acquisitions and dispositions, enterprise-wide strategic initiative restructuring charges and various start-up businesses (including expatriate benefits insurance and the investment management business through which the Company offers fee-based investment management services to institutional clients, as well as the direct to consumer portion of the U.S. Direct business). Corporate & Other also includes interest expense related to the majority of the Company's outstanding debt, as well as expenses associated with certain legal proceedings and income tax audit issues. In addition, Corporate & Other includes the elimination of intersegment amounts, which generally relate to affiliated reinsurance and intersegment loans, which bear interest rates commensurate with related borrowings. As a result of the Separation, for the years ended 2016 and 2015, Corporate & Other includes corporate overhead costs previously allocated to the former Brighthouse Financial segment.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****2. Segment Information (continued)*****Financial Measures and Segment Accounting Policies***

Adjusted earnings is used by management to evaluate performance and allocate resources. Consistent with GAAP guidance for segment reporting, adjusted earnings is also the Company's GAAP measure of segment performance and is reported below. Adjusted earnings should not be viewed as a substitute for income (loss) from continuing operations, net of income tax. The Company believes the presentation of adjusted earnings as the Company measures it for management purposes enhances the understanding of its performance by highlighting the results of operations and the underlying profitability drivers of the business. Adjusted earnings allows analysis of the Company's performance relative to the Company's business plan and facilitates comparisons to industry results.

Adjusted earnings is defined as adjusted revenues less adjusted expenses, net of income tax.

The financial measures of adjusted revenues and adjusted expenses focus on the Company's primary businesses principally by excluding the impact of market volatility, which could distort trends, and revenues and costs related to non-core products and certain entities required to be consolidated under GAAP. Also, these measures exclude results of discontinued operations under GAAP and other businesses that have been or will be sold or exited by MetLife but do not meet the discontinued operations criteria under GAAP and are referred to as divested businesses. Divested businesses also includes the net impact of transactions with exited businesses that have been eliminated in consolidation under GAAP and costs relating to businesses that have been or will be sold or exited by MetLife that do not meet the criteria to be included in results of discontinued operations under GAAP. In addition, for the year ended December 31, 2016, adjusted revenues and adjusted expenses exclude the financial impact of converting the Company's Japan operations to calendar year-end reporting without retrospective application of this change to prior periods and is referred to as lag elimination. Adjusted revenues also excludes net investment gains (losses) and net derivative gains (losses). Adjusted expenses also excludes goodwill impairments.

The following additional adjustments are made to revenues, in the line items indicated, in calculating adjusted revenues:

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

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

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

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****2. Segment Information (continued)**

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

The tax impact of the adjustments mentioned above are calculated net of the U.S. or foreign statutory tax rate, which could differ from the Company's effective tax rate. Additionally, the provision for income tax (expense) benefit also includes the impact related to the timing of certain tax credits, as well as certain tax reforms.

Set forth in the tables below is certain financial information with respect to the Company's segments, as well as Corporate & Other, for the years ended December 31, 2017, 2016 and 2015 and at December 31, 2017 and 2016. The segment accounting policies are the same as those used to prepare the Company's consolidated financial statements, except for adjusted earnings adjustments as defined above. In addition, segment accounting policies include the method of capital allocation described below.

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

The Company's economic capital model, coupled with considerations of local capital requirements, aligns segment allocated equity with emerging standards and consistent risk principles. The model applies statistics-based risk evaluation principles to the material risks to which the Company is exposed. These consistent risk principles include calibrating required economic capital shock factors to a specific confidence level and time horizon while applying an industry standard method for the inclusion of diversification benefits among risk types. The Company's management is responsible for the ongoing production and enhancement of the economic capital model and reviews its approach periodically to ensure that it remains consistent with emerging industry practice standards.

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

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

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
2. Segment Information (continued)

Year Ended December 31, 2017	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total	Adjustments	Total Consolidated
	(In millions)								
Revenues									
Premiums	\$ 23,632	\$ 6,755	\$ 2,693	\$ 2,061	\$ 4,144	\$ 54	\$ 39,339	\$ (347)	\$ 38,992
Universal life and investment-type product policy fees	1,012	1,584	1,044	405	1,361	1	5,407	103	5,510
Net investment income	6,396	2,985	1,219	309	5,607	28	16,544	819	17,363
Other revenues	806	43	32	58	244	271	1,454	(113)	1,341
Net investment gains (losses)	—	—	—	—	—	—	—	(308)	(308)
Net derivative gains (losses)	—	—	—	—	—	—	—	(590)	(590)
Total revenues	<u>31,846</u>	<u>11,367</u>	<u>4,988</u>	<u>2,833</u>	<u>11,356</u>	<u>354</u>	<u>62,744</u>	<u>(436)</u>	<u>62,308</u>
Expenses									
Policyholder benefits and claims and policyholder dividends	23,627	5,075	2,535	1,077	7,000	26	39,340	204	39,544
Interest credited to policyholder account balances	1,474	1,351	369	100	1,018	1	4,313	1,294	5,607
Capitalization of DAC	(458)	(1,710)	(364)	(414)	(82)	(8)	(3,036)	34	(3,002)
Amortization of DAC and VOBA	459	1,300	224	357	302	6	2,648	33	2,681
Amortization of negative VOBA	—	(111)	(1)	(19)	—	—	(131)	(9)	(140)
Interest expense on debt	11	—	5	—	24	1,105	1,145	(16)	1,129
Other expenses	3,682	3,613	1,479	1,376	1,365	894	12,409	544	12,953
Total expenses	<u>28,795</u>	<u>9,518</u>	<u>4,247</u>	<u>2,477</u>	<u>9,627</u>	<u>2,024</u>	<u>56,688</u>	<u>2,084</u>	<u>58,772</u>
Provision for income tax expense (benefit)	1,024	620	156	59	547	(688)	1,718	(3,188)	(1,470)
Adjusted earnings	<u>\$ 2,027</u>	<u>\$ 1,229</u>	<u>\$ 585</u>	<u>\$ 297</u>	<u>\$ 1,182</u>	<u>\$ (982)</u>	<u>4,338</u>		
Adjustments to:									
Total revenues							(436)		
Total expenses							(2,084)		
Provision for income tax (expense) benefit							3,188		
Income (loss) from continuing operations, net of income tax							<u>\$ 5,006</u>		<u>\$ 5,006</u>
At December 31, 2017									
	U.S.	Asia (1)	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total		
	(In millions)								
Total assets	\$ 255,428	\$ 136,928	\$ 79,670	\$ 30,500	\$ 183,160	\$ 34,206	\$ 719,892		
Separate account assets	\$ 81,243	\$ 10,032	\$ 56,218	\$ 5,975	\$ 51,533	\$ —	\$ 205,001		
Separate account liabilities	\$ 81,243	\$ 10,032	\$ 56,218	\$ 5,975	\$ 51,533	\$ —	\$ 205,001		

(1) Total assets includes \$111.0 billion of assets from the Japan operations which represents 15% of total consolidated assets.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
2. Segment Information (continued)

Year Ended December 31, 2016	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total	Adjustments	Total Consolidated
(In millions)									
Revenues									
Premiums	\$ 21,501	\$ 6,902	\$ 2,529	\$ 2,027	\$ 4,506	\$ 40	\$ 37,505	\$ (303)	\$ 37,202
Universal life and investment-type product policy fees	989	1,488	1,025	391	1,436	2	5,331	152	5,483
Net investment income	6,206	2,707	1,084	318	5,944	178	16,437	353	16,790
Other revenues	784	61	34	73	581	110	1,643	42	1,685
Net investment gains (losses)	—	—	—	—	—	—	—	317	317
Net derivative gains (losses)	—	—	—	—	—	—	—	(690)	(690)
Total revenues	<u>29,480</u>	<u>11,158</u>	<u>4,672</u>	<u>2,809</u>	<u>12,467</u>	<u>330</u>	<u>60,916</u>	<u>(129)</u>	<u>60,787</u>
Expenses									
Policyholder benefits and claims and policyholder dividends	21,591	5,211	2,443	1,067	7,523	41	37,876	(295)	37,581
Interest credited to policyholder account balances	1,302	1,298	328	112	1,042	6	4,088	1,088	5,176
Capitalization of DAC	(471)	(1,668)	(321)	(403)	(281)	(7)	(3,151)	(1)	(3,152)
Amortization of DAC and VOBA	471	1,236	184	408	736	8	3,043	(325)	2,718
Amortization of negative VOBA	—	(208)	(1)	(13)	—	—	(222)	(47)	(269)
Interest expense on debt	9	—	2	—	57	1,139	1,207	(50)	1,157
Other expenses	3,706	3,586	1,336	1,323	2,392	597	12,940	355	13,295
Total expenses	<u>26,608</u>	<u>9,455</u>	<u>3,971</u>	<u>2,494</u>	<u>11,469</u>	<u>1,784</u>	<u>55,781</u>	<u>725</u>	<u>56,506</u>
Provision for income tax expense (benefit)	976	479	158	42	292	(948)	999	(306)	693
Adjusted earnings	<u>\$ 1,896</u>	<u>\$ 1,224</u>	<u>\$ 543</u>	<u>\$ 273</u>	<u>\$ 706</u>	<u>\$ (506)</u>	4,136		
Adjustments to:									
Total revenues							(129)		
Total expenses							(725)		
Provision for income tax (expense) benefit							306		
Income (loss) from continuing operations, net of income tax							<u>\$ 3,588</u>		<u>\$ 3,588</u>

At December 31, 2016	U.S.	Asia (1)	Latin America	EMEA	MetLife Holdings	Corporate & Other (2)	Total
(In millions)							
Total assets	\$ 253,926	\$ 120,656	\$ 67,233	\$ 25,596	\$ 183,832	\$ 247,521	\$ 898,764
Separate account assets	\$ 85,950	\$ 8,020	\$ 48,455	\$ 4,329	\$ 48,823	\$ 1	\$ 195,578
Separate account liabilities	\$ 85,950	\$ 8,020	\$ 48,455	\$ 4,329	\$ 48,823	\$ 1	\$ 195,578

(1) Total assets includes \$98.0 billion of assets from the Japan operations which represents 11% of total consolidated assets.

(2) Includes assets of disposed subsidiary of \$216,983 million at December 31, 2016.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
2. Segment Information (continued)

Year Ended December 31, 2015	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total	Adjustments	Total Consolidated
	(In millions)								
Revenues									
Premiums	\$ 20,861	\$ 6,937	\$ 2,581	\$ 2,036	\$ 4,545	\$ (92)	\$ 36,868	\$ (465)	\$ 36,403
Universal life and investment-type product policy fees	943	1,542	1,117	424	1,482	(4)	5,504	66	5,570
Net investment income	6,183	2,675	1,038	326	6,189	260	16,671	(466)	16,205
Other revenues	751	105	41	61	930	69	1,957	(30)	1,927
Net investment gains (losses)	—	—	—	—	—	—	—	609	609
Net derivative gains (losses)	—	—	—	—	—	—	—	629	629
Total revenues	28,738	11,259	4,777	2,847	13,146	233	61,000	343	61,343
Expenses									
Policyholder benefits and claims and policyholder dividends	20,899	5,266	2,408	988	7,346	(114)	36,793	(293)	36,500
Interest credited to policyholder account balances	1,216	1,309	349	120	1,062	23	4,079	336	4,415
Capitalization of DAC	(493)	(1,720)	(341)	(472)	(410)	(3)	(3,439)	120	(3,319)
Amortization of DAC and VOBA	471	1,253	271	497	577	(1)	3,068	116	3,184
Amortization of negative VOBA	—	(309)	(1)	(16)	—	—	(326)	(35)	(361)
Interest expense on debt	4	—	—	—	55	1,169	1,228	(60)	1,168
Other expenses	3,685	3,611	1,429	1,469	2,694	935	13,823	282	14,105
Total expenses	25,782	9,410	4,115	2,586	11,324	2,009	55,226	466	55,692
Provision for income tax expense (benefit)	1,009	461	37	21	582	(366)	1,744	(154)	1,590
Adjusted earnings	\$ 1,947	\$ 1,388	\$ 625	\$ 240	\$ 1,240	\$ (1,410)	4,030		
Adjustments to:									
Total revenues							343		
Total expenses							(466)		
Provision for income tax (expense) benefit							154		
Income (loss) from continuing operations, net of income tax							\$ 4,061		\$ 4,061

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
2. Segment Information (continued)

The following table presents total premiums, universal life and investment-type product policy fees and other revenues by major product groups of the Company's segments, as well as Corporate & Other:

	Years Ended December 31,		
	2017	2016	2015
(In millions)			
Life insurance	\$ 20,330	\$ 20,436	\$ 20,847
Accident & health insurance	14,002	14,128	13,109
Annuities	6,999	5,552	5,730
Property & casualty insurance	3,613	3,560	3,504
Non-insurance	899	694	710
Total	<u>\$ 45,843</u>	<u>\$ 44,370</u>	<u>\$ 43,900</u>

The following table presents total premiums, universal life and investment-type product policy fees and other revenues associated with the Company's U.S. and foreign operations:

	Years Ended December 31,		
	2017	2016	2015
(In millions)			
U.S.	\$ 30,971	\$ 29,166	\$ 29,094
Foreign:			
Japan	6,444	7,089	6,264
Other	8,428	8,115	8,542
Total	<u>\$ 45,843</u>	<u>\$ 44,370</u>	<u>\$ 43,900</u>

Revenues derived from any customer did not exceed 10% of consolidated premiums, universal life and investment-type product policy fees and other revenues for the years ended December 31, 2017, 2016 and 2015.

3. Dispositions
2017 Pending Disposition

On October 25, 2017, the Company entered into a definitive agreement to sell MetLife Afore, S.A. de C.V. ("MetLife Afore"), its pension fund management business in Mexico. As a result of the agreement, a loss of \$98 million (\$73 million, net of income tax), which includes a reduction to goodwill of \$16 million, was recorded for the year ended December 31, 2017 and is reflected within net investment gains (losses).

At December 31, 2017, MetLife Afore reported \$3.9 billion and \$3.7 billion of total assets and total liabilities, respectively, which primarily consisted of \$3.7 billion of separate account assets and liabilities. MetLife Afore's results of operations are included in continuing operations and are reported in the Latin America segment. The transaction closed on February 20, 2018.

2017 Disposition
Separation of Brighthouse

In January 2016, MetLife, Inc. announced its plan to separate a substantial portion of its former Retail segment, as well as certain portions of its former Corporate Benefit Funding segment and Corporate & Other. MetLife, Inc. subsequently re-segmented the business to be separated and rebranded it as "Brighthouse Financial." On July 6, 2017, MetLife, Inc. announced that the U.S. Securities and Exchange Commission ("SEC") declared Brighthouse Financial, Inc.'s registration statement on Form 10 effective. Additionally, all required state regulatory approvals were granted.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****3. Dispositions (continued)**

On August 4, 2017, MetLife, Inc. completed the separation of Brighthouse. MetLife, Inc. common shareholders received a distribution of one share of Brighthouse Financial, Inc. common stock for every 11 shares of MetLife, Inc. common stock they owned as of 5:00 p.m., New York City time, on the July 19, 2017 record date. Shareholders of MetLife, Inc. who owned less than 11 shares of common stock, or others who would have otherwise received fractional shares, received cash. MetLife, Inc. distributed 96,776,670 of the 119,773,106 shares of Brighthouse Financial, Inc. common stock outstanding, representing approximately 80.8% of those shares. Certain MetLife affiliates hold MetLife, Inc. common stock and, as a result, participated in the distribution.

The loss recognized in connection with the Separation was \$1,302 million, net of income tax, which included: (i) a \$1,016 million loss on MetLife's retained investment in Brighthouse Financial, Inc., (ii) a \$42 million net tax charge and (iii) a \$306 million charge, net of income tax, for transaction costs, partially offset by a \$61 million gain, net of income tax, for previously deferred intercompany gains realized upon Separation. The \$42 million net tax charge is comprised of a \$1,093 million tax separation agreement charge offset by \$1,051 million of Separation tax benefits. Of the \$1,302 million total loss, net of income tax, a \$131 million loss, net of income tax, was reported within continuing operations as (i) a \$693 million net investment loss, (ii) a \$147 million charge within policyholder benefits and claims, (iii) a \$218 million charge within other expenses, and (iv) a \$927 million income tax benefit. The remaining \$1,171 million loss was reported within discontinued operations, which primarily includes a tax-related charge.

MetLife, Inc. retained the remaining ownership interest of 22,996,436 shares, or 19.2%, of Brighthouse Financial, Inc. common stock and recognized its investment in Brighthouse Financial, Inc. common stock based on the NASDAQ reported market price. The Company elected to record the investment under the FVO as an observable measure of estimated fair value that is aligned with the Company's intent to divest of the retained shares as soon as practicable. Subsequent changes in estimated fair value of the investment are recorded to net investment gains (losses). The estimated fair value of the Brighthouse Financial, Inc. common stock held by the Company ("FVO Brighthouse Common Stock") as of December 31, 2017 was \$1.3 billion reported within FVO securities. The Company recorded a \$1,016 million mark-to-market loss on its retained investment in Brighthouse Financial, Inc. to net investment gains (losses) at the Separation date and an additional \$95 million loss to net investment gains (losses) for the change in Brighthouse Financial, Inc.'s common stock share price from the Separation date to December 31, 2017.

In 2016, the Company recorded a non-cash charge of \$260 million (\$223 million, net of income tax) for the impairment of Brighthouse goodwill included in discontinued operations. As of the Separation date, the Company evaluated the assets of Brighthouse for potential impairment, and determined that no additional impairment charge was required.

The Company incurred pre-tax Separation-related transaction costs of \$470 million for the year ended December 31, 2017, primarily related to fees for the terminations of financing arrangements and professional services. The Company incurred pre-tax Separation-related transaction costs of \$212 million for the year ended December 31, 2016 primarily related to professional services. For the year ended December 31, 2017, the Company reported \$333 million within discontinued operations for fees for the terminations of financing arrangements and costs required to complete the Separation. All other Separation-related transaction costs are recorded in other expenses and reported within continuing operations.

In connection with the Separation, MetLife, Inc. terminated various support agreements with Brighthouse.

Agreements

In connection with the Separation, MetLife and Brighthouse entered into various agreements. The significant agreements were as follows:

Master Separation Agreement

MetLife entered into a master separation agreement with Brighthouse prior to the completion of the distribution. The master separation agreement sets forth agreements with Brighthouse relating to the ownership of certain assets and the allocation of certain liabilities in connection with the Separation. It also sets forth other agreements governing the relationship with Brighthouse after the distribution, including certain payment obligations between the parties.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****3. Dispositions (continued)***Tax Agreements*

Immediately prior to the Separation, MetLife entered into a tax separation agreement with Brighthouse. Among other things, the tax separation agreement governs the allocation between MetLife and Brighthouse of the responsibility for the taxes of the MetLife group. The tax separation agreement also allocates rights, obligations and responsibilities in connection with certain administrative matters relating to the preparation of tax returns and control of tax audits and other proceedings relating to taxes. For the taxable periods prior to Separation, MetLife and Brighthouse have joint and several liability for the MetLife consolidated U.S. federal income tax returns' current taxes (and the benefits of tax attributes such as losses) allocated to Brighthouse. The tax separation agreement provides that the Brighthouse allocation of taxes could vary depending upon the outcome of Internal Revenue Service ("IRS") examinations. Upon Separation, MetLife, Inc. recorded a current income tax receivable of \$1.4 billion and a corresponding payable to Brighthouse reported in other liabilities. On October 2, 2017, in accordance with the tax separation agreement, \$729 million of this amount was paid by MetLife, Inc. to Brighthouse.

As part of the tax separation agreement, MetLife, Inc. is liable for the U.S. federal income tax cost of a discrete Separation-related tax charge incurred by Brighthouse. The income tax charge arises from the recapture of certain tax benefits incurred prior to Separation, and is caused by the deconsolidation of Brighthouse from the MetLife tax group at Separation. As a result, MetLife, Inc. recorded a decrease to current income tax recoverable and a charge to provision for income tax expense (benefit) of \$1,093 million, which was reported in discontinued operations for the Company.

Additionally, MetLife, Inc. has the right to receive future payments from Brighthouse for a tax asset that Brighthouse received as a result of restructuring prior to the Separation. Included in other assets at December 31, 2017, is a receivable from Brighthouse of \$333 million related to these future payments, after a reduction of \$222 million as a result of U.S. Tax Reform.

Transactions Prior to the Separation

Prior to the Separation, the Company completed the following transactions in 2017.

Contributions of Entities, Mergers and Dividend

In April 2017, following receipt of applicable regulatory approvals, MetLife contributed certain captive reinsurance companies to Brighthouse Life Insurance Company ("Brighthouse Insurance"), which were merged into Brighthouse Reinsurance Company of Delaware ("BRCD"), a newly-formed captive reinsurance company that is wholly-owned by Brighthouse Insurance.

In July 2017, MetLife, Inc. contributed the voting common interests of Brighthouse Holdings, LLC, a subsidiary of MetLife, Inc. at that time, to Brighthouse Financial, Inc. Brighthouse Holdings, LLC was at that time an intermediate holding company which owned all of the subsidiaries within Brighthouse.

In August 2017, Brighthouse Financial, Inc. paid a cash dividend to MetLife, Inc. of \$1.8 billion in connection with the Separation.

Termination of Financing Arrangements

In April 2017, MetLife, Inc. and MetLife Reinsurance Company of South Carolina ("MRSC") terminated the MRSC collateral financing arrangement associated with secondary guarantees. As a result, the \$2.8 billion collateral financing arrangement liability outstanding was extinguished utilizing \$2.8 billion of assets held in trust, with the remaining \$590 million of assets held in trust returned to MetLife, Inc. as a cash return of capital from a subsidiary. Total fees associated with the termination were \$37 million and were reported in discontinued operations.

In April 2017, MetLife, Inc. and MetLife Reinsurance Company of Vermont ("MRV") terminated the \$4.3 billion committed facility, and MetLife, Inc. and MRSC terminated the \$3.5 billion committed facility. Total fees associated with the terminations were \$257 million and were reported in discontinued operations.

See Note 14 for information on the junior subordinated debentures in connection with the Separation.

New Financing Arrangements

In April 2017, BRCD entered into a new financing arrangement with a pool of highly rated third-party reinsurers with a total capacity of \$10.0 billion. This financing arrangement consists of credit-linked notes that each have a term of 20 years.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****3. Dispositions (continued)**

In June 2017, Brighthouse Holdings, LLC issued 50,000 units of 6.50% fixed rate cumulative preferred units to MetLife, Inc. and in turn MetLife, Inc. sold the preferred units to third-party investors, for net proceeds of \$49 million.

In June 2017, Brighthouse Financial, Inc. issued \$1.5 billion of senior notes due in June 2027 (the “2027 Senior Notes”) which bear interest at a fixed rate of 3.70%, payable semi-annually. Also in June 2017, Brighthouse Financial, Inc. issued \$1.5 billion of senior notes due in June 2047 (the “2047 Senior Notes,” and together with the 2027 Senior Notes, the “Senior Notes”) which bear interest at a fixed rate of 4.70%, payable semi-annually. In connection with the issuance of the Senior Notes, MetLife, Inc. had initially guaranteed the Senior Notes on a senior unsecured basis. The guarantee was released, in accordance with its terms, upon Separation.

In June 2017, subsequent to the issuance of the Senior Notes, the borrowing capacity under Brighthouse Financial, Inc.’s three-year senior unsecured delayed draw term loan agreement (the “2016 Term Loan Agreement”) was decreased from \$3.0 billion to \$536 million. On July 21, 2017, concurrently with entering into a new term loan agreement described below, Brighthouse Financial, Inc. terminated the 2016 Term Loan Agreement without penalty.

In July 2017, Brighthouse Financial, Inc. entered into a new \$600 million senior unsecured delayed draw term loan agreement (the “2017 Term Loan Agreement”). Under the 2017 Term Loan Agreement, Brighthouse Financial, Inc. may borrow up to a maximum of \$600 million which may be used for general corporate purposes, including in connection with the Separation, of which \$500 million was available prior to the Separation. The 2017 Term Loan Agreement contains certain covenants that could restrict the operations and use of funds of Brighthouse. On August 2, 2017, Brighthouse Financial, Inc. borrowed \$500 million under the 2017 Term Loan Agreement in connection with the Separation.

Ongoing Transactions with Brighthouse

The Company considered all of its continuing involvement with Brighthouse in determining whether to deconsolidate and present Brighthouse results as discontinued operations, including the agreements described above and the ongoing transactions described below.

The Company entered into reinsurance, committed facility, structured settlement, and contract administrative services transactions with Brighthouse in the normal course of business and such transactions will continue based upon business needs. In addition, prior to and in connection with the Separation, the Company entered into various other agreements with Brighthouse for services necessary for both the Company and Brighthouse to conduct their activities. Intercompany transactions prior to the Separation between the Company and Brighthouse are eliminated and excluded from the consolidated statements of operations and consolidated balance sheets. Transactions between the Company and Brighthouse that continue after the Separation are included on the Company’s consolidated statements of operations and consolidated balance sheets.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
3. Dispositions (continued)
Reinsurance

The Company entered into reinsurance transactions with Brighthouse in the normal course of business and such transactions will continue based upon business needs. Information regarding the significant effects of reinsurance transactions with Brighthouse was as follows:

	Included on Consolidated Statements of Operations	Excluded from Consolidated Statements of Operations		
	Year Ended December 31,	Years Ended December 31,		
	2017 (1)	2017 (2)	2016	2015
	(In millions)			
Premiums				
Reinsurance assumed	\$ 183	\$ 248	\$ 462	\$ 416
Reinsurance ceded	(4)	(7)	(9)	(8)
Net premiums	<u>\$ 179</u>	<u>\$ 241</u>	<u>\$ 453</u>	<u>\$ 408</u>
Universal life and investment-type product policy fees				
Reinsurance assumed	\$ (4)	\$ (6)	\$ (2)	\$ 2
Reinsurance ceded	(44)	(55)	(102)	(114)
Net universal life and investment-type product policy fees	<u>\$ (48)</u>	<u>\$ (61)</u>	<u>\$ (104)</u>	<u>\$ (112)</u>
Policyholder benefits and claims				
Reinsurance assumed	\$ 150	\$ 196	\$ 385	\$ 330
Reinsurance ceded	(22)	(16)	(23)	(28)
Net policyholder benefits and claims	<u>\$ 128</u>	<u>\$ 180</u>	<u>\$ 362</u>	<u>\$ 302</u>
Interest credited to policyholder account balances				
Reinsurance assumed	\$ 6	\$ 10	\$ 16	\$ 14
Reinsurance ceded	(30)	(42)	(75)	(78)
Net interest credited to policyholder account balances	<u>\$ (24)</u>	<u>\$ (32)</u>	<u>\$ (59)</u>	<u>\$ (64)</u>
Other expenses				
Reinsurance assumed	\$ 39	\$ 10	\$ 88	\$ 76
Reinsurance ceded	7	(28)	(29)	(45)
Net other expenses	<u>\$ 46</u>	<u>\$ (18)</u>	<u>\$ 59</u>	<u>\$ 31</u>

- (1) Includes transactions after the Separation.
(2) Includes transactions prior to the Separation.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

3. Dispositions (continued)

Information regarding the significant effects of reinsurance transactions with Brighthouse included on the consolidated balance sheets was as follows at:

	December 31, 2017	
	Assumed	Ceded
	(In millions)	
Assets		
Premiums, reinsurance and other receivables	\$ 167	\$ 1,793
Deferred policy acquisition costs and value of business acquired	384	(40)
Total assets	<u>\$ 551</u>	<u>\$ 1,753</u>
Liabilities		
Future policy benefits	\$ 1,734	\$ —
Other policy-related balances	119	28
Other liabilities	1,458	19
Total liabilities	<u>\$ 3,311</u>	<u>\$ 47</u>

Investment Management

In connection with the Separation, the Company entered into investment management services agreements with Brighthouse. Each agreement has an initial term of 18 months after the date of Separation, after which period either party to the agreement is permitted to terminate upon notice to the other party. After the Separation, for the year ended December 31, 2017, the Company recognized \$48 million in other revenues for services provided under the agreements. Prior to the Separation, for the year ended December 31, 2017, the Company charged Brighthouse \$57 million for services provided under the agreements, which were intercompany transactions and eliminated and excluded from the consolidated statements of operations.

Debt

MRV and MetLife, Inc. have a \$2.9 billion committed facility which is used as collateral for certain affiliated reinsurance liabilities. As of December 31, 2017, Brighthouse is a beneficiary of \$2.4 billion of letters of credit issued under this committed facility and in consideration Brighthouse reimburses MetLife, Inc. a portion of the letter of credit fees. The Company entered into the committed facility with Brighthouse in the normal course of business and such transactions will continue based upon business needs.

See “— Transactions Prior to the Separation — Termination of Financing Arrangements” for additional transactions with Brighthouse.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****3. Dispositions (continued)***Transition Services*

In connection with the Separation, the Company entered into a transition services agreement with Brighthouse for services necessary for Brighthouse to conduct its activities. The services are expected to continue up to 36 months, with certain services potentially to be made available for several years thereafter. After the Separation, for the year ended December 31, 2017, the Company recognized \$140 million as a reduction to other expenses for transitional services provided under the agreement. Prior to the Separation, for the year ended December 31, 2017, the Company charged Brighthouse \$191 million for services provided under the agreement, which were intercompany transactions and eliminated and excluded from the consolidated statements of operations.

Other

The Company has existing assumed structured settlement claim obligations as an assignment company for Brighthouse. These liabilities are measured at the present value of the periodic claims to be provided and reported as other policy-related balances. The Company receives a fee for assuming these claim obligations and, as the assignee of the claim, is legally obligated to ensure periodic payments are made to the claimant. The Company purchased annuities from Brighthouse to fund these obligations and designates payments to be made directly to the claimant by Brighthouse as the annuity writer. The aggregate contract values of annuities funding structured settlement claims are recorded as an asset for which the Company has also recorded an unpaid claim obligation reported in other policy-related balances. Such aggregated contract values were \$1.3 billion at December 31, 2017. The Company entered into these transactions with Brighthouse in the normal course of business and such transactions will continue based upon business needs.

The Company provides services necessary for Brighthouse to conduct its business, which primarily include contract administrative services for certain Brighthouse investment-type products. After the Separation, for the year ended December 31, 2017, the Company recognized revenue of \$54 million for administrative services provided to Brighthouse. Prior to the Separation, during the year ended December 31, 2017, the Company provided administrative services to Brighthouse for \$73 million which were intercompany transactions and eliminated and excluded from the consolidated statements of operations. The Company entered into these transactions with Brighthouse in the normal course of business and such transactions will continue based upon business needs.

In connection with the Separation, the Company entered into an employee matters agreement with Brighthouse to allocate obligations and responsibilities relating to employee compensation and benefit plans and other related matters. The employee matters agreement provides that MetLife will reimburse Brighthouse for certain pension benefit payments, retiree health and life benefit payments and deferred compensation payments. Included in other liabilities at December 31, 2017, is a payable to Brighthouse of \$186 million related to these future payments.

At December 31, 2017, the Company had a receivable from Brighthouse of \$97 million related to services provided and a payable to Brighthouse of \$50 million related to services received.

Discontinued Operations

The following table presents the amounts related to the operations and loss on disposal of Brighthouse that have been reflected in discontinued operations:

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
3. Dispositions (continued)

	For the Years Ended December 31,		
	2017 (1)	2016	2015
	(In millions)		
Revenues			
Premiums	\$ 820	\$ 1,951	\$ 2,142
Universal life and investment-type product policy fees	2,201	3,724	3,936
Net investment income	1,783	3,157	3,038
Other revenues	150	74	58
Total net investment gains (losses)	(48)	(140)	(48)
Net derivative gains (losses)	(1,061)	(5,886)	(466)
Total revenues	<u>3,845</u>	<u>2,880</u>	<u>8,660</u>
Expenses			
Policyholder benefits and claims	2,217	4,487	3,612
Interest credited to policyholder account balances	620	1,107	1,195
Policyholder dividends	16	34	32
Goodwill impairment	—	260	—
Other expenses	853	1,333	2,043
Total expenses	<u>3,706</u>	<u>7,221</u>	<u>6,882</u>
Income (loss) from discontinued operations before provision for income tax and loss on disposal of discontinued operations	139	(4,341)	1,778
Provision for income tax expense (benefit)	(46)	(1,607)	454
Income (loss) from discontinued operations before loss on disposal of discontinued operations, net of income tax	185	(2,734)	1,324
Transaction costs associated with the Separation, net of income tax	(216)	—	—
Tax charges associated with the Separation	(955)	—	—
Income (loss) on disposal of discontinued operations, net of income tax	(1,171)	—	—
Income (loss) from discontinued operations, net of income tax	<u>\$ (986)</u>	<u>\$ (2,734)</u>	<u>\$ 1,324</u>

(1) Includes transactions prior to the Separation.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
3. Dispositions (continued)

The following table presents the amounts related to the financial position of Brighthouse that have been reflected in the assets and liabilities of disposed subsidiary:

	December 31, 2016
	(In millions)
Assets	
Investments:	
Fixed maturity securities available-for-sale	\$ 61,326
Equity securities available-for-sale	300
Mortgage loans	9,378
Policy loans	1,517
Real estate and real estate joint ventures	150
Other limited partnership interests	1,642
Short-term investments	1,288
Other invested assets	3,881
Total investments	79,482
Cash and cash equivalents	5,226
Accrued investment income	680
Premiums, reinsurance and other receivables	10,636
Deferred policy acquisition costs and value of business acquired	7,207
Other assets	709
Separate account assets	113,043
Total assets of disposed subsidiary	\$ 216,983
Liabilities	
Future policy benefits	\$ 33,270
Policyholder account balances	37,066
Other policy-related balances	1,356
Policyholder dividends payable	12
Payables for collateral under securities loaned and other transactions	7,390
Long-term debt	60
Collateral financing arrangements	2,797
Deferred income tax liability	2,594
Other liabilities	5,119
Separate account liabilities	113,043
Total liabilities of disposed subsidiary	\$ 202,707

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****3. Dispositions (continued)**

In the consolidated statements of cash flows, the cash flows from discontinued operations are not separately classified. The following table presents selected financial information regarding cash flows of the discontinued operations.

	For the Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Net cash provided by (used in):			
Operating activities	\$ 1,329	\$ 3,697	\$ 4,559
Investing activities	\$ (2,732)	\$ 4,674	\$ (7,042)
Financing activities	\$ (367)	\$ (4,715)	\$ 2,452

2016 Disposition

In July 2016, MetLife, Inc. completed the sale to Massachusetts Mutual Life Insurance Company (“MassMutual”) of its U.S. retail advisor force and certain assets associated with the MetLife Premier Client Group, including all of the issued and outstanding shares of MetLife’s affiliated broker-dealer, MetLife Securities, Inc. (“MSI”), a wholly-owned subsidiary of MetLife, Inc. (collectively, the “U.S. Retail Advisor Force Divestiture”) for \$291 million. MassMutual assumed all of the liabilities related to such assets that arise or occur after the closing of the sale. The Company recorded a gain of \$103 million (\$58 million, net of income tax), in net investment gains (losses) for the year ended December 31, 2016. See Notes 10 and 17 for discussion of certain charges related to the sale.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

4. Insurance

Insurance Liabilities

Insurance liabilities are comprised of future policy benefits, policyholder account balances and other policy-related balances. Information regarding insurance liabilities by segment, as well as Corporate & Other, was as follows at:

	December 31,	
	2017	2016
(In millions)		
U.S.	\$ 136,065	\$ 129,117
Asia	99,404	89,422
Latin America	16,758	14,760
EMEA	19,579	18,075
MetLife Holdings	103,372	104,271
Corporate & Other	829	(3,121)
Total	\$ 376,007	\$ 352,524

Future policy benefits are measured as follows:

Product Type:	Measurement Assumptions:
Participating life	Aggregate of (i) net level premium reserves for death and endowment policy benefits (calculated based upon the non-forfeiture interest rate, ranging from 3% to 7% for domestic business and less than 1% to 11% for international business and mortality rates guaranteed in calculating the cash surrender values described in such contracts); and (ii) the liability for terminal dividends for domestic business.
Nonparticipating life	Aggregate of the present value of future expected benefit payments and related expenses less the present value of future expected net premiums. Assumptions as to mortality and persistency are based upon the Company's experience when the basis of the liability is established. Interest rate assumptions for the aggregate future policy benefit liabilities range from 2% to 11% for domestic business and less than 1% to 13% for international business.
Individual and group traditional fixed annuities after annuitization	Present value of future expected payments. Interest rate assumptions used in establishing such liabilities range from 1% to 11% for domestic business and less than 1% to 12% for international business.
Non-medical health insurance	The net level premium method and assumptions as to future morbidity, withdrawals and interest, which provide a margin for adverse deviation. Interest rate assumptions used in establishing such liabilities range from 4% to 7% (primarily related to domestic business).
Disabled lives	Present value of benefits method and experience assumptions as to claim terminations, expenses and interest. Interest rate assumptions used in establishing such liabilities range from 2% to 8% for domestic business and less than 1% to 9% for international business.
Property & casualty insurance	The amount estimated for claims that have been reported but not settled and claims incurred but not reported are based upon the Company's historical experience and other actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation.

Participating business represented 3% and 4% of the Company's life insurance in-force at December 31, 2017 and 2016, respectively. Participating policies represented 15%, 16% and 17% of gross traditional life insurance premiums for the years ended December 31, 2017, 2016 and 2015, respectively.

Policyholder account balances are equal to: (i) policy account values, which consist of an accumulation of gross premium payments and investment performance; (ii) credited interest, ranging from less than 1% to 13% for domestic business and less than 1% to 12% for international business, less expenses, mortality charges and withdrawals; and (iii) fair value adjustments relating to business combinations.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

4. Insurance (continued)

Guarantees

The Company issues directly and assumes through reinsurance variable annuity products with guaranteed minimum benefits. GMABs and the portions of both non-life-contingent GMWBs and GMIBs that do not require annuitization are accounted for as embedded derivatives in policyholder account balances and are further discussed in Note 9. Guarantees accounted for as insurance liabilities include:

Guarantee:		Measurement Assumptions:
GMDBs	<ul style="list-style-type: none"> • A return of purchase payment upon death even if the account value is reduced to zero. • An enhanced death benefit may be available for an additional fee. 	<ul style="list-style-type: none"> • Present value of expected death benefits in excess of the projected account balance recognizing the excess ratably over the accumulation period based on the present value of total expected assessments. • Assumptions are consistent with those used for amortizing DAC, and are thus subject to the same variability and risk. • Investment performance and volatility assumptions are consistent with the historical experience of the appropriate underlying equity index, such as the S&P 500 Index. • Benefit assumptions are based on the average benefits payable over a range of scenarios.
GMIBs	<ul style="list-style-type: none"> • After a specified period of time determined at the time of issuance of the variable annuity contract, a minimum accumulation of purchase payments, even if the account value is reduced to zero, that can be annuitized to receive a monthly income stream that is not less than a specified amount. • Certain contracts also provide for a guaranteed lump sum return of purchase premium in lieu of the annuitization benefit. 	<ul style="list-style-type: none"> • Present value of expected income benefits in excess of the projected account balance at any future date of annuitization and recognizing the excess ratably over the accumulation period based on present value of total expected assessments. • Assumptions are consistent with those used for estimating GMDB liabilities. • Calculation incorporates an assumption for the percentage of the potential annuitizations that may be elected by the contractholder.
GMWBs	<ul style="list-style-type: none"> • A return of purchase payment via partial withdrawals, even if the account value is reduced to zero, provided that cumulative withdrawals in a contract year do not exceed a certain limit. • Certain contracts include guaranteed withdrawals that are life contingent. 	<ul style="list-style-type: none"> • Expected value of the life contingent payments and expected assessments using assumptions consistent with those used for estimating the GMDB liabilities.

The Company also issues other annuity contracts that apply a lower rate on funds deposited if the contractholder elects to surrender the contract for cash and a higher rate if the contractholder elects to annuitize. These guarantees include benefits that are payable in the event of death, maturity or at annuitization. Certain other annuity contracts contain guaranteed annuitization benefits that may be above what would be provided by the current account value of the contract. Additionally, the Company issues universal and variable life contracts where the Company contractually guarantees to the contractholder a secondary guarantee or a guaranteed paid-up benefit.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
4. Insurance (continued)

Information regarding the liabilities for guarantees (excluding base policy liabilities and embedded derivatives) relating to annuity and universal and variable life contracts was as follows:

	Annuity Contracts		Universal and Variable Life Contracts		Total
	GMDBs	GMIBs	Secondary Guarantees	Paid-Up Guarantees	
(In millions)					
Direct and Assumed:					
Balance at January 1, 2015	\$ 307	\$ 463	\$ 2,711	\$ 288	\$ 3,769
Incurred guaranteed benefits (1)	68	62	43	18	191
Paid guaranteed benefits	(11)	(1)	(28)	—	(40)
Balance at December 31, 2015	364	524	2,726	306	3,920
Incurred guaranteed benefits (1)	102	78	291	25	496
Paid guaranteed benefits	(15)	(1)	(28)	—	(44)
Balance at December 31, 2016	451	601	2,989	331	4,372
Incurred guaranteed benefits (1)	91	121	233	16	461
Paid guaranteed benefits	(14)	(2)	(34)	—	(50)
Balance at December 31, 2017	\$ 528	\$ 720	\$ 3,188	\$ 347	\$ 4,783
Ceded:					
Balance at January 1, 2015	\$ 23	\$ 6	\$ 187	\$ 201	\$ 417
Incurred guaranteed benefits	(1)	—	31	13	43
Paid guaranteed benefits	(3)	—	—	—	(3)
Balance at December 31, 2015	19	6	218	214	457
Incurred guaranteed benefits	—	(1)	(27)	17	(11)
Paid guaranteed benefits	5	—	—	—	5
Balance at December 31, 2016	24	5	191	231	451
Incurred guaranteed benefits	4	1	50	11	66
Paid guaranteed benefits	6	—	—	—	6
Balance at December 31, 2017	\$ 34	\$ 6	\$ 241	\$ 242	\$ 523
Net:					
Balance at January 1, 2015	\$ 284	\$ 457	\$ 2,524	\$ 87	\$ 3,352
Incurred guaranteed benefits	69	62	12	5	148
Paid guaranteed benefits	(8)	(1)	(28)	—	(37)
Balance at December 31, 2015	345	518	2,508	92	3,463
Incurred guaranteed benefits	102	79	318	8	507
Paid guaranteed benefits	(20)	(1)	(28)	—	(49)
Balance at December 31, 2016	427	596	2,798	100	3,921
Incurred guaranteed benefits	87	120	183	5	395
Paid guaranteed benefits	(20)	(2)	(34)	—	(56)
Balance at December 31, 2017	\$ 494	\$ 714	\$ 2,947	\$ 105	\$ 4,260

(1) Secondary guarantees include the effects of foreign currency translation of \$78 million, \$119 million and (\$80) million at December 31, 2017, 2016 and 2015, respectively.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

4. Insurance (continued)

Information regarding the Company's guarantee exposure, which includes direct and assumed business, but excludes offsets from hedging or ceded reinsurance, if any, was as follows at:

	December 31,			
	2017		2016	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
(Dollars in millions)				
Annuity Contracts (1):				
Variable Annuity Guarantees:				
Total account value (2), (3)	\$ 66,724	\$ 26,223	\$ 66,176	\$ 25,335
Separate account value	\$ 45,431	\$ 24,336	\$ 43,359	\$ 23,330
Net amount at risk (2)	\$ 1,238 (4)	\$ 525 (5)	\$ 1,842 (4)	\$ 521 (5)
Average attained age of contractholders	65 years	65 years	64 years	65 years
Other Annuity Guarantees:				
Total account value (3)	N/A	\$ 1,424	N/A	\$ 1,393
Net amount at risk	N/A	\$ 569 (6)	N/A	\$ 490 (6)
Average attained age of contractholders	N/A	50 years	N/A	50 years

	December 31,			
	2017		2016	
	Secondary Guarantees	Paid-Up Guarantees	Secondary Guarantees	Paid-Up Guarantees
(Dollars in millions)				
Universal and Variable Life Contracts (1):				
Total account value (3)	\$ 9,036	\$ 3,207	\$ 8,363	\$ 3,337
Net amount at risk (7)	\$ 66,956	\$ 16,615	\$ 70,225	\$ 17,785
Average attained age of policyholders	56 years	63 years	55 years	62 years

- (1) The Company's annuity and life contracts with guarantees may offer more than one type of guarantee in each contract. Therefore, the amounts listed above may not be mutually exclusive.
- (2) Includes amounts, which are not reported on the consolidated balance sheets, from assumed variable annuity guarantees from the Company's former operating joint venture in Japan.
- (3) Includes the contractholder's investments in the general account and separate account, if applicable.
- (4) Defined as the death benefit less the total account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date and includes any additional contractual claims associated with riders purchased to assist with covering income taxes payable upon death.
- (5) Defined as the amount (if any) that would be required to be added to the total account value to purchase a lifetime income stream, based on current annuity rates, equal to the minimum amount provided under the guaranteed benefit. This amount represents the Company's potential economic exposure to such guarantees in the event all contractholders were to annuitize on the balance sheet date, even though the contracts contain terms that allow annuitization of the guaranteed amount only after the 10th anniversary of the contract, which not all contractholders have achieved.
- (6) Defined as either the excess of the upper tier, adjusted for a profit margin, less the lower tier, as of the balance sheet date or the amount (if any) that would be required to be added to the total account value to purchase a lifetime income stream, based on current annuity rates, equal to the minimum amount provided under the guaranteed benefit. These amounts represent the Company's potential economic exposure to such guarantees in the event all contractholders were to annuitize on the balance sheet date.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

4. Insurance (continued)

- (7) Defined as the guarantee amount less the account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date.

Account balances of contracts with guarantees were invested in separate account asset classes as follows at:

	December 31,	
	2017	2016 (1)
(In millions)		
Fund Groupings:		
Equity	\$ 23,213	\$ 21,169
Balanced	20,859	20,070
Bond	5,983	5,827
Money Market	252	218
Total	<u>\$ 50,307</u>	<u>\$ 47,284</u>

- (1) Account balances at December 31, 2016 decreased in total by \$6.7 billion from those amounts previously reported to correct for the inclusion of contracts without guarantees.

Obligations Under Funding Agreements

The Company issues fixed and floating rate funding agreements, which are denominated in either U.S. dollars or foreign currencies, to certain unconsolidated special purpose entities (“SPEs”) that have issued either debt securities or commercial paper for which payment of interest and principal is secured by such funding agreements. During the years ended December 31, 2017, 2016 and 2015, the Company issued \$42.7 billion, \$39.7 billion and \$35.1 billion, respectively, and repaid \$41.4 billion, \$38.5 billion and \$35.5 billion, respectively, of such funding agreements. At December 31, 2017 and 2016, liabilities for funding agreements outstanding, which are included in policyholder account balances, were \$34.2 billion and \$30.8 billion, respectively.

Certain of the Company’s subsidiaries are members of regional banks in the FHLB system (“FHLBanks”). Holdings of common stock of FHLBanks, included in equity securities, were as follows at:

	December 31,	
	2017	2016
(In millions)		
FHLB of New York	\$ 733	\$ 748
FHLB of Des Moines	\$ 35	\$ 35
FHLB of Pittsburgh	\$ 11	\$ 11

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

4. Insurance (continued)

Such subsidiaries have also entered into funding agreements with FHLBanks and a subsidiary of the Federal Agricultural Mortgage Corporation, a federally chartered instrumentality of the U.S. (“Farmer Mac”). The liability for such funding agreements is included in policyholder account balances. Information related to such funding agreements was as follows at:

	Liability		Collateral	
	December 31,			
	2017	2016	2017	2016
	(In millions)			
FHLB of New York (1)	\$ 14,445	\$ 14,445	\$ 16,605 (2)	\$ 16,828 (2)
Farmer Mac (3)	\$ 2,550	\$ 2,550	\$ 2,644	\$ 2,645
FHLB of Des Moines (1)	\$ 625	\$ 625	\$ 701 (2)	\$ 811 (2)
FHLB of Pittsburgh (1)	\$ 250	\$ 250	\$ 311 (2)	\$ 383 (2)

- (1) Represents funding agreements issued to the applicable FHLBank in exchange for cash and for which such FHLBank has been granted a lien on certain assets, some of which are in the custody of such FHLBank, including residential mortgage-backed securities (“RMBS”), to collateralize obligations under advances evidenced by funding agreements. The applicable subsidiary of the Company is permitted to withdraw any portion of the collateral in the custody of such FHLBank as long as there is no event of default and the remaining qualified collateral is sufficient to satisfy the collateral maintenance level. Upon any event of default by such subsidiary, the applicable FHLBank’s recovery on the collateral is limited to the amount of such subsidiary’s liability to such FHLBank.
- (2) Advances are collateralized by mortgage-backed securities. The amount of collateral presented is at estimated fair value.
- (3) Represents funding agreements issued to a subsidiary of Farmer Mac, as well as certain SPEs that have issued debt securities for which payment of interest and principal is secured by such funding agreements, and such debt securities are also guaranteed as to payment of interest and principal by Farmer Mac. The obligations under these funding agreements are secured by a pledge of certain eligible agricultural mortgage loans and may, under certain circumstances, be secured by other qualified collateral. The amount of collateral presented is at carrying value.

Liabilities for Unpaid Claims and Claim Expenses

The following is information about incurred and paid claims development by segment as of December 31, 2017. Such amounts are presented net of reinsurance, and are not discounted. The tables present claims development and cumulative claim payments by incurral year. The development tables are only presented for significant short-duration product liabilities within each segment. Where practical, up to 10 years of history has been provided. In order to eliminate potential fluctuations related to foreign exchange rates, liabilities and payments denominated in a foreign currency have been translated using the 2017 year end spot rates for all periods presented. The information about incurred and paid claims development prior to 2016 is presented as supplementary information, as described in Note 1.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

4. Insurance (continued)

U.S.

Group Life - Term

Incurral Year	Incurred Claims and Allocated Claim Adjustment Expense, Net of Reinsurance							At December 31, 2017	
	For the Years Ended December 31,							Total IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	(Unaudited)								
	2011	2012	2013	2014	2015	2016	2017		
(Dollars in millions)									
2011	\$ 6,318	\$ 6,290	\$ 6,293	\$ 6,269	\$ 6,287	\$ 6,295	\$ 6,294	\$ 1	207,301
2012		6,503	6,579	6,569	6,546	6,568	6,569	3	208,626
2013			6,637	6,713	6,719	6,720	6,730	15	210,643
2014				6,986	6,919	6,913	6,910	5	210,797
2015					7,040	7,015	7,014	12	211,597
2016						7,125	7,085	21	206,610
2017							7,432	898	186,954
Total							48,034		
Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance							(46,136)		
All outstanding liabilities for incurral years prior to 2011, net of reinsurance							5		
Total unpaid claims and claim adjustment expenses, net of reinsurance							\$ 1,903		

Incurral Year	Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance						
	For the Years Ended December 31,						
	(Unaudited)						
	2011	2012	2013	2014	2015	2016	2017
(In millions)							
2011	\$ 4,982	\$ 6,194	\$ 6,239	\$ 6,256	\$ 6,281	\$ 6,290	\$ 6,292
2012		5,132	6,472	6,518	6,532	6,558	6,565
2013			5,216	6,614	6,664	6,678	6,711
2014				5,428	6,809	6,858	6,869
2015					5,524	6,913	6,958
2016						5,582	6,980
2017							5,761
Total cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance							\$ 46,136

Average Annual Percentage Payout

The following is supplementary information about average historical claims duration as of December 31, 2017:

Years	Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance						
	1	2	3	4	5	6	7
Group Life - Term	78.3%	20.0%	0.7%	0.2%	0.4%	0.1%	—%

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

4. Insurance (continued)

Group Long-Term Disability

Incurral Year	Incurred Claims and Allocated Claim Adjustment Expense, Net of Reinsurance							At December 31, 2017	
	For the Years Ended December 31,							Total IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	(Unaudited)								
	2011	2012	2013	2014	2015	2016	2017		
(Dollars in millions)									
2011	\$ 955	\$ 916	\$ 894	\$ 914	\$ 924	\$ 923	\$ 918	\$ —	21,642
2012		966	979	980	1,014	1,034	1,037	—	20,085
2013			1,008	1,027	1,032	1,049	1,070	—	21,123
2014				1,076	1,077	1,079	1,101	—	22,838
2015					1,082	1,105	1,093	4	21,136
2016						1,131	1,139	26	17,585
2017							1,244	585	9,258
Total							7,602		
Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance							(3,006)		
All outstanding liabilities for incurral years prior to 2011, net of reinsurance							2,539		
Total unpaid claims and claim adjustment expenses, net of reinsurance							\$ 7,135		

Incurral Year	Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance						
	For the Years Ended December 31,						
	(Unaudited)						
	2011	2012	2013	2014	2015	2016	2017
(In millions)							
2011	\$ 44	\$ 217	\$ 337	\$ 411	\$ 478	\$ 537	\$ 588
2012		43	229	365	453	524	591
2013			43	234	382	475	551
2014				51	266	428	526
2015					50	264	427
2016						49	267
2017							56
Total cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance							\$ 3,006

Average Annual Percentage Payout

The following is supplementary information about average historical claims duration as of December 31, 2017:

Years	Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance						
	1	2	3	4	5	6	7
Group Long-Term Disability	4.4%	18.8%	13.9%	8.5%	7.1%	6.4%	5.6%

Significant Methodologies and Assumptions

Group Life - Term and Group Long-Term Disability incurred but not paid (“IBNP”) liabilities are developed using a combination of loss ratio and development methods. Claims in the course of settlement are then subtracted from the IBNP liabilities, resulting in the IBNR liabilities. The loss ratio method is used in the period in which the claims are neither sufficient nor credible. In developing the loss ratios, any material rate increases that could change the underlying premium without affecting the estimated incurred losses are taken into account. For periods where sufficient and credible claim data exists, the development method is used based on the claim triangles which categorize claims according to both the period in which they were incurred and the period in which they were paid, adjudicated or reported. The end result is a triangle of known data that is used to develop known completion ratios and factors. Claims paid are then subtracted from the estimated ultimate incurred claims to calculate the IBNP liability.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

4. Insurance (continued)

An expense liability is held for the future expenses associated with the payment of incurred but not yet paid claims (IBNR and pending). This is expressed as a percentage of the underlying claims liability and is based on past experience and the anticipated future expense structure.

For Group Life - Term and Group Long-Term Disability, first year incurred claims and allocated loss adjustment expenses increased in 2017 compared to the 2016 incurrence year due to the growth in the size of the business.

There were no significant changes in methodologies during 2017. The assumptions used in calculating the unpaid claims and claim adjustment expenses for Group Life - Term and Group Long-Term Disability are updated annually to reflect emerging trends in claim experience.

No additional premiums or return premiums have been accrued as a result of the prior year development.

Liabilities for Group Life - Term unpaid claims and claim adjustment expenses are not discounted.

The liabilities for Group Long-Term Disability unpaid claims and claim adjustment expenses were \$6.0 billion and \$5.8 billion at December 31, 2017 and 2016, respectively. These amounts were discounted using interest rates ranging from 3% to 8%, based on the incurrence year. The total discount applied to these liabilities was \$1.3 billion at both December 31, 2017 and 2016. The amount of interest accretion recognized was \$510 million, \$565 million and \$517 million for the years ended December 31, 2017, 2016 and 2015, respectively. These amounts were reflected in policyholder benefits and claims.

For Group Life - Term, claims were based upon individual death claims. For Group Long-Term Disability, claim frequency was determined by the number of reported claims as identified by a unique claim number assigned to individual claimants. Claim counts initially include claims that do not ultimately result in a liability. These claims are omitted from the claim counts once it is determined that there is no liability.

The Group Long-Term Disability IBNR included in the development tables above was developed using discounted cash flows, and is presented on a discounted basis.

Property & Casualty - Auto Liability

Incurrence Year	Incurred Claims and Allocated Claim Adjustment Expense, Net of Reinsurance										At December 31, 2017		
	For the Years Ended December 31,										Total IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims	
	(Unaudited)												
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017			
(Dollars in millions)													
2008	\$ 818	\$ 839	\$ 828	\$ 805	\$ 799	\$ 794	\$ 793	\$ 791	\$ 790	\$ 791	\$	—	200,517
2009		862	877	853	826	823	817	815	815	814		—	201,579
2010			863	873	853	847	833	826	825	822		1	202,098
2011				863	876	869	855	846	843	843		2	202,513
2012					882	881	869	851	846	847		3	196,928
2013						911	900	882	878	876		6	201,297
2014							897	910	913	910		12	203,560
2015								975	984	979		30	207,485
2016									1,012	1,002		77	204,497
2017										957		161	173,607
Total										8,841			
Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance												(7,672)	
All outstanding liabilities for incurrence years prior to 2008, net of reinsurance												27	
Total unpaid claims and claim adjustment expenses, net of reinsurance												\$ 1,196	

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

4. Insurance (continued)

Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance										
For the Years Ended December 31,										
(Unaudited)										
Incurral Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
(In millions)										
2008	\$ 304	\$ 553	\$ 657	\$ 725	\$ 764	\$ 778	\$ 785	\$ 787	\$ 788	\$ 789
2009		321	563	681	755	789	803	810	813	813
2010			319	572	695	762	796	810	816	818
2011				324	590	711	777	810	825	831
2012					333	600	715	783	815	831
2013						346	618	743	809	843
2014							352	648	777	844
2015								384	691	822
2016									396	702
2017										379
Total cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance										\$ 7,672

Average Annual Percentage Payout

The following is supplementary information about average historical claims duration as of December 31, 2017:

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance										
Years	1	2	3	4	5	6	7	8	9	10
Auto Liability	39.3%	31.3%	14.0%	7.9%	4.0%	1.8%	0.9%	0.5%	0.1%	0.2%

Property & Casualty - Home

Incurred Claims and Allocated Claim Adjustment Expense, Net of Reinsurance											At December 31, 2017	
For the Years Ended December 31,											Total IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
(Unaudited)												
Incurral Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
(Dollars in millions)												
2008	\$ 644	\$ 636	\$ 599	\$ 590	\$ 588	\$ 589	\$ 588	\$ 586	\$ 585	\$ 585	\$ —	127,479
2009		506	523	510	507	503	501	498	497	497	—	106,616
2010			573	589	587	584	582	581	580	579	—	115,510
2011				891	868	843	840	835	835	834	—	166,455
2012					714	713	703	698	696	694	2	146,536
2013						654	652	635	635	634	4	107,525
2014							707	702	704	705	7	113,604
2015								759	753	752	12	107,073
2016									740	743	20	106,537
2017										747	66	106,915
Total										6,770		
Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance										(6,545)		
All outstanding liabilities for incurral years prior to 2008, net of reinsurance										1		
Total unpaid claims and claim adjustment expenses, net of reinsurance										\$ 226		

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

4. Insurance (continued)

Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance										
For the Years Ended December 31,										
(Unaudited)										
Incurral Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
(In millions)										
2008	\$ 446	\$ 558	\$ 574	\$ 579	\$ 582	\$ 583	\$ 584	\$ 584	\$ 584	\$ 584
2009		385	476	486	492	495	495	496	496	496
2010			436	546	562	571	574	577	578	578
2011				690	804	819	825	827	830	832
2012					559	668	681	687	689	690
2013						505	604	618	626	628
2014							574	670	685	692
2015								603	717	731
2016									593	704
2017										610
Total cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance										\$ 6,545

Average Annual Percentage Payout

The following is supplementary information about average historical claims duration as of December 31, 2017:

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance										
Years	1	2	3	4	5	6	7	8	9	10
Home	80.5%	14.8%	2.3%	1.0%	0.6%	0.3%	0.2%	0.1%	—%	0.1%

Significant Methodologies and Assumptions

The liability for unpaid claim and claim adjustment expenses for the Property & Casualty business is determined by examining the historical claims and allocated claim adjustment expenses data. This data, which is gross of salvage and subrogation, is classified by incurral year and coverage and includes paid claims data and reported liabilities. For homeowners and auto liability injury claims, the reported liabilities are set by the Company's claims adjusters based on the individual case, and a supplemental liability is added based on the historical development of reported claims. These supplemental liabilities are estimated by coverage based on adjusted report year data triangles developed to estimate ultimate claim liability. Adjustments are made for settlement rates and average case liabilities. For auto non-injury claims, the Company holds an average statistical liability for every reported claim. This statistical liability is based on an estimated average payment that varies by coverage, report year and state. These average estimated payments are updated monthly.

For all property and casualty coverages, many actuarial methods such as adjusted loss development (adjusted for settlement rates and average case liabilities) and loss ratio methods are employed to develop a best estimate of the IBNR for each coverage type. Similar actuarial methods are used to determine the best estimate of the expected salvage and subrogation; methods that look at recoveries by age and ratios of recoveries to paid loss are compared for each coverage. A liability for unpaid allocated claim adjustment expenses is held for the future claim adjustment costs associated with the payment of incurred but not yet paid claims. This liability is calculated as a percentage of the underlying unpaid claims liability. The percentage is based on historical ratios of essential claim department expenses compared with paid losses.

There were no significant changes in methodologies or assumptions during 2017.

No additional premiums or return premiums have been accrued as a result of the prior year development.

Liabilities for unpaid claims and claim adjustment expenses were not discounted.

The cumulative number of reported claims for auto liability coverages are counted by individual coverages (i.e. bodily injury and property damage) and, if multiple occupants are injured, then each injury is counted as a separate claim. For home coverages, each exposure is counted separately, so a house fire would, for example, have separate claim counts for the building, the contents, and additional living expenses. Claim counts include claims that do not ultimately result in a liability. Any liability established upon receipt of these claims would subsequently be reversed.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

4. Insurance (continued)

Asia

Group Disability & Group Life

Incurral Year	Incurred Claims and Allocated Claim Adjustment Expense, Net of Reinsurance								At December 31, 2017	
	For the Years Ended December 31,								Total IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	(Unaudited)									
	2010	2011	2012	2013	2014	2015	2016	2017		
(Dollars in millions)										
2010	\$ 82	\$ 78	\$ 84	\$ 107	\$ 107	\$ 103	\$ 135	\$ 144	\$ 24	2,490
2011		64	67	88	88	94	124	132	24	2,629
2012			98	104	103	118	119	122	10	3,962
2013				148	150	174	168	167	19	4,448
2014					297	279	256	256	54	5,020
2015						280	267	271	78	4,473
2016							234	238	102	2,314
2017								303	215	1,456
Total								1,633		
Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance								(1,108)		
All outstanding liabilities for incurral years prior to 2010, net of reinsurance								27		
Total unpaid claims and claim adjustment expenses, net of reinsurance								\$ 552		

Incurral Year	Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance							
	For the Years Ended December 31,							
	(Unaudited)							
	2010	2011	2012	2013	2014	2015	2016	2017
(In millions)								
2010	\$ 20	\$ 40	\$ 53	\$ 65	\$ 79	\$ 89	\$ 114	\$ 121
2011		13	40	54	67	81	102	109
2012			30	65	85	99	106	112
2013				44	99	121	136	149
2014					69	144	180	202
2015						81	154	192
2016							66	135
2017								88
Total cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance								\$ 1,108

Average Annual Percentage Payout

The following is supplementary information about average historical claims duration as of December 31, 2017:

Years	Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance							
	1	2	3	4	5	6	7	8
Group Disability & Group Life	23.6%	25.8%	13.0%	9.3%	8.6%	8.9%	11.3%	5.5%

Significant Methodologies and Assumptions

This business line consists of employer sponsored and industry sponsored Group Life and Group Disability risks.

For Group Life, the IBNR liability is determined by using the Bornhuetter-Ferguson Method, with factors derived by examining the experience of historical claims. A pending liability is also calculated for claims that have been reported but have not been paid. A claim eligibility ratio based on past experience is applied to the face amount of individual claims.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

4. Insurance (continued)

For Group Disability, the IBNR liability is calculated by applying a percentage to premiums in-force based on the expected delay as evidenced by the experience in the portfolio. This is then allocated back into different incurral years based on an assumed run-off. A claims in course of payment liability is also calculated for claims that have been admitted and are in the course of payment. The assumptions employed are based on economic conditions and industry experience, as adjusted for the Company's own experience.

An expense liability is held for the future expenses associated with the payment of incurred but not yet paid claims. This is expressed as a percentage of the underlying claims liability and is based on past experience and the future expense structure.

There were no significant changes in methodologies or assumptions during 2017.

No additional premiums or return premiums have been accrued as a result of the prior year development.

The liabilities for unpaid claims and claim adjustment expenses were \$756 million and \$627 million at December 31, 2017 and 2016, respectively. These amounts were discounted using interest rates ranging from 3% to 7%, based on the incurral year. The total discount applied to these liabilities was \$57 million and \$42 million at December 31, 2017 and 2016, respectively. The amount of interest accretion recognized was \$26 million, \$22 million and \$20 million for the years ended December 31, 2017, 2016 and 2015, respectively. These amounts were reflected in policyholder benefits and claims.

The Company tracks claim frequency by the number of reported claims as identified by a unique claim number assigned to individual claimants. Claim counts include claims that do not ultimately result in a liability. A liability is only established for those claims that are expected to result in a liability, based on historical factors.

Latin America

Protection Life

Incurral Year	Incurred Claims and Allocated Claim Adjustment Expense, Net of Reinsurance									At December 31, 2017		
	For the Years Ended December 31,									Total IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims	
	(Unaudited)											
	2008	2009	2010	2011	2012	2013	2014	2015	2016			2017
(Dollars in millions)												
2008	\$ 208	\$ 277	\$ 281	\$ 282	\$ 283	\$ 283	\$ 283	\$ 283	\$ 283	\$ 284	\$ —	31,642
2009		236	319	324	325	325	325	326	326	327	—	31,322
2010			259	333	340	341	342	342	342	343	—	33,386
2011				150	229	236	237	238	238	235	—	28,103
2012					159	215	221	222	223	221	—	29,244
2013						176	246	253	254	253	—	33,170
2014							252	381	392	361	1	41,566
2015								330	470	440	2	47,111
2016									359	456	14	40,972
2017										372	117	25,103
Total										3,292		
Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance										(3,024)		
All outstanding liabilities for incurral years prior to 2008, net of reinsurance										12		
Total unpaid claims and claim adjustment expenses, net of reinsurance										<u>\$ 280</u>		

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

4. Insurance (continued)

Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance											
For the Years Ended December 31,											
(Unaudited)											
Incurral Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
(In millions)											
2008	\$ 205	\$ 271	\$ 276	\$ 277	\$ 277	\$ 277	\$ 277	\$ 278	\$ 278	\$ 281	
2009		234	311	316	317	317	317	317	317	321	
2010			239	311	318	319	319	319	320	322	
2011				147	225	231	232	232	232	234	
2012					157	212	217	218	219	219	
2013						172	238	243	244	244	
2014							226	336	342	346	
2015								271	379	404	
2016									245	437	
2017										216	
Total cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance											\$ 3,024

Average Annual Percentage Payout

The following is supplementary information about average historical claims duration as of December 31, 2017:

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance											
Years	1	2	3	4	5	6	7	8	9	10	
Protection Life	65.1%	27.8%	2.3%	0.5%	0.1%	—%	0.2%	0.2%	0.6%	1.3%	

Protection Health

Incurred Claims and Allocated Claim Adjustment Expense, Net of Reinsurance											At December 31, 2017	
For the Years Ended December 31,												
(Unaudited)												
Incurral Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
(Dollars in millions)												
2008	\$ 133	\$ 149	\$ 151	\$ 151	\$ 151	\$ 152	\$ 152	\$ 152	\$ 152	\$ 154	\$ —	89,217
2009		153	171	173	173	174	174	174	174	177	—	92,530
2010			180	201	202	203	204	204	204	207	—	96,276
2011				216	240	242	243	243	243	240	—	105,965
2012					209	235	237	237	238	236	—	99,498
2013						226	255	257	258	255	1	103,110
2014							235	261	263	261	2	96,260
2015								202	229	231	3	84,678
2016									265	305	7	101,478
2017										383	48	101,116
Total										2,449		
Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance											(2,365)	
All outstanding liabilities for incurral years prior to 2008, net of reinsurance											3	
Total unpaid claims and claim adjustment expenses, net of reinsurance											\$ 87	

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

4. Insurance (continued)

Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance										
For the Years Ended December 31,										
(Unaudited)										
Incurral Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
(In millions)										
2008	\$ 133	\$ 149	\$ 151	\$ 151	\$ 151	\$ 152	\$ 152	\$ 152	\$ 152	\$ 154
2009		153	171	173	173	174	174	174	174	177
2010			180	201	202	203	203	204	204	207
2011				216	240	242	243	243	243	240
2012					209	235	237	237	238	236
2013						226	255	257	258	255
2014							233	259	262	258
2015								202	229	228
2016									249	298
2017										312
Total cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance										\$ 2,365

Average Annual Percentage Payout

The following is supplementary information about average historical claims duration as of December 31, 2017:

Years	Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance									
	1	2	3	4	5	6	7	8	9	10
Protection Health	86.7%	11.2%	0.6%	0.1%	—%	—%	(0.3)%	0.5%	0.8%	1.4%

Significant Methodologies and Assumptions

The Latin America segment establishes liabilities for unpaid losses, which are equal to the accumulation of unpaid reported claims, plus an estimate for claims incurred but not reported.

In general terms, for both the Protection Life and Protection Health products, the methodology for IBNR is a weighted loss ratio combined with the Bornhuetter-Ferguson Method. The factors are derived by examining the experience of historical claims. In the initial months, the credibility is higher on premiums and lower on claims. As the premiums are earned, the credibility grows for the factors. For one major medical Protection Health product, a different methodology is employed, which estimates the IBNR based on a percentage of policy cancellations and the accrued premium.

For Protection Health products, claim duration can be very long due to the multiple incidences over time that may occur for a single claim. The number of claims reported per year is based on the original claim occurrence date for each individual claim. Any subsequent claims that are considered part of the original claim occurrence are not counted as a new claim. For Protection Life products, claims are based upon individual death claims.

During 2017, there was an increase in first year incurred claims and allocated loss adjustment expenses as compared to 2016 due to an increase in claims duration experience for one product and due to an overall increase in sales of certain plan sponsored and individual protection health products.

There were no significant changes in methodologies or assumptions during 2017.

No additional premiums or return premiums have been accrued as a result of the prior year development.

Liabilities for unpaid claims and claim adjustment expenses were not discounted.

For Protection Life and Protection Health products, claim counts initially include claims that do not ultimately result in a liability. These claims are omitted from the claim counts once it is determined that there is no liability.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
4. Insurance (continued)
Reconciliation of the Disclosure of Incurred and Paid Claims Development to the Liability for Unpaid Claims and Claim Adjustment Expenses

The reconciliation of the net incurred and paid claims development tables to the liability for unpaid claims and claims adjustment expenses on the consolidated balance sheet was as follows at:

	December 31, 2017	
	(In millions)	
Short-Duration:		
Unpaid claims and allocated claims adjustment expenses, net of reinsurance:		
U.S.:		
Group Life - Term	\$	1,903
Group Long-Term Disability		7,135
Property & Casualty - Auto		1,196
Property & Casualty - Home		226
Total		\$ 10,460
Asia - Group Disability & Group Life		552
Latin America:		
Protection Life		280
Protection Health		87
Total		367
Other insurance lines - all segments combined		970
Total unpaid claims and allocated claims adjustment expenses, net of reinsurance		12,349
Reinsurance recoverables on unpaid claims:		
U.S.:		
Group Life - Term		16
Group Long-Term Disability		95
Property & Casualty - Auto		73
Property & Casualty - Home		5
Total		189
Asia - Group Disability & Group Life		261
Latin America:		
Protection Life		4
Protection Health		4
Total		8
Other insurance lines - all segments combined		203
Total reinsurance recoverable on unpaid claims		661
Total unpaid claims and allocated claims adjustment expense		13,010
Unallocated claims adjustment expenses		107
Discounting		(1,328)
Liability for unpaid claims and claim adjustment liabilities - short-duration		11,789
Liability for unpaid claims and claim adjustment liabilities - all long-duration lines		5,305
Total liability for unpaid claims and claim adjustment expense (included in future policy benefits and other policy-related balances)	\$	17,094

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
4. Insurance (continued)
Rollforward of Claims and Claim Adjustment Expenses

Information regarding the liabilities for unpaid claims and claim adjustment expenses was as follows:

	Years Ended December 31,		
	2017	2016 (1)	2015 (2)
	(In millions)		
Balance at December 31 of prior period	\$ 16,157	\$ 9,669	\$ 9,525
Less: Reinsurance recoverables	1,968	476	454
Net balance at December 31 of prior period	14,189	9,193	9,071
Cumulative adjustment (3)	—	4,819	—
Net balance at January 1,	14,189	14,012	9,071
Incurred related to:			
Current year	24,370	24,011	9,533
Prior years (4)	133	382	(78)
Total incurred	24,503	24,393	9,455
Paid related to:			
Current year	(18,525)	(18,696)	(6,759)
Prior years	(5,271)	(5,520)	(2,574)
Total paid	(23,796)	(24,216)	(9,333)
Net balance at December 31,	14,896	14,189	9,193
Add: Reinsurance recoverables	2,198	1,968	476
Balance at December 31,	\$ 17,094	\$ 16,157	\$ 9,669

- (1) In addition to the revisions discussed in Note 1, at December 31, 2016, the Net balance decreased by \$736 million and the Reinsurance recoverables increased by \$742 million from those amounts previously reported primarily to correct for the improper classification of reinsurance recoverables.
- (2) Limited to property & casualty, group accident and non-medical health policies and contracts.
- (3) Reflects the accumulated adjustment, net of reinsurance, upon implementation of the new short-duration contracts guidance which clarified the requirement to include claim information for long-duration contracts. The accumulated adjustment primarily reflects unpaid claim liabilities, net of reinsurance, for long-duration contracts as of the beginning of the period presented. Prior periods have not been restated. See Note 1.
- (4) During 2017, as a result of changes in estimates of insured events in the respective prior year, claims and claim adjustment expenses associated with prior years increased due to events incurred in prior years but reported during current year. During 2016, as a result of changes in estimates of insured events in the respective prior year, claims and claim adjustment expenses associated with prior years increased due to the implementation of new guidance related to short-duration contracts. During 2015, as a result of changes in estimates of insured events in the respective prior year, claims and claim adjustment expenses associated with prior years decreased due to a reduction in prior year automobile bodily injury and homeowners' severity.

Separate Accounts

Separate account assets and liabilities include two categories of account types: pass-through separate accounts totaling \$148.2 billion and \$134.5 billion at December 31, 2017 and 2016, respectively, for which the policyholder assumes all investment risk, and separate accounts for which the Company contractually guarantees either a minimum return or account value to the policyholder which totaled \$56.8 billion and \$61.1 billion at December 31, 2017 and 2016, respectively. The latter category consisted primarily of guaranteed interest contracts. The average interest rate credited on these contracts was 2.34% and 2.35% at December 31, 2017 and 2016, respectively.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

4. Insurance (continued)

For the years ended December 31, 2017, 2016 and 2015, there were no investment gains (losses) on transfers of assets from the general account to the separate accounts.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****5. Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles**

See Note 1 for a description of capitalized acquisition costs.

Nonparticipating and Non-Dividend-Paying Traditional Contracts

The Company amortizes DAC and VOBA related to these contracts (term insurance, nonparticipating whole life insurance, traditional group life insurance, non-medical health insurance, and accident & health insurance) over the appropriate premium paying period in proportion to the actual and expected future gross premiums that were set at contract issue. The expected premiums are based upon the premium requirement of each policy and assumptions for mortality, morbidity, persistency and investment returns at policy issuance, or policy acquisition (as it relates to VOBA), include provisions for adverse deviation, and are consistent with the assumptions used to calculate future policyholder benefit liabilities. These assumptions are not revised after policy issuance or acquisition unless the DAC or VOBA balance is deemed to be unrecoverable from future expected profits. Absent a premium deficiency, variability in amortization after policy issuance or acquisition is caused only by variability in premium volumes.

Participating, Dividend-Paying Traditional Contracts

The Company amortizes DAC and VOBA related to these contracts over the estimated lives of the contracts in proportion to actual and expected future gross margins. The amortization includes interest based on rates in effect at inception or acquisition of the contracts. The future gross margins are dependent principally on investment returns, policyholder dividend scales, mortality, persistency, expenses to administer the business, creditworthiness of reinsurance counterparties and certain economic variables, such as inflation. For participating contracts within the closed block (dividend-paying traditional contracts) future gross margins are also dependent upon changes in the policyholder dividend obligation. See Note 7. Of these factors, the Company anticipates that investment returns, expenses, persistency and other factor changes, as well as policyholder dividend scales, are reasonably likely to impact significantly the rate of DAC and VOBA amortization. Each reporting period, the Company updates the estimated gross margins with the actual gross margins for that period. When the actual gross margins change from previously estimated gross margins, the cumulative DAC and VOBA amortization is re-estimated and adjusted by a cumulative charge or credit to current operations. When actual gross margins exceed those previously estimated, the DAC and VOBA amortization will increase, resulting in a current period charge to earnings. The opposite result occurs when the actual gross margins are below the previously estimated gross margins. Each reporting period, the Company also updates the actual amount of business in-force, which impacts expected future gross margins. When expected future gross margins are below those previously estimated, the DAC and VOBA amortization will increase, resulting in a current period charge to earnings. The opposite result occurs when the expected future gross margins are above the previously estimated expected future gross margins. Each period, the Company also reviews the estimated gross margins for each block of business to determine the recoverability of DAC and VOBA balances.

Fixed and Variable Universal Life Contracts and Fixed and Variable Deferred Annuity Contracts

The Company amortizes DAC and VOBA related to these contracts over the estimated lives of the contracts in proportion to actual and expected future gross profits. The amortization includes interest based on rates in effect at inception or acquisition of the contracts. The amount of future gross profits is dependent principally upon returns in excess of the amounts credited to policyholders, mortality, persistency, interest crediting rates, expenses to administer the business, creditworthiness of reinsurance counterparties, the effect of any hedges used and certain economic variables, such as inflation. Of these factors, the Company anticipates that investment returns, expenses and persistency are reasonably likely to significantly impact the rate of DAC and VOBA amortization. Each reporting period, the Company updates the estimated gross profits with the actual gross profits for that period. When the actual gross profits change from previously estimated gross profits, the cumulative DAC and VOBA amortization is re-estimated and adjusted by a cumulative charge or credit to current operations. When actual gross profits exceed those previously estimated, the DAC and VOBA amortization will increase, resulting in a current period charge to earnings. The opposite result occurs when the actual gross profits are below the previously estimated gross profits. Each reporting period, the Company also updates the actual amount of business remaining in-force, which impacts expected future gross profits. When expected future gross profits are below those previously estimated, the DAC and VOBA amortization will increase, resulting in a current period charge to earnings. The opposite result occurs when the expected future gross profits are above the previously estimated expected future gross profits. Each period, the Company also reviews the estimated gross profits for each block of business to determine the recoverability of DAC and VOBA balances.

Credit Insurance, Property & Casualty Insurance and Other Short-Duration Contracts

The Company amortizes DAC for these contracts, which is primarily composed of commissions and certain underwriting expenses, in proportion to actual and future earned premium over the applicable contract term.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****5. Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles (continued)*****Factors Impacting Amortization***

Separate account rates of return on variable universal life contracts and variable deferred annuity contracts affect in-force account balances on such contracts each reporting period, which can result in significant fluctuations in amortization of DAC and VOBA. Returns that are higher than the Company's long-term expectation produce higher account balances, which increases the Company's future fee expectations and decreases future benefit payment expectations on minimum death and living benefit guarantees, resulting in higher expected future gross profits. The opposite result occurs when returns are lower than the Company's long-term expectation. The Company's practice to determine the impact of gross profits resulting from returns on separate accounts assumes that long-term appreciation in equity markets is not changed by short-term market fluctuations, but is only changed when sustained interim deviations are expected. The Company monitors these events and only changes the assumption when its long-term expectation changes.

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

Periodically, the Company modifies product benefits, features, rights or coverages that occur by the exchange of a contract for a new contract, or by amendment, endorsement, or rider to a contract, or by election or coverage within a contract. If such modification, referred to as an internal replacement, substantially changes the contract, the associated DAC or VOBA is written off immediately through income and any new deferrable costs associated with the replacement contract are deferred. If the modification does not substantially change the contract, the DAC or VOBA amortization on the original contract will continue and any acquisition costs associated with the related modification are expensed.

Amortization of DAC and VOBA is attributed to net investment gains (losses) and net derivative gains (losses), and to other expenses for the amount of gross margins or profits originating from transactions other than investment gains and losses. Unrealized investment gains and losses represent the amount of DAC and VOBA that would have been amortized if such gains and losses had been recognized.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
5. Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles (continued)

Information regarding DAC and VOBA was as follows:

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
DAC:			
Balance at January 1,	\$ 13,830	\$ 13,464	\$ 13,024
Capitalizations	3,002	3,152	3,319
Amortization related to:			
Net investment gains (losses) and net derivative gains (losses)	60	229	(150)
Other expenses	(2,426)	(2,555)	(2,590)
Total amortization	(2,366)	(2,326)	(2,740)
Unrealized investment gains (losses)	(525)	(171)	443
Effect of foreign currency translation and other	848	(289)	(582)
Balance at December 31,	14,789	13,830	13,464
VOBA:			
Balance at January 1,	3,760	3,966	4,705
Amortization related to:			
Net investment gains (losses) and net derivative gains (losses)	—	(3)	(1)
Other expenses	(315)	(389)	(443)
Total amortization	(315)	(392)	(444)
Unrealized investment gains (losses)	(4)	8	5
Effect of foreign currency translation and other	189	178	(300)
Balance at December 31,	3,630	3,760	3,966
Total DAC and VOBA:			
Balance at December 31,	\$ 18,419	\$ 17,590	\$ 17,430

Information regarding total DAC and VOBA by segment, as well as Corporate & Other, was as follows at:

	December 31,	
	2017	2016
	(In millions)	
U.S.	\$ 614	\$ 616
Asia	9,261	8,707
Latin America	2,050	1,808
EMEA	1,673	1,472
MetLife Holdings	4,797	5,246
Corporate & Other	24	(259)
Total	\$ 18,419	\$ 17,590

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
5. Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles (continued)

Information regarding other intangibles was as follows:

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
DSI:			
Balance at January 1,	\$ 241	\$ 242	\$ 224
Capitalization	16	22	28
Amortization	(29)	(23)	(30)
Unrealized investment gains (losses)	(6)	—	20
Effect of foreign currency translation	(2)	—	—
Balance at December 31,	<u>\$ 220</u>	<u>\$ 241</u>	<u>\$ 242</u>
VODA and VOCRA:			
Balance at January 1,	\$ 509	\$ 583	\$ 692
Amortization	(51)	(57)	(56)
Effect of foreign currency translation	1	(17)	(53)
Balance at December 31,	<u>\$ 459</u>	<u>\$ 509</u>	<u>\$ 583</u>
Accumulated amortization	<u>\$ 345</u>	<u>\$ 294</u>	<u>\$ 237</u>
Negative VOBA:			
Balance at January 1,	\$ 935	\$ 1,193	\$ 1,596
Amortization	(140)	(269)	(361)
Effect of foreign currency translation and other	32	11	(42)
Balance at December 31,	<u>\$ 827</u>	<u>\$ 935</u>	<u>\$ 1,193</u>
Accumulated amortization	<u>\$ 3,174</u>	<u>\$ 3,034</u>	<u>\$ 2,765</u>

The estimated future amortization expense (credit) to be reported in other expenses for the next five years was as follows:

	VOBA	VODA and VOCRA	Negative VOBA
	(In millions)		
2018	\$ 293	\$ 47	\$ (60)
2019	\$ 272	\$ 43	\$ (40)
2020	\$ 248	\$ 40	\$ (41)
2021	\$ 222	\$ 36	\$ (40)
2022	\$ 208	\$ 33	\$ (38)

6. Reinsurance

The Company enters into reinsurance agreements primarily as a purchaser of reinsurance for its various insurance products and also as a provider of reinsurance for some insurance products issued by third parties. The Company participates in reinsurance activities in order to limit losses, minimize exposure to significant risks and provide additional capacity for future growth.

Accounting for reinsurance requires extensive use of assumptions and estimates, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. The Company periodically reviews actual and anticipated experience compared to the aforementioned assumptions used to establish assets and liabilities relating to ceded and assumed reinsurance and evaluates the financial strength of counterparties to its reinsurance agreements using criteria similar to that evaluated in the security impairment process discussed in Note 8.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****6. Reinsurance (continued)*****U.S.***

For its Group Benefits business, the Company generally retains most of the risk and only cedes particular risk on certain client arrangements. The majority of the Company's reinsurance activity within this business relates to client agreements for employer sponsored captive programs, risk-sharing agreements and multinational pooling.

The Company, through its Property & Casualty business, purchases reinsurance to manage its exposure to large losses (primarily catastrophe losses) and to protect statutory surplus. The Company cedes losses and premiums based upon the exposure of the policies subject to reinsurance. To manage exposure to large property & casualty losses, the Company purchases property catastrophe, casualty and property per risk excess of loss reinsurance protection.

The Company's Retirement and Income Solutions business has periodically engaged in reinsurance activities, on an opportunistic basis. There were no such transactions during the periods presented.

Asia, Latin America and EMEA

For certain of its life insurance products, the Company currently reinsures risks in excess of \$5 million to external reinsurers on a yearly renewable term basis. The Company may also reinsure certain risks with external reinsurers depending upon the nature of the risk and local regulatory requirements. For selected large corporate clients, the Company reinsures group employee benefits or credit insurance business with various client-affiliated reinsurance companies, covering policies issued to the employees or customers of the clients. Additionally, the Company cedes and assumes risk with other insurance companies when either company requires a business partner with the appropriate local licensing to issue certain types of policies in certain jurisdictions. In these cases, the assuming company typically underwrites the risks, develops the products and assumes most or all of the risk. The Company also has reinsurance agreements in-force that reinsure a portion of the living and death benefit guarantees issued in connection with variable annuity products. Under these agreements, the Company pays reinsurance fees associated with the guarantees collected from policyholders, and receives reimbursement for benefits paid or accrued in excess of account values, subject to certain limitations.

MetLife Holdings

For its life products, the Company has historically reinsured the mortality risk primarily on an excess of retention basis or on a quota share basis. For the periods presented, the Company reinsured 90% of the mortality risk in excess of \$2 million for most products. In addition to reinsuring mortality risk as described above, the Company reinsures other risks, as well as specific coverages. Placement of reinsurance is done primarily on an automatic basis and also on a facultative basis for risks with specified characteristics. On a case by case basis, the Company may retain up to \$20 million per life and reinsure 100% of amounts in excess of the amount the Company retains. The Company also assumes portions of the risk associated with certain whole life policies issued by a former affiliate and reinsures certain term life policies and universal life policies with secondary death benefit guarantees to such former affiliate. The Company evaluates its reinsurance programs routinely and may increase or decrease its retention at any time.

For its other products, the Company has a reinsurance agreement in-force to reinsure the living and death benefit guarantees issued in connection with certain variable annuity products from our former operating joint venture in Japan. Under this agreement, the Company receives reinsurance fees associated with the guarantees collected from policyholders, and provides reimbursement for benefits paid or accrued in excess of account values, subject to certain limitations.

Catastrophe Coverage

The Company has exposure to catastrophes which could contribute to significant fluctuations in the Company's results of operations. For the U.S. and EMEA, the Company purchases catastrophe coverage to insure risks issued within territories that the Company believes are subject to the greatest catastrophic risks. For all other segments, the Company uses excess of retention and quota share reinsurance agreements to provide greater diversification of risk and minimize exposure to larger risks.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****6. Reinsurance (continued)*****Reinsurance Recoverables***

The Company reinsures its business through a diversified group of well-capitalized reinsurers. The Company analyzes recent trends in arbitration and litigation outcomes in disputes, if any, with its reinsurers. The Company monitors ratings and evaluates the financial strength of its reinsurers by analyzing their financial statements. In addition, the reinsurance recoverable balance due from each reinsurer is evaluated as part of the overall monitoring process. Recoverability of reinsurance recoverable balances is evaluated based on these analyses. The Company generally secures large reinsurance recoverable balances with various forms of collateral, including secured trusts, funds withheld accounts and irrevocable letters of credit. These reinsurance recoverable balances are stated net of allowances for uncollectible reinsurance, which at December 31, 2017 and 2016, were not significant.

The Company has secured certain reinsurance recoverable balances with various forms of collateral, including secured trusts, funds withheld accounts and irrevocable letters of credit. The Company had \$3.5 billion and \$3.4 billion of unsecured reinsurance recoverable balances at December 31, 2017 and 2016, respectively.

At December 31, 2017, the Company had \$7.2 billion of net ceded reinsurance recoverables. Of this total, \$4.4 billion, or 61%, were with the Company's five largest ceded reinsurers, including \$1.5 billion of net ceded reinsurance recoverables which were unsecured. At December 31, 2016, the Company had \$5.3 billion of net ceded reinsurance recoverables. Of this total, \$3.0 billion, or 57%, were with the Company's five largest ceded reinsurers, including \$1.8 billion of net ceded reinsurance recoverables which were unsecured.

The Company has reinsured with an unaffiliated third-party reinsurer, 59.25% of the closed block through a modified coinsurance agreement. The Company accounts for this agreement under the deposit method of accounting. The Company, having the right of offset, has offset the modified coinsurance deposit with the deposit recoverable.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

6. Reinsurance (continued)

The amounts on the consolidated statements of operations include the impact of reinsurance. Information regarding the significant effects of reinsurance was as follows:

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Premiums			
Direct premiums	\$ 39,595	\$ 37,975	\$ 37,044
Reinsurance assumed	1,773	1,363	1,382
Reinsurance ceded	(2,376)	(2,136)	(2,023)
Net premiums	<u>\$ 38,992</u>	<u>\$ 37,202</u>	<u>\$ 36,403</u>
Universal life and investment-type product policy fees			
Direct universal life and investment-type product policy fees	\$ 5,978	\$ 5,884	\$ 5,952
Reinsurance assumed	83	96	105
Reinsurance ceded	(551)	(497)	(487)
Net universal life and investment-type product policy fees	<u>\$ 5,510</u>	<u>\$ 5,483</u>	<u>\$ 5,570</u>
Policyholder benefits and claims			
Direct policyholder benefits and claims	\$ 39,354	\$ 37,186	\$ 36,143
Reinsurance assumed	1,388	1,085	984
Reinsurance ceded	(2,429)	(1,913)	(1,983)
Net policyholder benefits and claims	<u>\$ 38,313</u>	<u>\$ 36,358</u>	<u>\$ 35,144</u>
Other expenses			
Direct other expenses	\$ 13,610	\$ 13,958	\$ 14,934
Reinsurance assumed	246	169	146
Reinsurance ceded	(235)	(378)	(303)
Net other expenses	<u>\$ 13,621</u>	<u>\$ 13,749</u>	<u>\$ 14,777</u>

The amounts on the consolidated balance sheets include the impact of reinsurance. Information regarding the significant effects of reinsurance was as follows at:

	December 31,							
	2017			Total Balance Sheet	2016			Total Balance Sheet
Direct	Assumed	Ceded	Direct		Assumed	Ceded		
	(In millions)							
Assets								
Premiums, reinsurance and other receivables	\$ 6,300	\$ 866	\$ 11,257	\$ 18,423	\$ 5,927	\$ 543	\$ 8,975	\$ 15,445
Deferred policy acquisition costs and value of business acquired	18,350	398	(329)	18,419	17,878	16	(304)	17,590
Total assets	<u>\$ 24,650</u>	<u>\$ 1,264</u>	<u>\$ 10,928</u>	<u>\$ 36,842</u>	<u>\$ 23,805</u>	<u>\$ 559</u>	<u>\$ 8,671</u>	<u>\$ 33,035</u>
Liabilities								
Future policy benefits	\$ 174,694	\$ 3,280	\$ —	\$ 177,974	\$ 165,121	\$ 1,515	\$ —	\$ 166,636
Policyholder account balances	182,226	293	(1)	182,518	171,961	527	(2)	172,486
Other policy-related balances	14,962	520	33	15,515	13,071	324	7	13,402
Other liabilities	17,077	1,896	5,009	23,982	18,815	405	4,515	23,735
Total liabilities	<u>\$ 388,959</u>	<u>\$ 5,989</u>	<u>\$ 5,041</u>	<u>\$ 399,989</u>	<u>\$ 368,968</u>	<u>\$ 2,771</u>	<u>\$ 4,520</u>	<u>\$ 376,259</u>

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****6. Reinsurance (continued)**

Reinsurance agreements that do not expose the Company to a reasonable possibility of a significant loss from insurance risk are recorded using the deposit method of accounting. The deposit assets on reinsurance were \$2.8 billion and \$2.9 billion at December 31, 2017 and 2016, respectively. The deposit liabilities on reinsurance were \$1.4 billion and \$31 million at December 31, 2017 and 2016, respectively.

7. Closed Block

On April 7, 2000 (the “Demutualization Date”), Metropolitan Life Insurance Company (“MLIC”) converted from a mutual life insurance company to a stock life insurance company and became a wholly-owned subsidiary of MetLife, Inc. The conversion was pursuant to an order by the New York Superintendent of Insurance approving MLIC’s plan of reorganization, as amended (the “Plan of Reorganization”). On the Demutualization Date, MLIC established a closed block for the benefit of holders of certain individual life insurance policies of MLIC. Assets have been allocated to the closed block in an amount that has been determined to produce cash flows which, together with anticipated revenues from the policies included in the closed block, are reasonably expected to be sufficient to support obligations and liabilities relating to these policies, including, but not limited to, provisions for the payment of claims and certain expenses and taxes, and to provide for the continuation of policyholder dividend scales in effect for 1999, if the experience underlying such dividend scales continues, and for appropriate adjustments in such scales if the experience changes. At least annually, the Company compares actual and projected experience against the experience assumed in the then-current dividend scales. Dividend scales are adjusted periodically to give effect to changes in experience.

The closed block assets, the cash flows generated by the closed block assets and the anticipated revenues from the policies in the closed block will benefit only the holders of the policies in the closed block. To the extent that, over time, cash flows from the assets allocated to the closed block and claims and other experience related to the closed block are, in the aggregate, more or less favorable than what was assumed when the closed block was established, total dividends paid to closed block policyholders in the future may be greater than or less than the total dividends that would have been paid to these policyholders if the policyholder dividend scales in effect for 1999 had been continued. Any cash flows in excess of amounts assumed will be available for distribution over time to closed block policyholders and will not be available to stockholders. If the closed block has insufficient funds to make guaranteed policy benefit payments, such payments will be made from assets outside of the closed block. The closed block will continue in effect as long as any policy in the closed block remains in-force. The expected life of the closed block is over 100 years from the Demutualization Date.

The Company uses the same accounting principles to account for the participating policies included in the closed block as it used prior to the Demutualization Date. However, the Company establishes a policyholder dividend obligation for earnings that will be paid to policyholders as additional dividends as described below. The excess of closed block liabilities over closed block assets at the Demutualization Date (adjusted to eliminate the impact of related amounts in AOCI) represents the estimated maximum future earnings from the closed block expected to result from operations attributed to the closed block after income taxes. Earnings of the closed block are recognized in income over the period the policies and contracts in the closed block remain in-force. Management believes that over time the actual cumulative earnings of the closed block will approximately equal the expected cumulative earnings due to the effect of dividend changes. If, over the period the closed block remains in existence, the actual cumulative earnings of the closed block are greater than the expected cumulative earnings of the closed block, the Company will pay the excess to closed block policyholders as additional policyholder dividends unless offset by future unfavorable experience of the closed block and, accordingly, will recognize only the expected cumulative earnings in income with the excess recorded as a policyholder dividend obligation. If over such period, the actual cumulative earnings of the closed block are less than the expected cumulative earnings of the closed block, the Company will recognize only the actual earnings in income. However, the Company may change policyholder dividend scales in the future, which would be intended to increase future actual earnings until the actual cumulative earnings equal the expected cumulative earnings.

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

Closed block assets, liabilities, revenues and expenses are combined on a line-by-line basis with the assets, liabilities, revenues and expenses outside the closed block based on the nature of the particular item.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

7. Closed Block (continued)

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

	December 31,	
	2017	2016
(In millions)		
Closed Block Liabilities		
Future policy benefits	\$ 40,463	\$ 40,834
Other policy-related balances	222	257
Policyholder dividends payable	437	443
Policyholder dividend obligation	2,121	1,931
Current income tax payable	—	4
Other liabilities	212	196
Total closed block liabilities	<u>43,455</u>	<u>43,665</u>
Assets Designated to the Closed Block		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value	27,904	27,220
Equity securities available-for-sale, at estimated fair value	70	100
Mortgage loans	5,878	5,935
Policy loans	4,548	4,553
Real estate and real estate joint ventures	613	655
Other invested assets	731	1,246
Total investments	<u>39,744</u>	<u>39,709</u>
Accrued investment income	477	467
Premiums, reinsurance and other receivables; cash and cash equivalents	14	86
Current income tax recoverable	35	—
Deferred income tax assets	36	177
Total assets designated to the closed block	<u>40,306</u>	<u>40,439</u>
Excess of closed block liabilities over assets designated to the closed block	<u>3,149</u>	<u>3,226</u>
Amounts included in AOCI:		
Unrealized investment gains (losses), net of income tax	1,863	1,517
Unrealized gains (losses) on derivatives, net of income tax	(7)	95
Allocated to policyholder dividend obligation, net of income tax	(1,379)	(1,255)
Total amounts included in AOCI	<u>477</u>	<u>357</u>
Maximum future earnings to be recognized from closed block assets and liabilities	<u>\$ 3,626</u>	<u>\$ 3,583</u>

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

	Years Ended December 31,		
	2017	2016	2015
(In millions)			
Balance at January 1,	\$ 1,931	\$ 1,783	\$ 3,155
Change in unrealized investment and derivative gains (losses)	190	148	(1,372)
Balance at December 31,	<u>\$ 2,121</u>	<u>\$ 1,931</u>	<u>\$ 1,783</u>

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
7. Closed Block (continued)

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

	Years Ended December 31,		
	2017	2016	2015
(In millions)			
Revenues			
Premiums	\$ 1,736	\$ 1,804	\$ 1,850
Net investment income	1,818	1,902	1,982
Net investment gains (losses)	1	(10)	(23)
Net derivative gains (losses)	(32)	25	27
Total revenues	<u>3,523</u>	<u>3,721</u>	<u>3,836</u>
Expenses			
Policyholder benefits and claims	2,453	2,563	2,564
Policyholder dividends	976	953	1,015
Other expenses	125	133	143
Total expenses	<u>3,554</u>	<u>3,649</u>	<u>3,722</u>
Revenues, net of expenses before provision for income tax expense (benefit)	(31)	72	114
Provision for income tax expense (benefit)	12	24	41
Revenues, net of expenses and provision for income tax expense (benefit)	<u>\$ (43)</u>	<u>\$ 48</u>	<u>\$ 73</u>

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

8. Investments

See Note 10 for information about the fair value hierarchy for investments and the related valuation methodologies.

Investment Risks and Uncertainties

Investments are exposed to the following primary sources of risk: credit, interest rate, liquidity, market valuation, currency and real estate risk. The financial statement risks, stemming from such investment risks, are those associated with the determination of estimated fair values, the diminished ability to sell certain investments in times of strained market conditions, the recognition of impairments, the recognition of income on certain investments and the potential consolidation of VIEs. The use of different methodologies, assumptions and inputs relating to these financial statement risks may have a material effect on the amounts presented within the consolidated financial statements.

The determination of valuation allowances and impairments is highly subjective and is based upon periodic evaluations and assessments of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available.

The recognition of income on certain investments (e.g. structured securities, including mortgage-backed securities, asset-backed securities (“ABS”), certain structured investment transactions and FVO securities) is dependent upon certain factors such as prepayments and defaults, and changes in such factors could result in changes in amounts to be earned.

Fixed Maturity and Equity Securities AFS
Fixed Maturity and Equity Securities AFS by Sector

The following table presents the fixed maturity and equity securities AFS by sector. Redeemable preferred stock is reported within U.S. corporate and foreign corporate fixed maturity securities and non-redeemable preferred stock is reported within equity securities. Included within fixed maturity securities are structured securities including RMBS, ABS and commercial mortgage-backed securities (“CMBS”) (collectively, “Structured Securities”).

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

8. Investments (continued)

	December 31, 2017					December 31, 2016				
	Cost or Amortized Cost	Gross Unrealized			Estimated Fair Value	Cost or Amortized Cost	Gross Unrealized			Estimated Fair Value
		Gains	Temporary Losses	OTTI Losses (1)			Gains	Temporary Losses	OTTI Losses (1)	
(In millions)										
Fixed maturity securities:										
U.S. corporate	\$ 76,005	\$ 7,007	\$ 351	\$ —	\$ 82,661	\$ 73,280	\$ 6,027	\$ 764	\$ —	\$ 78,543
Foreign government	55,351	6,495	312	—	61,534	49,864	6,485	373	—	55,976
Foreign corporate	52,409	3,836	676	—	55,569	49,308	2,926	1,572	(1)	50,663
U.S. government and agency	43,446	4,227	279	—	47,394	41,294	3,682	543	—	44,433
RMBS	27,846	1,145	233	(42)	28,800	28,393	1,039	410	(10)	29,032
State and political subdivision	10,752	1,717	13	1	12,455	10,977	1,340	85	1	12,231
ABS	12,213	116	39	(1)	12,291	11,266	90	128	3	11,225
CMBS	8,047	222	42	—	8,227	7,294	237	71	—	7,460
Total fixed maturity securities	<u>\$ 286,069</u>	<u>\$24,765</u>	<u>\$ 1,945</u>	<u>\$ (42)</u>	<u>\$308,931</u>	<u>\$ 271,676</u>	<u>\$21,826</u>	<u>\$ 3,946</u>	<u>\$ (7)</u>	<u>\$289,563</u>
Equity securities:										
Common stock	\$ 1,687	\$ 364	\$ 16	\$ —	\$ 2,035	\$ 1,827	\$ 464	\$ 13	\$ —	\$ 2,278
Non-redeemable preferred stock	453	29	4	—	478	637	19	40	—	616
Total equity securities	<u>\$ 2,140</u>	<u>\$ 393</u>	<u>\$ 20</u>	<u>\$ —</u>	<u>\$ 2,513</u>	<u>\$ 2,464</u>	<u>\$ 483</u>	<u>\$ 53</u>	<u>\$ —</u>	<u>\$ 2,894</u>

- (1) Noncredit OTTI losses included in AOCI in an unrealized gain position are due to increases in estimated fair value subsequent to initial recognition of noncredit losses on such securities. See also “— Net Unrealized Investment Gains (Losses).”

The Company held non-income producing fixed maturity securities with an estimated fair value of \$6 million and \$1 million with unrealized gains (losses) of (\$4) million and (\$3) million at December 31, 2017 and 2016, respectively.

Methodology for Amortization of Premium and Accretion of Discount on Structured Securities

Amortization of premium and accretion of discount on Structured Securities considers the estimated timing and amount of prepayments of the underlying loans. Actual prepayment experience is periodically reviewed and effective yields are recalculated when differences arise between the originally anticipated and the actual prepayments received and currently anticipated. Prepayment assumptions for Structured Securities are estimated using inputs obtained from third-party specialists and based on management’s knowledge of the current market. For credit-sensitive Structured Securities and certain prepayment-sensitive securities, the effective yield is recalculated on a prospective basis. For all other Structured Securities, the effective yield is recalculated on a retrospective basis.

Maturities of Fixed Maturity Securities

The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date, were as follows at December 31, 2017:

	Due in One Year or Less	Due After One Year Through Five Years	Due After Five Years Through Ten Years	Due After Ten Years	Structured Securities	Total Fixed Maturity Securities
(In millions)						
Amortized cost	\$ 11,378	\$ 62,647	\$ 61,043	\$ 102,895	\$ 48,106	\$ 286,069
Estimated fair value	\$ 11,437	\$ 65,423	\$ 64,499	\$ 118,254	\$ 49,318	\$ 308,931

Actual maturities may differ from contractual maturities due to the exercise of call or prepayment options. Fixed maturity securities not due at a single maturity date have been presented in the year of final contractual maturity. Structured Securities are shown separately, as they are not due at a single maturity.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

8. Investments (continued)

Continuous Gross Unrealized Losses for Fixed Maturity and Equity Securities AFS by Sector

The following table presents the estimated fair value and gross unrealized losses of fixed maturity and equity securities AFS in an unrealized loss position, aggregated by sector and by length of time that the securities have been in a continuous unrealized loss position at:

	December 31, 2017				December 31, 2016			
	Less than 12 Months		Equal to or Greater than 12 Months		Less than 12 Months		Equal to or Greater than 12 Months	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(Dollars in millions)							
Fixed maturity securities:								
U.S. corporate	\$ 5,604	\$ 92	\$ 4,115	\$ 259	\$ 11,471	\$ 466	\$ 2,938	\$ 298
Foreign government	4,234	83	3,251	229	5,955	260	918	113
Foreign corporate	4,422	99	6,802	577	10,147	573	5,493	998
U.S. government and agency	18,273	93	3,560	186	9,104	523	141	20
RMBS	6,359	50	4,159	141	9,449	291	1,800	109
State and political subdivision	182	2	346	12	1,747	80	56	6
ABS	1,695	7	729	31	2,224	28	2,328	103
CMBS	1,174	9	413	33	998	22	564	49
Total fixed maturity securities	<u>\$ 41,943</u>	<u>\$ 435</u>	<u>\$ 23,375</u>	<u>\$ 1,468</u>	<u>\$ 51,095</u>	<u>\$ 2,243</u>	<u>\$ 14,238</u>	<u>\$ 1,696</u>
Equity securities:								
Common stock	\$ 126	\$ 16	\$ 4	\$ —	\$ 105	\$ 13	\$ 11	\$ —
Non-redeemable preferred stock	42	1	41	3	139	7	125	33
Total equity securities	<u>\$ 168</u>	<u>\$ 17</u>	<u>\$ 45</u>	<u>\$ 3</u>	<u>\$ 244</u>	<u>\$ 20</u>	<u>\$ 136</u>	<u>\$ 33</u>
Total number of securities in an unrealized loss position	<u>2,651</u>		<u>1,965</u>		<u>3,580</u>		<u>1,307</u>	

Evaluation of AFS Securities for OTTI and Evaluating Temporarily Impaired AFS Securities

Evaluation and Measurement Methodologies

Management considers a wide range of factors about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations used in the impairment evaluation process include, but are not limited to: (i) the length of time and the extent to which the estimated fair value has been below cost or amortized cost; (ii) the potential for impairments when the issuer is experiencing significant financial difficulties; (iii) the potential for impairments in an entire industry sector or sub-sector; (iv) the potential for impairments in certain economically depressed geographic locations; (v) the potential for impairments where the issuer, series of issuers or industry has suffered a catastrophic loss or has exhausted natural resources; (vi) with respect to fixed maturity securities, whether the Company has the intent to sell or will more likely than not be required to sell a particular security before the decline in estimated fair value below amortized cost recovers; (vii) with respect to Structured Securities, changes in forecasted cash flows after considering the quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying assets backing a particular security, and the payment priority within the tranche structure of the security; (viii) the potential for impairments due to weakening of foreign currencies on non-functional currency denominated fixed maturity securities that are near maturity; and (ix) other subjective factors, including concentrations and information obtained from regulators and rating agencies.

Notes to the Consolidated Financial Statements — (continued)**8. Investments (continued)**

The methodology and significant inputs used to determine the amount of credit loss on fixed maturity securities are as follows:

- The Company calculates the recovery value by performing a discounted cash flow analysis based on the present value of future cash flows. The discount rate is generally the effective interest rate of the security prior to impairment.
- When determining collectability and the period over which value is expected to recover, the Company applies considerations utilized in its overall impairment evaluation process which incorporates information regarding the specific security, fundamentals of the industry and geographic area in which the security issuer operates, and overall macroeconomic conditions. Projected future cash flows are estimated using assumptions derived from management's best estimates of likely scenario-based outcomes after giving consideration to a variety of variables that include, but are not limited to: payment terms of the security; the likelihood that the issuer can service the interest and principal payments; the quality and amount of any credit enhancements; the security's position within the capital structure of the issuer; possible corporate restructurings or asset sales by the issuer; and changes to the rating of the security or the issuer by rating agencies.
- Additional considerations are made when assessing the unique features that apply to certain Structured Securities including, but not limited to: the quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying loans or assets backing a particular security, and the payment priority within the tranche structure of the security.
- When determining the amount of the credit loss for U.S. and foreign corporate securities, foreign government securities and state and political subdivision securities, the estimated fair value is considered the recovery value when available information does not indicate that another value is more appropriate. When information is identified that indicates a recovery value other than estimated fair value, management considers in the determination of recovery value the same considerations utilized in its overall impairment evaluation process as described above, as well as any private and public sector programs to restructure such securities.

With respect to securities that have attributes of debt and equity ("perpetual hybrid securities"), consideration is given in the OTTI analysis as to whether there has been any deterioration in the credit of the issuer and the likelihood of recovery in value of the securities that are in a severe and extended unrealized loss position. Consideration is also given as to whether any perpetual hybrid securities with an unrealized loss, regardless of credit rating, have deferred any dividend payments. When an OTTI loss has occurred, the OTTI loss is the entire difference between the perpetual hybrid security's cost and its estimated fair value with a corresponding charge to earnings.

The cost or amortized cost of fixed maturity and equity securities is adjusted for OTTI in the period in which the determination is made. The Company does not change the revised cost basis for subsequent recoveries in value.

In periods subsequent to the recognition of OTTI on a fixed maturity security, the Company accounts for the impaired security as if it had been purchased on the measurement date of the impairment. Accordingly, the discount (or reduced premium) based on the new cost basis is accreted over the remaining term of the fixed maturity security in a prospective manner based on the amount and timing of estimated future cash flows.

Current Period Evaluation

Based on the Company's current evaluation of its AFS securities in an unrealized loss position in accordance with its impairment policy, and the Company's current intentions and assessments (as applicable to the type of security) about holding, selling and any requirements to sell these securities, the Company concluded that these securities were not other-than-temporarily impaired at December 31, 2017. Future OTTI 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 ratings, collateral valuation, interest rates and credit spreads. If economic fundamentals deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming periods.

Gross unrealized losses on fixed maturity securities decreased \$2.0 billion during the year ended December 31, 2017 to \$1.9 billion. The decrease in gross unrealized losses for the year ended December 31, 2017, was primarily attributable to narrowing credit spreads and strengthening foreign currencies on non-functional currency denominated fixed maturity securities.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

8. Investments (continued)

At December 31, 2017, \$117 million of the total \$1.9 billion of gross unrealized losses were from 31 fixed maturity securities with an unrealized loss position of 20% or more of amortized cost for six months or greater.

Gross unrealized losses on equity securities decreased \$33 million during the year ended December 31, 2017 to \$20 million.

Investment Grade Fixed Maturity Securities

Of the \$117 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, \$73 million, or 62%, were related to gross unrealized losses on 12 investment grade fixed maturity securities. Unrealized losses on investment grade fixed maturity securities are principally related to widening credit spreads since purchase and, with respect to fixed-rate fixed maturity securities, rising interest rates since purchase.

Below Investment Grade Fixed Maturity Securities

Of the \$117 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, \$44 million, or 38%, were related to gross unrealized losses on 19 below investment grade fixed maturity securities. Unrealized losses on below investment grade fixed maturity securities are principally related to U.S. and foreign corporate securities (primarily industrial and utility securities) and non-agency RMBS (primarily alternative residential mortgage loans) and are the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic and market uncertainty including concerns over lower oil prices in the energy sector and valuations of residential real estate supporting non-agency RMBS. Management evaluates U.S. and foreign corporate securities based on factors such as expected cash flows and the financial condition and near-term and long-term prospects of the issuers and evaluates non-agency RMBS based on actual and projected cash flows after considering the quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying assets backing a particular security and the payment priority within the tranche structure of the security.

Mortgage Loans

Mortgage Loans by Portfolio Segment

Mortgage loans are summarized as follows at:

	December 31,			
	2017		2016	
	Carrying Value	% of Total	Carrying Value	% of Total
(Dollars in millions)				
Mortgage loans:				
Commercial	\$ 44,375	64.6%	\$ 41,512	63.7%
Agricultural	13,014	18.9	12,564	19.3
Residential	11,136	16.2	10,829	16.6
Subtotal (1)	68,525	99.7	64,905	99.6
Valuation allowances	(314)	(0.5)	(304)	(0.5)
Subtotal mortgage loans, net	68,211	99.2	64,601	99.1
Residential — FVO	520	0.8	566	0.9
Total mortgage loans, net	\$ 68,731	100.0%	\$ 65,167	100.0%

- (1) Purchases of mortgage loans, primarily residential, were \$3.1 billion and \$2.9 billion for the years ended December 31, 2017 and 2016, respectively.

Information on commercial, agricultural and residential mortgage loans is presented in the tables below. Information on residential — FVO is presented in Note 10. The Company elects the FVO for certain residential mortgage loans that are managed on a total return basis.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

8. Investments (continued)

Mortgage Loans, Valuation Allowance and Impaired Loans by Portfolio Segment

Mortgage loans by portfolio segment, by method of evaluation of credit loss, impaired mortgage loans including those modified in a troubled debt restructuring, and the related valuation allowances, were as follows at and for the years ended:

	Evaluated Individually for Credit Losses					Evaluated Collectively for Credit Losses		Impaired Loans	
	Impaired Loans with a Valuation Allowance			Impaired Loans without a Valuation Allowance		Recorded Investment	Valuation Allowances	Carrying Value	Average Recorded Investment
	Unpaid Principal Balance	Recorded Investment	Valuation Allowances	Unpaid Principal Balance	Recorded Investment				
(In millions)									
December 31, 2017									
Commercial	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 44,375	\$ 214	\$ —	\$ 5
Agricultural	22	21	2	27	27	12,966	39	46	32
Residential	—	—	—	358	324	10,812	59	324	285
Total	<u>\$ 22</u>	<u>\$ 21</u>	<u>\$ 2</u>	<u>\$ 385</u>	<u>\$ 351</u>	<u>\$ 68,153</u>	<u>\$ 312</u>	<u>\$ 370</u>	<u>\$ 322</u>
December 31, 2016									
Commercial	\$ —	\$ —	\$ —	\$ 12	\$ 12	\$ 41,500	\$ 202	\$ 12	\$ 90
Agricultural	11	10	1	27	27	12,527	38	36	49
Residential	—	—	—	265	241	10,588	63	241	188
Total	<u>\$ 11</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ 304</u>	<u>\$ 280</u>	<u>\$ 64,615</u>	<u>\$ 303</u>	<u>\$ 289</u>	<u>\$ 327</u>

The average recorded investment for impaired commercial, agricultural and residential mortgage loans was \$127 million, \$60 million and \$84 million, respectively, for the year ended December 31, 2015.

Valuation Allowance Rollforward by Portfolio Segment

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

	Commercial	Agricultural	Residential	Total
(In millions)				
Balance at January 1, 2015	\$ 202	\$ 35	\$ 42	\$ 279
Provision (release)	5	2	30	37
Charge-offs, net of recoveries	(19)	—	(16)	(35)
Balance at December 31, 2015	188	37	56	281
Provision (release) (1)	157	3	23	183
Charge-offs, net of recoveries (1)	(143)	(1)	(16)	(160)
Balance at December 31, 2016	202	39	63	304
Provision (release)	12	4	8	24
Charge-offs, net of recoveries	—	(2)	(12)	(14)
Balance at December 31, 2017	<u>\$ 214</u>	<u>\$ 41</u>	<u>\$ 59</u>	<u>\$ 314</u>

- (1) In connection with an acquisition in 2010, certain impaired commercial mortgage loans were acquired and accordingly, were not originated by the Company. Such commercial mortgage loans have been accounted for as purchased credit impaired (“PCI”) commercial mortgage loans. Decreases in cash flows expected to be collected on PCI commercial mortgage loans can result in provisions for losses on mortgage loans. For the year ended December 31, 2016, in connection with the maturity of an acquired PCI commercial mortgage loan, an increase to the commercial mortgage loan valuation allowance of \$143 million was recorded and charged-off upon maturity. The Company has recovered a substantial portion of the loss on the loan incurred through an indemnification agreement entered into in connection with the acquisition in 2010.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****8. Investments (continued)***Valuation Allowance Methodology*

Mortgage loans are considered to be impaired when it is probable that, based upon current information and events, the Company will be unable to collect all amounts due under the loan agreement. Specific valuation allowances are established using the same methodology for all three portfolio segments as the excess carrying value of a loan over either (i) the present value of expected future cash flows discounted at the loan's original effective interest rate, (ii) the estimated fair value of the loan's underlying collateral if the loan is in the process of foreclosure or otherwise collateral dependent, or (iii) the loan's observable market price. A common evaluation framework is used for establishing non-specific valuation allowances for all loan portfolio segments; however, a separate non-specific valuation allowance is calculated and maintained for each loan portfolio segment that is based on inputs unique to each loan portfolio segment. Non-specific valuation allowances are established for pools of loans with similar risk characteristics where a property-specific or market-specific risk has not been identified, but for which the Company expects to incur a credit loss. These evaluations are based upon several loan portfolio segment-specific factors, including the Company's experience for loan losses, defaults and loss severity, and loss expectations for loans with similar risk characteristics. These evaluations are revised as conditions change and new information becomes available.

Commercial and Agricultural Mortgage Loan Portfolio Segments

The Company typically uses several years of historical experience in establishing non-specific valuation allowances which capture multiple economic cycles. For evaluations of commercial mortgage loans, in addition to historical experience, management considers factors that include the impact of a rapid change to the economy, which may not be reflected in the loan portfolio, and recent loss and recovery trend experience as compared to historical loss and recovery experience. For evaluations of agricultural mortgage loans, in addition to historical experience, management considers factors that include increased stress in certain sectors, which may be evidenced by higher delinquency rates, or a change in the number of higher risk loans. On a quarterly basis, management incorporates the impact of these current market events and conditions on historical experience in determining the non-specific valuation allowance established for commercial and agricultural mortgage loans.

All commercial mortgage loans are reviewed on an ongoing basis which may include an analysis of the property financial statements and rent roll, lease rollover analysis, property inspections, market analysis, estimated valuations of the underlying collateral, loan-to-value ratios, debt service coverage ratios, and tenant creditworthiness. The monitoring process focuses on higher risk loans, which include those that are classified as restructured, delinquent or in foreclosure, as well as loans with higher loan-to-value ratios and lower debt service coverage ratios. All agricultural mortgage loans are monitored on an ongoing basis. The monitoring process for agricultural mortgage loans is generally similar to the commercial mortgage loan monitoring process, with a focus on higher risk loans, including reviews on a geographic and property-type basis. Higher risk loans are reviewed individually on an ongoing basis for potential credit loss and specific valuation allowances are established using the methodology described above. Quarterly, the remaining loans are reviewed on a pool basis by aggregating groups of loans that have similar risk characteristics for potential credit loss, and non-specific valuation allowances are established as described above using inputs that are unique to each segment of the loan portfolio.

For commercial mortgage loans, the primary credit quality indicator is the debt service coverage ratio, which compares a property's net operating income to amounts needed to service the principal and interest due under the loan. Generally, the lower the debt service coverage ratio, the higher the risk of experiencing a credit loss. The Company also reviews the loan-to-value ratio of its commercial mortgage loan portfolio. Loan-to-value ratios compare the unpaid principal balance of the loan to the estimated fair value of the underlying collateral. Generally, the higher the loan-to-value ratio, the higher the risk of experiencing a credit loss. The debt service coverage ratio and the values utilized in calculating the ratio are updated annually on a rolling basis, with a portion of the portfolio updated each quarter. In addition, the loan-to-value ratio is routinely updated for all but the lowest risk loans as part of the Company's ongoing review of its commercial mortgage loan portfolio.

For agricultural mortgage loans, the Company's primary credit quality indicator is the loan-to-value ratio. The values utilized in calculating this ratio are developed in connection with the ongoing review of the agricultural mortgage loan portfolio and are routinely updated.

Notes to the Consolidated Financial Statements — (continued)

8. Investments (continued)

Residential Mortgage Loan Portfolio Segment

The Company's residential mortgage loan portfolio is comprised primarily of closed end, amortizing residential mortgage loans. For evaluations of residential mortgage loans, the key inputs of expected frequency and expected loss reflect current market conditions, with expected frequency adjusted, when appropriate, for differences from market conditions and the Company's historical experience. In contrast to the commercial and agricultural mortgage loan portfolios, residential mortgage loans are smaller-balance homogeneous loans that are collectively evaluated for impairment. Non-specific valuation allowances are established using the evaluation framework described above for pools of loans with similar risk characteristics from inputs that are unique to the residential segment of the loan portfolio. Loan specific valuation allowances are only established on residential mortgage loans when they have been restructured and are established using the methodology described above for all loan portfolio segments.

For residential mortgage loans, the Company's primary credit quality indicator is whether the loan is performing or nonperforming. The Company generally defines nonperforming residential mortgage loans as those that are 60 or more days past due and/or in nonaccrual status which is assessed monthly. Generally, nonperforming residential mortgage loans have a higher risk of experiencing a credit loss.

Credit Quality of Commercial Mortgage Loans

The credit quality of commercial mortgage loans was as follows at:

	Recorded Investment						Estimated Fair Value	% of Total
	Debt Service Coverage Ratios			Total	% of Total			
	> 1.20x	1.00x - 1.20x	< 1.00x					
(Dollars in millions)								
December 31, 2017								
Loan-to-value ratios:								
Less than 65%	\$ 37,073	\$ 1,483	\$ 201	\$ 38,757	87.4%	\$ 39,528	87.7%	
65% to 75%	4,183	98	119	4,400	9.9	4,408	9.8	
76% to 80%	235	210	57	502	1.1	476	1.0	
Greater than 80%	401	168	147	716	1.6	672	1.5	
Total	<u>\$ 41,892</u>	<u>\$ 1,959</u>	<u>\$ 524</u>	<u>\$ 44,375</u>	<u>100.0%</u>	<u>\$ 45,084</u>	<u>100.0%</u>	
December 31, 2016								
Loan-to-value ratios:								
Less than 65%	\$ 36,067	\$ 1,077	\$ 707	\$ 37,851	91.2%	\$ 38,237	91.5%	
65% to 75%	3,044	—	202	3,246	7.8	3,185	7.6	
76% to 80%	195	—	—	195	0.5	182	0.4	
Greater than 80%	118	27	75	220	0.5	213	0.5	
Total	<u>\$ 39,424</u>	<u>\$ 1,104</u>	<u>\$ 984</u>	<u>\$ 41,512</u>	<u>100.0%</u>	<u>\$ 41,817</u>	<u>100.0%</u>	

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

8. Investments (continued)

Credit Quality of Agricultural Mortgage Loans

The credit quality of agricultural mortgage loans was as follows at:

	December 31,			
	2017		2016	
	Recorded Investment	% of Total	Recorded Investment	% of Total
(Dollars in millions)				
Loan-to-value ratios:				
Less than 65%	\$ 12,347	94.9%	\$ 12,023	95.7%
65% to 75%	618	4.7	436	3.5
76% to 80%	40	0.3	17	0.1
Greater than 80%	9	0.1	88	0.7
Total	\$ 13,014	100.0%	\$ 12,564	100.0%

The estimated fair value of agricultural mortgage loans was \$13.1 billion and \$12.7 billion at December 31, 2017 and 2016, respectively.

Credit Quality of Residential Mortgage Loans

The credit quality of residential mortgage loans was as follows at:

	December 31,			
	2017		2016	
	Recorded Investment	% of Total	Recorded Investment	% of Total
(Dollars in millions)				
Performance indicators:				
Performing	\$ 10,622	95.4%	\$ 10,448	96.5%
Nonperforming	514	4.6	381	3.5
Total	\$ 11,136	100.0%	\$ 10,829	100.0%

The estimated fair value of residential mortgage loans was \$11.6 billion and \$11.2 billion at December 31, 2017 and 2016, respectively.

Past Due and Nonaccrual Mortgage Loans

The Company has a high quality, well performing mortgage loan portfolio, with 99% of all mortgage loans classified as performing at both December 31, 2017 and 2016. The Company defines delinquency consistent with industry practice, when mortgage loans are past due as follows: commercial and residential mortgage loans — 60 days and agricultural mortgage loans — 90 days. The past due and nonaccrual mortgage loans at recorded investment, prior to valuation allowances, by portfolio segment, were as follows at:

	Past Due		Greater than 90 Days Past Due and Still Accruing Interest		Nonaccrual	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
(In millions)						
Commercial	\$ —	\$ 3	\$ —	\$ 3	\$ —	\$ —
Agricultural	134	127	125	104	36	23
Residential	514	381	33	37	481	344
Total	\$ 648	\$ 511	\$ 158	\$ 144	\$ 517	\$ 367

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

8. Investments (continued)

Mortgage Loans Modified in a Troubled Debt Restructuring

The Company may grant concessions related to borrowers experiencing financial difficulties, which are classified as troubled debt restructurings. Generally, the types of concessions include: reduction of the contractual interest rate, extension of the maturity date at an interest rate lower than current market interest rates, and/or a reduction of accrued interest. The amount, timing and extent of the concessions granted are considered in determining any impairment or changes in the specific valuation allowance recorded with the restructuring. Through the continuous monitoring process, a specific valuation allowance may have been recorded prior to the quarter when the mortgage loan is modified in a troubled debt restructuring.

For the year ended December 31, 2017, the Company had 500 residential mortgage loans modified in a troubled debt restructuring with carrying value after specific valuation allowance of \$120 million and \$108 million pre-modification and post-modification, respectively. For the year ended December 31, 2016, the Company had 557 residential mortgage loans modified in a troubled debt restructuring with carrying value after specific valuation allowance of \$136 million and \$122 million pre-modification and post-modification, respectively. For the years ended December 31, 2017 and 2016, the Company did not have a significant amount of agricultural mortgage loans and no commercial mortgage loans modified in a troubled debt restructuring.

For both the years ended December 31, 2017 and 2016, the Company did not have a significant amount of mortgage loans modified in a troubled debt restructuring with subsequent payment default.

Other Invested Assets

Other invested assets is comprised primarily of freestanding derivatives with positive estimated fair values (see Note 9), tax credit and renewable energy partnerships and leveraged and direct financing leases.

Tax Credit Partnerships

The carrying value of tax credit partnerships was \$1.8 billion and \$1.7 billion at December 31, 2017 and 2016, respectively. Losses from tax credit partnerships included within net investment income were \$259 million, \$167 million, and \$163 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Leveraged and Direct Financing Leases

Investment in leveraged and direct financing leases consisted of the following at:

	December 31,			
	2017		2016	
	Leveraged Leases	Direct Financing Leases	Leveraged Leases	Direct Financing Leases
	(In millions)			
Rental receivables, net	\$ 912	\$ 2,303	\$ 1,172	\$ 1,683
Estimated residual values	838	42	952	71
Subtotal	1,750	2,345	2,124	1,754
Unearned income	(472)	(1,022)	(603)	(639)
Investment in leases, net of non-recourse debt	<u>\$ 1,278</u>	<u>\$ 1,323</u>	<u>\$ 1,521</u>	<u>\$ 1,115</u>

Rental receivables are generally due in periodic installments. The payment periods for leveraged leases generally range from one to 15 years but in certain circumstances can be over 25 years, while the payment periods for direct financing leases range from one to 20 years. For rental receivables, the primary credit quality indicator is whether the rental receivable is performing or nonperforming, which is assessed monthly. The Company generally defines nonperforming rental receivables as those that are 90 days or more past due. At both December 31, 2017 and 2016, all leveraged lease receivables were performing and over 99% of direct financing rental receivables were performing.

The deferred income tax liability related to leveraged leases was \$934 million and \$1.4 billion at December 31, 2017 and 2016, respectively.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
8. Investments (continued)
Cash Equivalents

The carrying value of cash equivalents, which includes securities and other investments with an original or remaining maturity of three months or less at the time of purchase, was \$6.2 billion and \$7.4 billion at December 31, 2017 and 2016, respectively.

Net Unrealized Investment Gains (Losses)

Unrealized investment gains (losses) on fixed maturity and equity securities AFS and the effect on DAC, VOBA, DSI, future policy benefits and the policyholder dividend obligation that would result from the realization of the unrealized gains (losses) are included in net unrealized investment gains (losses) in AOCI.

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

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Fixed maturity securities	\$ 22,645	\$ 20,330	\$ 18,158
Fixed maturity securities with noncredit OTTI losses included in AOCI	41	8	(76)
Total fixed maturity securities	22,686	20,338	18,082
Equity securities	421	485	422
Derivatives	1,453	2,923	2,350
Other	46	23	287
Subtotal	24,606	23,769	21,141
Amounts allocated from:			
Future policy benefits	(77)	(1,114)	(163)
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	—	(3)	—
DAC, VOBA and DSI	(1,768)	(1,430)	(1,273)
Policyholder dividend obligation	(2,121)	(1,931)	(1,783)
Subtotal	(3,966)	(4,478)	(3,219)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	(12)	(1)	27
Deferred income tax benefit (expense)	(6,958)	(6,634)	(6,149)
Net unrealized investment gains (losses)	13,670	12,656	11,800
Net unrealized investment gains (losses) attributable to noncontrolling interests	(8)	(6)	(31)
Net unrealized investment gains (losses) attributable to MetLife, Inc.	\$ 13,662	\$ 12,650	\$ 11,769

Net unrealized investment gains (losses) attributable to MetLife, Inc. in the above table include, on a net of income tax basis, \$1,250 million and \$1,554 million for the years ended December 31, 2016 and 2015, respectively, related to assets and liabilities of a disposed subsidiary.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
8. Investments (continued)

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

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Balance at January 1,	\$ 12,650	\$ 11,769	\$ 16,300
Fixed maturity securities on which noncredit OTTI losses have been recognized	33	84	36
Unrealized investment gains (losses) during the year	804	2,544	(11,668)
Unrealized investment gains (losses) relating to:			
Future policy benefits	1,037	(951)	2,723
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	3	(3)	4
DAC, VOBA and DSI	(338)	(157)	673
Policyholder dividend obligation	(190)	(148)	1,372
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	(11)	(28)	(15)
Deferred income tax benefit (expense)	(324)	(485)	2,342
Net unrealized investment gains (losses)	13,664	12,625	11,767
Net unrealized investment gains (losses) attributable to noncontrolling interests	(2)	25	2
Balance at December 31,	<u>\$ 13,662</u>	<u>\$ 12,650</u>	<u>\$ 11,769</u>
Change in net unrealized investment gains (losses)	<u>\$ 1,014</u>	<u>\$ 856</u>	<u>\$ (4,533)</u>
Change in net unrealized investment gains (losses) attributable to noncontrolling interests	(2)	25	2
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	<u>\$ 1,012</u>	<u>\$ 881</u>	<u>\$ (4,531)</u>

Net unrealized investment gains (losses) attributable to MetLife, Inc. in the above table include, on a net of income tax basis, (\$304) million and (\$1,128) million for the years ended December 31, 2016 and 2015, respectively, related to assets and liabilities of a disposed subsidiary.

Concentrations of Credit Risk

Investments in any counterparty that were greater than 10% of the Company's equity, other than the U.S. government and its agencies, were in fixed income securities of the Japanese government and its agencies with an estimated fair value of \$27.5 billion and \$24.7 billion at December 31, 2017 and 2016, respectively, and in fixed income securities of the South Korean government and its agencies with an estimated fair value of \$6.5 billion at December 31, 2017. At December 31, 2016, the investments in South Korean government and agency fixed income securities were less than 10% of the Company's equity.

Securities Lending

Elements of the securities lending program are presented below at:

	December 31,	
	2017	2016
	(In millions)	
Securities on loan: (1)		
Amortized cost	\$ 17,801	\$ 18,798
Estimated fair value	\$ 19,028	\$ 19,753
Cash collateral received from counterparties (2)	\$ 19,417	\$ 20,114
Security collateral received from counterparties (3)	\$ 19	\$ 20
Reinvestment portfolio — estimated fair value	\$ 19,508	\$ 20,133

(1) Included within fixed maturity securities.

(2) Included within payables for collateral under securities loaned and other transactions.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

8. Investments (continued)

- (3) Security collateral received from counterparties may not be sold or re-pledged, unless the counterparty is in default, and is not reflected on the consolidated financial statements.

The cash collateral liability by loaned security type and remaining tenor of the agreements was as follows at:

	December 31, 2017				December 31, 2016			
	Remaining Tenor of Securities Lending Agreements				Remaining Tenor of Securities Lending Agreements			
	Open (1)	1 Month or Less	Over 1 to 6 Months	Total	Open (1)	1 Month or Less	Over 1 to 6 Months	Total
(In millions)								
Cash collateral liability by loaned security type:								
U.S. government and agency	\$ 3,753	\$ 6,031	\$ 8,607	\$ 18,391	\$ 4,480	\$ 6,496	\$ 8,383	\$ 19,359
Foreign government	—	192	834	1,026	—	569	143	712
U.S. corporate	—	—	—	—	—	43	—	43
Total	\$ 3,753	\$ 6,223	\$ 9,441	\$ 19,417	\$ 4,480	\$ 7,108	\$ 8,526	\$ 20,114

- (1) The related loaned security could be returned to the Company on the next business day, which would require the Company to immediately return the cash collateral.

If the Company is required to return significant amounts of cash collateral on short notice and is forced to sell securities to meet the return obligation, it may have difficulty selling such collateral that is invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than what otherwise would have been realized under normal market conditions, or both. The estimated fair value of the securities on loan related to the cash collateral on open at December 31, 2017 was \$3.7 billion, all of which were U.S. government and agency securities which, if put back to the Company, could be immediately sold to satisfy the cash requirement.

The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities (including agency RMBS, U.S. government and agency securities, ABS, U.S. corporate securities) and short-term investments with 59% invested in agency RMBS, U.S. government and agency securities, short-term investments, cash equivalents or held in cash. If the securities on loan or the reinvestment portfolio become less liquid, the Company has the liquidity resources of most of its general account available to meet any potential cash demands when securities on loan are put back to the Company.

Repurchase Agreements

Elements of the short-term repurchase agreements are presented below at:

	December 31, 2017		December 31, 2016	
	(In millions)			
Securities on loan: (1)				
Amortized cost	\$	994	\$	98
Estimated fair value	\$	1,141	\$	113
Cash collateral received from counterparties (2)	\$	1,102	\$	102
Reinvestment portfolio — estimated fair value	\$	1,102	\$	100

- (1) Included within fixed maturity securities, short-term investments and cash equivalents.
 (2) Included within payables for collateral under securities loaned and other transactions and other liabilities.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

8. Investments (continued)

The cash collateral liability by loaned security type and remaining tenor of the agreements was as follows at:

	December 31, 2017			December 31, 2016		
	Remaining Tenor of Repurchase Agreements		Total	Remaining Tenor of Repurchase Agreements		Total
	1 Month or Less	Over 1 to 6 Months		1 Month or Less	Over 1 to 6 Months	
(In millions)						
Cash collateral liability by loaned security type:						
U.S. government and agency	\$ 1,005	\$ —	\$ 1,005	\$ 5	\$ —	\$ 5
All other corporate and government	44	53	97	46	51	97
Total	\$ 1,049	\$ 53	\$ 1,102	\$ 51	\$ 51	\$ 102

The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities (including U.S. government and agency securities, agency RMBS, ABS), short-term investments and cash equivalents, with 63% invested in U.S. government and agency securities, agency RMBS, short-term investments, cash equivalents or held in cash. If the securities on loan or the reinvestment portfolio become less liquid, the Company has the liquidity resources of most of its general account available to meet any potential cash demands when securities on loan are put back to the Company.

FHLB Boston Advance Agreements

At December 31, 2017, a subsidiary of the Company had pledged state and political subdivision fixed maturity securities with an estimated fair value of \$564 million as collateral and received \$300 million in cash advances under short-term advance agreements with the FHLB Boston. The liability to return the cash advances is included within payables for collateral under securities loaned and other transactions and the remaining tenor of all liabilities under these agreements was one to six months at December 31, 2017. The estimated fair value of the reinvestment portfolio acquired with the cash advances was \$300 million at December 31, 2017 and consisted primarily of U.S. government and agency fixed maturity securities. At December 31, 2017, the reinvestment portfolio also included a \$12 million, at estimated fair value, required investment in FHLB Boston common stock. The subsidiary is permitted to withdraw any portion of the pledged collateral over the minimum collateral requirement at any time, other than in the event of a default by the subsidiary. No such transactions were outstanding at December 31, 2016.

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

Invested assets on deposit, held in trust and pledged as collateral are presented below at estimated fair value for all asset classes, except mortgage loans, which are presented at carrying value at:

	December 31,	
	2017	2016
(In millions)		
Invested assets on deposit (regulatory deposits)	\$ 1,879	\$ 1,925
Invested assets held in trust (collateral financing arrangement and reinsurance agreements)	2,490	2,057
Invested assets pledged as collateral (1)	24,174	23,882
Total invested assets on deposit, held in trust and pledged as collateral	\$ 28,543	\$ 27,864

(1) The Company has pledged invested assets in connection with various agreements and transactions, including funding agreements (see Note 4), derivative transactions (see Note 9), secured debt (see Note 12), and a collateral financing arrangement (see Note 13).

See “— Securities Lending,” “— Repurchase Agreements” and “— FHLB Boston Advance Agreements” for information regarding securities on loan and Note 7 for information regarding investments designated to the closed block.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

8. Investments (continued)

Purchased Credit Impaired Investments

Investments acquired with evidence of credit quality deterioration since origination and for which it is probable at the acquisition date that the Company will be unable to collect all contractually required payments are classified as PCI investments. For each investment, the excess of the cash flows expected to be collected as of the acquisition date over its acquisition date fair value is referred to as the accretable yield and is recognized as net investment income on an effective yield basis. If, subsequently, based on current information and events, it is probable that there is a significant increase in cash flows previously expected to be collected or if actual cash flows are significantly greater than cash flows previously expected to be collected, the accretable yield is adjusted prospectively. The excess of the contractually required payments (including interest) as of the acquisition date over the cash flows expected to be collected as of the acquisition date is referred to as the nonaccretable difference, and this amount is not expected to be realized as net investment income. Decreases in cash flows expected to be collected can result in OTTI.

The Company's PCI investments were as follows at:

	December 31,	
	2017	2016
	Fixed Maturity Securities	
	(In millions)	
Outstanding principal and interest balance (1)	\$ 4,763	\$ 5,624
Carrying value (2)	\$ 3,954	\$ 4,427

- (1) Represents the contractually required payments, which include contractual principal, whether or not currently due, and accrued interest.
- (2) Estimated fair value plus accrued interest.

The following table presents information about PCI investments acquired during the periods indicated:

	Years Ended December 31,	
	2017	2016
	Fixed Maturity Securities	
	(In millions)	
Contractually required payments (including interest)	\$ 95	\$ 1,464
Cash flows expected to be collected (1)	\$ 73	\$ 1,338
Fair value of investments acquired	\$ 67	\$ 984

- (1) Represents undiscounted principal and interest cash flow expectations, at the date of acquisition.

The following table presents activity for the accretable yield on PCI investments:

	Years Ended December 31,	
	2017	2016
	Fixed Maturity Securities	
	(In millions)	
Accretable yield, January 1,	\$ 1,733	\$ 1,780
Investments purchased	6	354
Accretion recognized in earnings	(281)	(269)
Disposals	(42)	(2)
Reclassification (to) from nonaccretable difference	104	(130)
Accretable yield, December 31,	<u>\$ 1,520</u>	<u>\$ 1,733</u>

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

8. Investments (continued)

Collectively Significant Equity Method Investments

The Company holds investments in real estate joint ventures, real estate funds and other limited partnership interests consisting of leveraged buy-out funds, hedge funds, private equity funds, joint ventures and other funds. The portion of these investments accounted for under the equity method had a carrying value of \$13.8 billion at December 31, 2017. The Company's maximum exposure to loss related to these equity method investments is limited to the carrying value of these investments plus unfunded commitments of \$4.8 billion at December 31, 2017. Except for certain real estate joint ventures, the Company's investments in real estate funds and other limited partnership interests are generally of a passive nature in that the Company does not participate in the management of the entities.

As described in Note 1, the Company generally records its share of earnings in its equity method investments using a three-month lag methodology and within net investment income. Aggregate net investment income from these equity method investments exceeded 10% of the Company's consolidated pre-tax income (loss) from continuing operations for two of the three most recent annual periods: 2017 and 2016. The Company is providing the following aggregated summarized financial data for such equity method investments, for the most recent annual periods, in order to provide comparative information. This aggregated summarized financial data does not represent the Company's proportionate share of the assets, liabilities, or earnings of such entities.

The aggregated summarized financial data presented below reflects the latest available financial information and is as of, and for, the years ended December 31, 2017, 2016 and 2015. Aggregate total assets of these entities totaled \$505.6 billion at December 31, 2017 and \$436.9 billion at December 31, 2016 (which includes \$9.6 billion related to Brighthouse). Aggregate total liabilities of these entities totaled \$68.9 billion at December 31, 2017 and \$56.4 billion at December 31, 2016 (which includes \$177 million related to Brighthouse). Aggregate net income (loss) of these entities totaled \$37.9 billion, \$26.8 billion and \$25.8 billion for the years ended December 31, 2017, 2016 and 2015, respectively, with \$270 million and \$1.1 billion related to Brighthouse for the years ended December 31, 2016 and 2015, respectively. Aggregate net income (loss) from the underlying entities in which the Company invests is primarily comprised of investment income, including recurring investment income and realized and unrealized investment gains (losses).

Variable Interest Entities

The Company has invested in legal 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, is deemed to be the primary beneficiary or consolidator of the entity. The determination of the VIE's primary beneficiary requires an evaluation of the contractual and implied rights and obligations associated with each party's relationship with or involvement in the entity, an estimate of the entity's expected losses and expected residual returns and the allocation of such estimates to each party involved in the entity.

Consolidated VIEs

Creditors or beneficial interest holders of VIEs where the Company is the primary beneficiary have no recourse to the general credit of the Company, as the Company's obligation to the VIEs is limited to the amount of its committed investment.

The following table presents the total assets and total liabilities relating to investment related VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated at December 31, 2017 and 2016.

	December 31,			
	2017		2016	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
Renewable energy partnership (1)	\$ 116	\$ 3	\$ —	\$ —
Securitization entities (assets (primarily FVO securities) and liabilities (primarily debt)) (2)	7	6	9	12
Other investments (3)	25	—	50	—
Total	<u>\$ 148</u>	<u>\$ 9</u>	<u>\$ 59</u>	<u>\$ 12</u>

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

8. Investments (continued)

- (1) Assets of the renewable energy partnership, primarily consisting of other invested assets, were consolidated in earlier periods as the two investors are subsidiaries of MLIC and Brighthouse, respectively. As a result of the Separation and a reassessment in 2017, the renewable energy partnership was determined to be a consolidated VIE.
- (2) The Company consolidates entities that are structured as collateralized debt obligations. The assets of these entities can only be used to settle their respective liabilities, and under no circumstances is the Company liable for any principal or interest shortfalls should any arise.
- (3) Other investments is primarily comprised of other invested assets.

Unconsolidated VIEs

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

	December 31,			
	2017		2016	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
	(In millions)			
Fixed maturity securities AFS:				
Structured Securities (2)	\$ 47,614	\$ 47,614	\$ 46,773	\$ 46,773
U.S. and foreign corporate	1,560	1,560	1,940	1,940
Other limited partnership interests	4,834	8,543	4,714	8,990
Other invested assets	2,291	2,625	2,206	2,777
Other (3)	82	87	199	215
Total	\$ 56,381	\$ 60,429	\$ 55,832	\$ 60,695

- (1) The maximum exposure to loss relating to fixed maturity securities AFS is equal to their carrying amounts or the carrying amounts of retained interests. The maximum exposure to loss relating to other limited partnership interests and real estate joint ventures is equal to the carrying amounts plus any unfunded commitments. For certain of its investments in other invested assets, the Company's return is in the form of income tax credits which are guaranteed by creditworthy third parties. For such investments, the maximum exposure to loss is equal to the carrying amounts plus any unfunded commitments, reduced by income tax credits guaranteed by third parties of \$117 million and \$150 million at December 31, 2017 and 2016, respectively. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or investee.
- (2) For these variable interests, the Company's involvement is limited to that of a passive investor in mortgage-backed or asset-backed securities issued by trusts that do not have substantial equity.
- (3) Other is primarily comprised of real estate joint ventures and a joint venture related loan.

As described in Note 20, 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 each of the years ended December 31, 2017, 2016 and 2015.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
8. Investments (continued)

During 2017, the Company securitized certain residential mortgage loans and acquired an interest in the related RMBS issued. While the Company has a variable interest in the issuer of the securities, it is not the primary beneficiary of the issuer of the securities since it does not have any rights to remove the servicer or veto rights over the servicer's actions. The carrying value and the estimated fair value of mortgage loans sold during 2017 were \$319 million and \$339 million, respectively, resulting in a gain of \$20 million during the year ended December 31, 2017, which was included within net investment gains (losses). The estimated fair value of RMBS acquired in connection with the securitization was \$52 million. Included in the carrying amount and maximum exposure to loss for Structured Securities presented above at December 31, 2017 were \$51 million of such investments. See Note 10 for information on how the estimated fair value of mortgage loans and RMBS is determined, the valuation approaches and key inputs, their placement in the fair value hierarchy, and for certain RMBS, quantitative information about the significant unobservable inputs and the sensitivity of their estimated fair value to changes in those inputs.

Net Investment Income

The components of net investment income were as follows:

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Investment income:			
Fixed maturity securities	\$ 11,497	\$ 11,721	\$ 11,809
Equity securities	129	121	124
FVO securities — FVO general account securities (1)	68	37	21
Mortgage loans	3,082	2,858	2,772
Policy loans	517	511	525
Real estate and real estate joint ventures	646	652	872
Other limited partnership interests	798	478	535
Cash, cash equivalents and short-term investments	228	153	140
Operating joint ventures	28	33	25
Other	192	248	200
Subtotal	17,185	16,812	17,023
Less: Investment expenses	1,122	972	1,082
Subtotal, net	16,063	15,840	15,941
FVO securities — FVO contractholder-directed unit-linked investments (1)	1,300	950	264
Net investment income	<u>\$ 17,363</u>	<u>\$ 16,790</u>	<u>\$ 16,205</u>

- (1) Changes in estimated fair value subsequent to purchase for securities still held as of the end of the respective periods included in net investment income were principally from FVO contractholder-directed unit-linked investments, and were \$662 million, \$427 million and (\$456) million for the years ended December 31, 2017, 2016, and 2015, respectively.

FVO securities are primarily comprised of contractholder-directed investments supporting unit-linked variable annuity type liabilities which do not qualify as separate accounts. The remainder is comprised of FVO Brighthouse Common Stock (see Note 3), FVO general account securities and FVO securities held by consolidated securitization entities ("CSEs"). The Company previously maintained a trading securities portfolio, principally invested in fixed maturity securities. During 2016, the Company reinvested this portfolio into other asset classes and at December 31, 2016, the Company no longer held any Actively traded securities.

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

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

8. Investments (continued)

Net Investment Gains (Losses)

Components of Net Investment Gains (Losses)

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

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Total gains (losses) on fixed maturity securities:			
Total OTTI losses recognized — by sector and industry:			
U.S. and foreign corporate securities — by industry:			
Consumer	\$ (4)	\$ —	\$ (20)
Industrial	—	(63)	(2)
Utility	—	(21)	(15)
Communications	—	(3)	—
Total U.S. and foreign corporate securities	(4)	(87)	(37)
ABS	(3)	(2)	—
RMBS	—	(18)	(16)
State and political subdivision	(3)	—	(6)
OTTI losses on fixed maturity securities recognized in earnings	(10)	(107)	(59)
Fixed maturity securities — net gains (losses) on sales and disposals (1)	328	251	318
Total gains (losses) on fixed maturity securities	318	144	259
Total gains (losses) on equity securities:			
Total OTTI losses recognized — by sector:			
Common stock	(24)	(75)	(36)
Non-redeemable preferred stock	(1)	—	(1)
OTTI losses on equity securities recognized in earnings	(25)	(75)	(37)
Equity securities — net gains (losses) on sales and disposals	117	19	43
Total gains (losses) on equity securities	92	(56)	6
FVO securities — FVO general account securities	—	—	—
Mortgage loans (2)	14	(231)	(93)
Real estate and real estate joint ventures	603	182	433
Other limited partnership interests	(59)	(64)	(66)
Other	(113)	(130)	1
Subtotal	855	(155)	540
FVO CSEs:			
Securities	—	1	—
Long-term debt — related to securities	(1)	—	—
Non-investment portfolio gains (losses) (3) (4) (5) (6)	(1,162)	471	69
Subtotal	(1,163)	472	69
Total net investment gains (losses)	\$ (308)	\$ 317	\$ 609

(1) Fixed maturity securities net gains (losses) on sales and disposals for the year ended December 31, 2017 includes \$276 million in previously deferred gains on prior period transfers of securities to Brighthouse, as such gains are no longer eliminated in consolidation after the Separation. See Note 3.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

8. Investments (continued)

- (2) Mortgage loans gains (losses) for the year ended December 31, 2017 include \$47 million of previously deferred gains on prior period transfers of mortgage loans to Brighthouse as such gains are no longer eliminated in consolidation after the Separation. See Note 3.
- (3) Non-investment portfolio gains (losses) for the year ended December 31, 2017 includes a loss of \$1,016 million which represents a mark-to-market loss attributable to the FVO Brighthouse Common Stock held by the Company at Separation. See Note 3.
- (4) Non-investment portfolio gains (losses) for the year ended December 31, 2017 includes a loss of \$95 million which represents the change in estimated fair value of FVO Brighthouse Common Stock held by the Company from the date of Separation to December 31, 2017. See Note 3.
- (5) Non-investment portfolio gains (losses) for the year ended December 31, 2017 includes a \$98 million loss due to the disposition of MetLife Afore. See Note 3.
- (6) Non-investment portfolio gains (losses) for the year ended December 31, 2016 includes a gain of \$102 million in connection with the U.S. Retail Advisor Force Divestiture. See Note 3.

See “— Variable Interest Entities” for discussion of CSEs.

Gains (losses) from foreign currency transactions included within net investment gains (losses) were (\$6) million, \$225 million and \$57 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Sales or Disposals and Impairments of Fixed Maturity and Equity Securities

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

	Years Ended December 31,					
	2017	2016	2015	2017	2016	2015
	Fixed Maturity Securities			Equity Securities		
	(In millions)					
Proceeds	\$ 56,509	\$ 86,179	\$ 82,871	\$ 1,255	\$ 278	\$ 278
Gross investment gains	\$ 753	\$ 1,048	\$ 1,144	\$ 131	\$ 36	\$ 73
Gross investment losses	(425)	(797)	(826)	(14)	(17)	(30)
OTTI losses	(10)	(107)	(59)	(25)	(75)	(37)
Net investment gains (losses)	\$ 318	\$ 144	\$ 259	\$ 92	\$ (56)	\$ 6

Credit Loss Rollforward

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

	Years Ended December 31,	
	2017	2016
	(In millions)	
Balance at January 1,	\$ 187	\$ 211
Additions:		
Initial impairments — credit loss OTTI on securities not previously impaired	—	1
Additional impairments — credit loss OTTI on securities previously impaired	—	18
Reductions:		
Sales (maturities, pay downs or prepayments) of securities previously impaired as credit loss OTTI	(48)	(43)
Securities impaired to net present value of expected future cash flows	—	(1)
Increase in cash flows — accretion of previous credit loss OTTI	(1)	1
Balance at December 31,	\$ 138	\$ 187

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****9. Derivatives*****Accounting for Derivatives***

See Note 1 for a description of the Company's accounting policies for derivatives and Note 10 for information about the fair value hierarchy for derivatives.

Derivative Strategies

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

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

Interest Rate Derivatives

The Company uses a variety of interest rate derivatives to reduce its exposure to changes in interest rates, including interest rate swaps, interest rate total return swaps, caps, floors, swaptions, futures and forwards.

Interest rate swaps are used by the Company primarily to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). In an interest rate swap, the Company agrees with another party to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts as calculated by reference to an agreed notional amount. The Company utilizes interest rate swaps in fair value, cash flow and nonqualifying hedging relationships.

The Company uses structured interest rate swaps to synthetically create investments that are either more expensive to acquire or otherwise unavailable in the cash markets. These transactions are a combination of a derivative and a cash instrument such as a U.S. government and agency, or other fixed maturity security. Structured interest rate swaps are included in interest rate swaps and are not designated as hedging instruments.

Interest rate total return swaps are swaps whereby the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of an asset or a market index and the London Interbank Offered Rate ("LIBOR"), calculated by reference to an agreed notional amount. No cash is exchanged at the outset of the contract. Cash is paid and received over the life of the contract based on the terms of the swap. 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. Interest rate total return swaps are used by the Company to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). The Company utilizes interest rate total return swaps in nonqualifying hedging relationships.

The Company purchases interest rate caps 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, and interest rate floors primarily to protect its minimum rate guarantee liabilities against declines in interest rates below a specified level. 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 nonqualifying 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 and to pledge initial margin based on futures exchange requirements. 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, to hedge against changes in interest rates on anticipated liability issuances by replicating Treasury or swap curve performance, and to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded interest rate futures in nonqualifying hedging relationships.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****9. Derivatives (continued)**

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

The Company enters into interest rate forwards to buy and sell securities. The price is agreed upon at the time of the contract and payment for such a contract is made at a specified future date. The Company utilizes interest rate forwards in cash flow and nonqualifying hedging relationships.

A synthetic guaranteed interest contract ("GIC") is a contract that simulates the performance of a traditional GIC 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 Exchange Rate Derivatives

The Company uses foreign currency exchange rate derivatives, including foreign currency swaps, foreign currency forwards, currency options and exchange-traded currency futures, to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets and liabilities denominated in foreign currencies. The Company also uses foreign currency derivatives to hedge the foreign currency exchange rate risk associated with certain of its net investments in foreign operations.

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

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

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

To a lesser extent, the Company uses exchange-traded currency futures to hedge currency mismatches between assets and liabilities, and to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded currency futures in nonqualifying hedging relationships.

Credit Derivatives

The Company enters into purchased credit default swaps to hedge against credit-related changes in the value of its investments. In a credit default swap transaction, the Company agrees with another party to pay, at specified intervals, a premium to hedge credit risk. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the delivery of par quantities of the referenced investment equal to the specified swap notional amount in exchange for the payment of cash amounts by the counterparty equal to the par value of the investment surrendered. Credit events vary by type of issuer but typically include bankruptcy, failure to pay debt obligations and involuntary restructuring for corporate obligors, as well as repudiation, moratorium or governmental intervention for sovereign obligors. In each case, payout on a credit default swap is triggered only after the Credit Derivatives Determinations Committee of the International Swaps and Derivatives Association, Inc. ("ISDA") deems that a credit event has occurred. The Company utilizes credit default swaps in nonqualifying hedging relationships.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****9. Derivatives (continued)**

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

The Company also entered into certain purchased and written credit default swaps held in relation to trading portfolios for the purpose of generating profits on short-term differences in price. These credit default swaps were not designated as hedging instruments. As of December 31, 2016, the Company no longer maintained a trading portfolio for derivatives.

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 transactions as credit forwards. The Company utilizes credit forwards in cash flow hedging relationships.

Equity Derivatives

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

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 underlying equity index within a limited time at a contracted price. The contracts will be net settled in cash based on differentials in the indices at the time of exercise and the strike price. Certain of these contracts may also contain settlement provisions linked to interest rates. In certain instances, the Company may enter into a combination of transactions to hedge adverse changes in equity indices within a pre-determined range through the purchase and sale of options. The Company utilizes equity index options in nonqualifying hedging relationships.

Equity variance swaps are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. In an equity variance swap, the Company agrees with another party to exchange amounts in the future, based on changes in equity volatility over a defined period. The Company utilizes equity variance swaps in nonqualifying 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, to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts and to pledge initial margin based on futures exchange requirements. 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 minimum guarantees embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded equity futures in nonqualifying hedging relationships.

In an equity total return swap, 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 LIBOR, calculated by reference to an agreed notional amount. No cash is exchanged at the outset of the contract. Cash is paid and received over the life of the contract based on the terms of the swap. The Company uses equity total return swaps to hedge its equity market guarantees in certain of its insurance products. Equity total return swaps can be used as hedges or to synthetically create investments. The Company utilizes equity total return swaps in nonqualifying hedging relationships.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

9. Derivatives (continued)

Primary Risks Managed by Derivatives

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

		December 31,						
		2017			2016			
Primary Underlying Risk Exposure	Gross Notional Amount	Estimated Fair Value		Estimated Fair Value		Gross Notional Amount	Assets	Liabilities
		Assets	Liabilities	Assets	Liabilities			
(In millions)								
Derivatives Designated as Hedging Instruments:								
Fair value hedges:								
Interest rate swaps	Interest rate	\$ 3,843	\$ 2,289	\$ 3	\$ 5,021	\$ 2,221	\$ 6	
Foreign currency swaps	Foreign currency exchange rate	1,116	50	18	1,221	34	224	
Foreign currency forwards	Foreign currency exchange rate	3,253	2	37	1,085	—	54	
Subtotal		8,212	2,341	58	7,327	2,255	284	
Cash flow hedges:								
Interest rate swaps	Interest rate	3,584	235	4	2,040	325	34	
Interest rate forwards	Interest rate	3,332	—	128	4,032	—	370	
Foreign currency swaps	Foreign currency exchange rate	32,152	1,142	1,665	26,680	1,877	2,054	
Subtotal		39,068	1,377	1,797	32,752	2,202	2,458	
Foreign operations hedges:								
Foreign currency forwards	Foreign currency exchange rate	332	2	5	1,394	47	5	
Currency options	Foreign currency exchange rate	9,408	44	163	8,878	148	45	
Subtotal		9,740	46	168	10,272	195	50	
Total qualifying hedges								
		57,020	3,764	2,023	50,351	4,652	2,792	
Derivatives Not Designated or Not Qualifying as Hedging Instruments:								
Interest rate swaps	Interest rate	60,485	2,203	576	53,349	4,089	1,641	
Interest rate floors	Interest rate	7,201	92	—	12,101	181	7	
Interest rate caps	Interest rate	53,079	78	2	78,358	112	2	
Interest rate futures	Interest rate	4,366	2	4	4,793	3	12	
Interest rate options	Interest rate	12,009	656	11	5,334	628	1	
Interest rate forwards	Interest rate	217	—	42	613	—	25	
Interest rate total return swaps	Interest rate	1,048	8	2	1,549	2	127	
Synthetic GICs	Interest rate	11,318	—	—	5,566	—	—	
Foreign currency swaps	Foreign currency exchange rate	9,902	693	506	11,651	1,445	462	
Foreign currency forwards	Foreign currency exchange rate	12,238	79	190	15,422	117	977	
Currency futures	Foreign currency exchange rate	846	2	—	915	—	—	
Currency options	Foreign currency exchange rate	3,123	55	6	3,615	195	17	
Credit default swaps — purchased	Credit	2,020	7	43	2,001	14	40	
Credit default swaps — written	Credit	11,375	271	—	10,732	161	9	
Equity futures	Equity market	4,005	18	4	4,457	30	3	
Equity index options	Equity market	19,886	569	690	16,527	426	523	
Equity variance swaps	Equity market	4,661	54	199	8,263	83	240	
Equity total return swaps	Equity market	1,117	—	41	1,046	1	43	
Total non-designated or nonqualifying derivatives		218,896	4,787	2,316	236,292	7,487	4,129	
Total		\$ 275,916	\$ 8,551	\$ 4,339	\$ 286,643	\$12,139	\$ 6,921	

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
9. Derivatives (continued)

Based on gross notional amounts, a substantial portion of the Company's derivatives was not designated or did not qualify as part of a hedging relationship at both December 31, 2017 and 2016. The Company's use of derivatives includes (i) derivatives that serve as macro hedges of the Company's exposure to various risks and that generally do not qualify for hedge accounting due to the criteria required under the portfolio hedging rules; (ii) derivatives that economically hedge insurance liabilities that contain mortality or morbidity risk and that generally do not qualify for hedge accounting because the lack of these risks in the derivatives cannot support an expectation of a highly effective hedging relationship; (iii) derivatives that economically hedge embedded derivatives that do not qualify for hedge accounting because the changes in estimated fair value of the embedded derivatives are already recorded in net income; and (iv) written credit default swaps and interest rate swaps that are used to synthetically create investments and that do not qualify for hedge accounting because they do not involve a hedging relationship. For these nonqualified derivatives, changes in market factors can lead to the recognition of fair value changes on the statement of operations without an offsetting gain or loss recognized in earnings for the item being hedged.

Net Derivative Gains (Losses)

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

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Freestanding derivatives and hedging gains (losses) (1)	\$ (1,389)	\$ (509)	\$ 429
Embedded derivatives gains (losses)	799	(181)	200
Total net derivative gains (losses)	<u>\$ (590)</u>	<u>\$ (690)</u>	<u>\$ 629</u>

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

The following table presents earned income on derivatives:

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Qualifying hedges:			
Net investment income	\$ 299	\$ 267	\$ 206
Interest credited to policyholder account balances	(64)	(1)	27
Other expenses	(10)	(12)	(6)
Nonqualifying hedges:			
Net investment income	—	(1)	(6)
Net derivative gains (losses)	551	705	663
Policyholder benefits and claims	9	7	2
Total	<u>\$ 785</u>	<u>\$ 965</u>	<u>\$ 886</u>

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

9. Derivatives (continued)

Nonqualifying Derivatives and Derivatives for Purposes Other Than Hedging

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

	Net Derivative Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)
	(In millions)		
Year Ended December 31, 2017			
Interest rate derivatives	\$ (549)	\$ 1	\$ (1)
Foreign currency exchange rate derivatives	(742)	—	5
Credit derivatives — purchased	(24)	—	—
Credit derivatives — written	145	—	—
Equity derivatives	(1,046)	(9)	(252)
Total	<u>\$ (2,216)</u>	<u>\$ (8)</u>	<u>\$ (248)</u>
Year Ended December 31, 2016			
Interest rate derivatives	\$ (990)	\$ —	\$ 46
Foreign currency exchange rate derivatives	882	—	(18)
Credit derivatives — purchased	(40)	—	—
Credit derivatives — written	71	—	—
Equity derivatives	(681)	(16)	(138)
Total	<u>\$ (758)</u>	<u>\$ (16)</u>	<u>\$ (110)</u>
Year Ended December 31, 2015			
Interest rate derivatives	\$ (354)	\$ —	\$ —
Foreign currency exchange rate derivatives	502	—	—
Credit derivatives — purchased	7	(3)	—
Credit derivatives — written	(69)	—	—
Equity derivatives	(340)	(10)	—
Total	<u>\$ (254)</u>	<u>\$ (13)</u>	<u>\$ —</u>

- (1) Changes in estimated fair value related to economic hedges of equity method investments in joint ventures, derivatives held in relation to trading portfolios and derivatives held within contractholder-directed unit-linked investments. As of December 31, 2016, the Company no longer maintained a trading portfolio for derivatives.
- (2) Changes in estimated fair value related to economic hedges of variable annuity guarantees included in future policy benefits.

Fair Value Hedges

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

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
9. Derivatives (continued)

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

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Net Derivative Gains (Losses) Recognized for Derivatives	Net Derivative Gains (Losses) Recognized for Hedged Items	Ineffectiveness Recognized in Net Derivative Gains (Losses)
(In millions)				
Year Ended December 31, 2017				
Interest rate swaps:	Fixed maturity securities	\$ 4	\$ (4)	\$ —
	Policyholder liabilities (1)	(69)	134	65
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(27)	29	2
	Foreign-denominated policyholder account balances (2)	65	(44)	21
Foreign currency forwards:	Foreign-denominated fixed maturity securities	13	(11)	2
Total		<u>\$ (14)</u>	<u>\$ 104</u>	<u>\$ 90</u>
Year Ended December 31, 2016				
Interest rate swaps:	Fixed maturity securities	\$ 7	\$ (9)	\$ (2)
	Policyholder liabilities (1)	(108)	90	(18)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	13	(12)	1
	Foreign-denominated policyholder account balances (2)	(95)	92	(3)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	127	(119)	8
Total		<u>\$ (56)</u>	<u>\$ 42</u>	<u>\$ (14)</u>
Year Ended December 31, 2015				
Interest rate swaps:	Fixed maturity securities	\$ 4	\$ (1)	\$ 3
	Policyholder liabilities (1)	(4)	(6)	(10)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	15	(7)	8
	Foreign-denominated policyholder account balances (2)	(240)	232	(8)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	(75)	68	(7)
Total		<u>\$ (300)</u>	<u>\$ 286</u>	<u>\$ (14)</u>

(1) Fixed rate liabilities reported in policyholder account balances or future policy benefits.

(2) Fixed rate or floating rate liabilities.

For the Company's foreign currency forwards, the change in the estimated fair value of the derivative related to the changes in the difference between the spot price and the forward price is excluded from the assessment of hedge effectiveness. For all other derivatives, all components of each derivative's gain or loss were included in the assessment of hedge effectiveness. For the years ended December 31, 2017, 2016 and 2015, the component of the change in estimated fair value of derivatives that was excluded from the assessment of hedge effectiveness was (\$40) million, (\$23) million and (\$11) million, respectively.

Cash Flow Hedges

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

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
9. Derivatives (continued)

In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions were no longer probable of occurring. Because certain of the forecasted transactions also were not probable of occurring within two months of the anticipated date, the Company reclassified amounts from AOCI into net derivative gains (losses). These amounts were \$13 million, \$12 million and \$8 million for the years ended December 31, 2017, 2016 and 2015, respectively.

At both December 31, 2017 and 2016, 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 five years.

At December 31, 2017 and 2016, the balance in AOCI associated with cash flow hedges was \$1.5 billion and \$2.9 billion, respectively. Upon the Separation, the Company recorded a reduction of \$414 million of deferred gains within AOCI. For the years ended December 31, 2016, and 2015, the amounts of deferred gains (losses) in AOCI from Brighthouse were \$71 million and \$102 million, respectively. For the years ended December 31, 2017, 2016, and 2015, the amounts of income reclassified from AOCI into income (loss) from discontinued operations were \$16 million, \$45 million and \$7 million, respectively.

The following table presents the effects of derivatives in cash flow hedging relationships on the consolidated statements of operations and the consolidated statements of equity. The table excludes the effects of Brighthouse derivatives prior to the Separation.

Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Deferred in AOCI on Derivatives		Amount and Location of Gains (Losses) Reclassified from AOCI into Income (Loss)			Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives
	(Effective Portion)		(Effective Portion)			(Ineffective Portion)
			Net Derivative Gains (Losses)	Net Investment Income	Other Expenses	Net Derivative Gains (Losses)
(In millions)						
Year Ended December 31, 2017						
Interest rate swaps	\$ 78	\$ 24	\$ 16	\$ —	\$ —	\$ 18
Interest rate forwards	210	(11)	2	1		(2)
Foreign currency swaps	(335)	974	—	2		(4)
Credit forwards	—	1	—	—		—
Total	<u>\$ (47)</u>	<u>\$ 988</u>	<u>\$ 18</u>	<u>\$ 3</u>		<u>\$ 12</u>
Year Ended December 31, 2016						
Interest rate swaps	\$ 50	\$ 56	\$ 12	\$ —	\$ —	(1)
Interest rate forwards	(366)	(1)	4	1		—
Foreign currency swaps	589	(350)	(2)	2		1
Credit forwards	—	3	1	—		—
Total	<u>\$ 273</u>	<u>\$ (292)</u>	<u>\$ 15</u>	<u>\$ 3</u>		<u>\$ —</u>
Year Ended December 31, 2015						
Interest rate swaps	\$ 76	\$ 84	\$ 11	\$ —	\$ —	2
Interest rate forwards	(3)	4	3	2		—
Foreign currency swaps	(194)	(720)	(1)	1		9
Credit forwards	—	1	—	—		—
Total	<u>\$ (121)</u>	<u>\$ (631)</u>	<u>\$ 13</u>	<u>\$ 3</u>		<u>\$ 11</u>

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

At December 31, 2017, the Company expected to reclassify (\$101) million of deferred net gains (losses) on derivatives in AOCI, included in the table above, to earnings within the next 12 months.

Hedges of Net Investments in Foreign Operations

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

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

9. Derivatives (continued)

When net investments in foreign operations are sold or substantially liquidated, the amounts in AOCI are reclassified to the statement of operations.

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

Derivatives in Net Investment Hedging Relationships (1), (2)	Amount of Gains (Losses) Deferred in AOCI		
	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Foreign currency forwards	\$ (155)	\$ (267)	\$ 255
Currency options	(290)	(35)	(138)
Total	<u>\$ (445)</u>	<u>\$ (302)</u>	<u>\$ 117</u>

- (1) During the years ended December 31, 2017, 2016 and 2015, there were no sales or substantial liquidations of net investments in foreign operations that would have required the reclassification of gains or losses from AOCI into earnings.
- (2) There was no ineffectiveness recognized for the Company's hedges of net investments in foreign operations. All components of each derivative's gain or loss were included in the assessment of hedge effectiveness.

At December 31, 2017 and 2016, the cumulative foreign currency translation gain (loss) recorded in AOCI related to hedges of net investments in foreign operations was \$309 million and \$754 million, respectively.

Credit Derivatives

In connection with synthetically created credit investment transactions, the Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included within the nonqualifying derivatives and derivatives for purposes other than hedging table. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the Company paying the counterparty the specified swap notional amount in exchange for the delivery of par quantities of the referenced credit obligation. The Company's maximum amount at risk, assuming the value of all referenced credit obligations is zero, was \$11.4 billion and \$10.7 billion at December 31, 2017 and 2016, respectively. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current estimated fair value of the credit default swaps. At December 31, 2017 and 2016, the Company would have received \$271 million and \$152 million, respectively, to terminate all of these contracts.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

9. Derivatives (continued)

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:

Rating Agency Designation of Referenced Credit Obligations (1)	December 31,					
	2017			2016		
	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps	Weighted Average Years to Maturity (2)	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps	Weighted Average Years to Maturity (2)
(Dollars in millions)						
Aaa/Aa/A						
Single name credit default swaps (3)	\$ 7	\$ 375	2.6	\$ 6	\$ 449	3.1
Credit default swaps referencing indices	44	2,268	2.7	34	2,335	3.6
Subtotal	51	2,643	2.7	40	2,784	3.5
Baa						
Single name credit default swaps (3)	7	605	1.8	5	751	2.5
Credit default swaps referencing indices	183	7,662	5.0	88	6,711	5.0
Subtotal	190	8,267	4.8	93	7,462	4.8
Ba						
Single name credit default swaps (3)	1	115	3.4	(2)	135	4.1
Credit default swaps referencing indices	—	—	—	—	—	—
Subtotal	1	115	3.4	(2)	135	4.1
B						
Single name credit default swaps (3)	2	20	3.5	1	70	1.8
Credit default swaps referencing indices	27	330	5.0	20	281	5.0
Subtotal	29	350	4.9	21	351	4.3
Total	\$ 271	\$ 11,375	4.3	\$ 152	\$ 10,732	4.4

- (1) The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody's Investors Service ("Moody's"), S&P and Fitch Ratings. If no rating is available from a rating agency, then an internally developed rating is used.
- (2) The weighted average years to maturity of the credit default swaps is calculated based on weighted average gross notional amounts.
- (3) Single name credit default swaps may be referenced to the credit of corporations, foreign governments, or state and political subdivisions.

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 amount of potential future recoveries available to offset the \$11.4 billion and \$10.7 billion from the table above were \$27 million and \$30 million at December 31, 2017 and 2016, respectively.

Credit Risk on Freestanding Derivatives

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

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

9. Derivatives (continued)

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

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

See Note 10 for a description of the impact of credit risk on the valuation of derivatives.

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

Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement (1)	December 31,			
	2017		2016	
	Assets	Liabilities	Assets	Liabilities
	(In millions)			
Gross estimated fair value of derivatives:				
OTC-bilateral (1)	\$ 7,955	\$ 4,059	\$ 9,976	\$ 5,721
OTC-cleared (1), (6)	649	223	2,275	1,142
Exchange-traded	22	8	33	15
Total gross estimated fair value of derivatives (1)	8,626	4,290	12,284	6,878
Amounts offset on the consolidated balance sheets	—	—	—	—
Estimated fair value of derivatives presented on the consolidated balance sheets (1), (6)	8,626	4,290	12,284	6,878
Gross amounts not offset on the consolidated balance sheets:				
Gross estimated fair value of derivatives: (2)				
OTC-bilateral	(2,528)	(2,528)	(3,787)	(3,787)
OTC-cleared	(35)	(35)	(903)	(903)
Exchange-traded	(1)	(1)	(5)	(5)
Cash collateral: (3), (4)				
OTC-bilateral	(4,169)	—	(4,244)	(84)
OTC-cleared	(584)	(179)	(1,335)	(234)
Exchange-traded	—	(5)	—	(9)
Securities collateral: (5)				
OTC-bilateral	(1,004)	(1,474)	(1,640)	(1,818)
OTC-cleared	—	(9)	—	—
Exchange-traded	—	(2)	—	—
Net amount after application of master netting agreements and collateral	\$ 305	\$ 57	\$ 370	\$ 38

- (1) At December 31, 2017 and 2016, derivative assets included income or (expense) accruals reported in accrued investment income or in other liabilities of \$75 million and \$145 million, respectively, and derivative liabilities included (income) or expense accruals reported in accrued investment income or in other liabilities of (\$49) million and (\$43) million, respectively.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****9. Derivatives (continued)**

- (2) Estimated fair value of derivatives is limited to the amount that is subject to set-off and includes income or expense accruals.
- (3) Cash collateral received by the Company for OTC-bilateral and OTC-cleared derivatives is included in cash and cash equivalents, short-term investments or in fixed maturity securities, and the obligation to return it is included in payables for collateral under securities loaned and other transactions on the balance sheet.
- (4) The receivable for the return of cash collateral provided by the Company is inclusive of initial margin on exchange-traded and OTC-cleared derivatives and is included in premiums, reinsurance and other receivables on the balance sheet. The amount of cash collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements. At December 31, 2017 and 2016, the Company received excess cash collateral of \$253 million and \$164 million, respectively, and provided excess cash collateral of \$272 million and \$461 million, respectively, which is not included in the table above due to the foregoing limitation.
- (5) Securities collateral received by the Company is held in separate custodial accounts and is not recorded on the balance sheet. Subject to certain constraints, the Company is permitted by contract to sell or re-pledge this collateral, but at December 31, 2017, none of the collateral had been sold or re-pledged. Securities collateral pledged by the Company is reported in fixed maturity securities on the balance sheet. Subject to certain constraints, the counterparties are permitted by contract to sell or re-pledge this collateral. The amount of securities collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements and cash collateral. At December 31, 2017 and 2016, the Company received excess securities collateral with an estimated fair value of \$108 million and \$82 million, respectively, for its OTC-bilateral derivatives, which are not included in the table above due to the foregoing limitation. At December 31, 2017 and 2016, the Company provided excess securities collateral with an estimated fair value of \$305 million and \$189 million, respectively, for its OTC-bilateral derivatives, \$522 million and \$544 million, respectively, for its OTC-cleared derivatives, and \$89 million and \$116 million, respectively, for its exchange-traded derivatives, which are not included in the table above due to the foregoing limitation.
- (6) Effective January 3, 2017, the CME amended its rulebook, resulting in the characterization of variation margin transfers as settlement payments, as opposed to adjustments to collateral. See Note 1 for further information on the CME amendments.

The Company's collateral arrangements for its OTC-bilateral derivatives generally require the counterparty in a net liability position, after considering the effect of netting agreements, to pledge collateral when the collateral amount owed by that counterparty reaches a minimum transfer amount. A small number of these arrangements also include credit-contingent provisions that include a threshold above which collateral must be posted. Such agreements 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 MetLife, Inc. and/or the counterparty. In addition, substantially all of the Company's netting agreements for derivatives contain provisions that require both the Company and the counterparty to maintain a specific investment grade credit rating from each of Moody's and S&P. If a party's credit or financial strength rating, as applicable, were to fall below that specific investment grade credit rating, that party would be in violation of these provisions, and the other party to the derivatives could terminate the transactions and demand immediate settlement and payment based on such party's reasonable valuation of the derivatives.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

9. Derivatives (continued)

The following table presents the estimated fair value of the Company’s OTC-bilateral derivatives that were 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 MetLife, Inc. would be required to provide if there was a one-notch downgrade in MetLife, Inc.’s senior unsecured debt rating at the reporting date or if the Company’s credit or financial strength rating, as applicable, at the reporting date sustained a downgrade to a level that triggered full overnight collateralization or termination of the derivative position. OTC-bilateral derivatives that are not subject to collateral agreements are excluded from this table.

	December 31,					
	2017			2016		
	Derivatives Subject to Credit- Contingent Provisions	Derivatives Not Subject to Credit- Contingent Provisions	Total	Derivatives Subject to Credit- Contingent Provisions	Derivatives Not Subject to Credit- Contingent Provisions	Total
	(In millions)					
Estimated Fair Value of Derivatives in a Net Liability Position (1)	\$ 1,508	\$ 24	\$ 1,532	\$ 1,909	\$ 25	\$ 1,934
Estimated Fair Value of Collateral Provided:						
Fixed maturity securities	\$ 1,675	\$ 26	\$ 1,701	\$ 1,965	\$ 31	\$ 1,996
Cash	\$ —	\$ —	\$ —	\$ 91	\$ —	\$ 91
Estimated Fair Value of Incremental Collateral Provided Upon:						
One-notch downgrade in the Company’s credit or financial strength rating, as applicable	\$ 15	\$ —	\$ 15	\$ 6	\$ —	\$ 6
Downgrade in the Company’s credit or financial strength rating, as applicable, to a level that triggers full overnight collateralization or termination of the derivative position	\$ 20	\$ —	\$ 20	\$ 9	\$ —	\$ 9

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

Embedded Derivatives

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

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

9. Derivatives (continued)

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

	Balance Sheet Location	December 31,	
		2017	2016
(In millions)			
Embedded derivatives within asset host contracts:			
Ceded guaranteed minimum benefits	Premiums, reinsurance and other receivables	\$ 144	\$ 143
Options embedded in debt or equity securities	Investments	(132)	(88)
Embedded derivatives within asset host contracts		<u>\$ 12</u>	<u>\$ 55</u>
Embedded derivatives within liability host contracts:			
Direct guaranteed minimum benefits	Policyholder account balances	\$ 32	\$ 361
Assumed guaranteed minimum benefits	Policyholder account balances	291	523
Funds withheld on ceded reinsurance	Other liabilities	25	(30)
Fixed annuities with equity indexed returns	Policyholder account balances	70	18
Embedded derivatives within liability host contracts		<u>\$ 418</u>	<u>\$ 872</u>

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

	Years Ended December 31,		
	2017	2016	2015
(In millions)			
Net derivative gains (losses) (1)	\$ 799	\$ (181)	\$ 200

- (1) The valuation of guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net derivative gains (losses) in connection with this adjustment were (\$190) million, \$156 million and \$52 million for the years ended December 31, 2017, 2016 and 2015, respectively.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

10. Fair Value

When developing estimated fair values, the Company considers three broad valuation approaches: (i) the market approach, (ii) the income approach, and (iii) the cost approach. The Company determines the most appropriate valuation approach to use, given what is being measured and the availability of sufficient inputs, giving priority to observable inputs. The Company categorizes its assets and liabilities measured at estimated fair value into a three-level hierarchy, based on the significant input with the lowest level in its valuation. The input levels are as follows:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities. The Company defines active markets based on average trading volume for equity securities. The size of the bid/ask spread is used as an indicator of market activity for fixed maturity securities.
- Level 2 Quoted prices in markets that are not active or inputs that are observable either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities other than quoted prices in Level 1, quoted prices in markets that are not active, or other significant inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the determination of estimated fair value of the assets or liabilities. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

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

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

Recurring Fair Value Measurements

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

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

10. Fair Value (continued)

	December 31, 2017			
	Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
(In millions)				
Assets				
Fixed maturity securities:				
U.S. corporate	\$ —	\$ 78,171	\$ 4,490	\$ 82,661
Foreign government	—	61,325	209	61,534
Foreign corporate	—	48,840	6,729	55,569
U.S. government and agency	26,052	21,342	—	47,394
RMBS	—	25,339	3,461	28,800
State and political subdivision	—	12,455	—	12,455
ABS	—	11,204	1,087	12,291
CMBS	—	7,934	293	8,227
Total fixed maturity securities	26,052	266,610	16,269	308,931
Equity securities	1,104	981	428	2,513
FVO securities (1)	14,028	2,355	362	16,745
Short-term investments (2)	3,001	1,252	33	4,286
Residential mortgage loans — FVO	—	—	520	520
Other investments	81	84	—	165
Derivative assets: (3)				
Interest rate	2	5,553	8	5,563
Foreign currency exchange rate	2	1,954	113	2,069
Credit	—	240	38	278
Equity market	18	548	75	641
Total derivative assets	22	8,295	234	8,551
Embedded derivatives within asset host contracts (4)	—	—	144	144
Separate account assets (5)	89,916	114,124	961	205,001
Total assets	\$ 134,204	\$ 393,701	\$ 18,951	\$ 546,856
Liabilities				
Derivative liabilities: (3)				
Interest rate	\$ 4	\$ 638	\$ 130	\$ 772
Foreign currency exchange rate	—	2,553	37	2,590
Credit	—	43	—	43
Equity market	4	731	199	934
Total derivative liabilities	8	3,965	366	4,339
Embedded derivatives within liability host contracts (4)	—	—	418	418
Separate account liabilities (5)	—	7	2	9
Total liabilities	\$ 8	\$ 3,972	\$ 786	\$ 4,766

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

10. Fair Value (continued)

	December 31, 2016			
	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	\$ —	\$ 72,811	\$ 5,732	\$ 78,543
Foreign government	—	55,687	289	55,976
Foreign corporate	—	44,858	5,805	50,663
U.S. government and agency	24,943	19,490	—	44,433
RMBS	—	25,194	3,838	29,032
State and political subdivision	—	12,221	10	12,231
ABS	—	10,196	1,029	11,225
CMBS	—	7,112	348	7,460
Total fixed maturity securities	24,943	247,569	17,051	289,563
Equity securities	1,334	1,092	468	2,894
FVO securities (1)	11,123	2,513	287	13,923
Short-term investments (2)	4,091	1,868	46	6,005
Residential mortgage loans — FVO	—	—	566	566
Other investments	86	71	—	157
Derivative assets: (3)				
Interest rate	3	7,556	2	7,561
Foreign currency exchange rate	—	3,783	80	3,863
Credit	—	145	30	175
Equity market	30	390	120	540
Total derivative assets	33	11,874	232	12,139
Embedded derivatives within asset host contracts (4)	—	—	143	143
Separate account assets (5)	82,818	111,612	1,148	195,578
Total assets	\$ 124,428	\$ 376,599	\$ 19,941	\$ 520,968
Liabilities				
Derivative liabilities: (3)				
Interest rate	\$ 12	\$ 1,713	\$ 500	\$ 2,225
Foreign currency exchange rate	—	3,784	54	3,838
Credit	—	49	—	49
Equity market	3	566	240	809
Total derivative liabilities	15	6,112	794	6,921
Embedded derivatives within liability host contracts (4)	—	—	872	872
Separate account liabilities (5)	—	16	7	23
Total liabilities	\$ 15	\$ 6,128	\$ 1,673	\$ 7,816

- (1) FVO securities were comprised of over 85% FVO contractholder-directed unit-linked investments at both December 31, 2017 and 2016.
- (2) Short-term investments as presented in the tables above differ from the amounts presented on the consolidated balance sheets because certain short-term investments are not measured at estimated fair value on a recurring basis.
- (3) Derivative assets are presented within other invested assets on the consolidated balance sheets and derivative liabilities are presented within other liabilities on the consolidated balance sheets. The amounts are presented gross in the tables above to reflect the presentation on the consolidated balance sheets, but are presented net for purposes of the rollforward in the Fair Value Measurements Using Significant Unobservable Inputs (Level 3) tables.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****10. Fair Value (continued)**

- (4) Embedded derivatives within asset host contracts are presented within premiums, reinsurance and other receivables and other invested assets on the consolidated balance sheets. Embedded derivatives within liability host contracts are presented within policyholder account balances and other liabilities on the consolidated balance sheets. At December 31, 2017 and 2016, debt and equity securities also included embedded derivatives of (\$132) million and (\$88) million, respectively.
- (5) 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. Separate account liabilities presented in the tables above represent derivative liabilities.

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

Investments**Valuation Controls and Procedures**

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

The Company reviews its valuation methodologies on an ongoing basis and revises those methodologies when necessary based on changing market conditions. Assurance is gained on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with fair value accounting standards through controls designed to ensure valuations represent an exit price. Several controls are utilized, including certain monthly controls, which include, but are not limited to, analysis of portfolio returns to corresponding benchmark returns, comparing a sample of executed prices of securities sold to the fair value estimates, comparing fair value estimates to management's knowledge of the current market, reviewing the bid/ask spreads to assess activity, comparing prices from multiple independent pricing services and ongoing due diligence to confirm that independent pricing services use market-based parameters. The process includes a determination of the observability of inputs used in estimated fair values received from independent pricing services or brokers by assessing whether these inputs can be corroborated by observable market data. The Company ensures that prices received from independent brokers, also referred to herein as "consensus pricing," represent a reasonable estimate of fair value by considering such pricing relative to the Company's knowledge of the current market dynamics and current pricing for similar financial instruments. While independent non-binding broker quotations are utilized, they are not used for a significant portion of the portfolio. For example, fixed maturity securities priced using independent non-binding broker quotations represent less than 1% of the total estimated fair value of fixed maturity securities and 3% of the total estimated fair value of Level 3 fixed maturity securities at December 31, 2017.

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

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

10. Fair Value (continued)

Securities, Short-term Investments and Other Investments

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

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies, giving priority to observable inputs. The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. When observable inputs are not available, the market standard valuation methodologies rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. These unobservable inputs can be based in large part on management's judgment or estimation and cannot be supported by reference to market activity. Even though these inputs are unobservable, management believes they are consistent with what other market participants would use when pricing such securities and are considered appropriate given the circumstances.

The estimated fair value of investments in certain separate accounts included in FVO contractholder-directed unit-linked investments, FVO securities and other investments is determined on a basis consistent with the methodologies described herein for securities.

The valuation of most instruments listed below is determined using independent pricing sources, matrix pricing, discounted cash flow methodologies or other similar techniques that use either observable market inputs or unobservable inputs.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

10. Fair Value (continued)

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Fixed maturity securities		
U.S. corporate and Foreign corporate securities		
	Valuation Approaches: Principally the market and income approaches. Key Inputs: <ul style="list-style-type: none"> • quoted prices in markets that are not active • benchmark yields; spreads off benchmark yields; new issuances; issuer rating • trades of identical or comparable securities; duration • Privately-placed securities are valued using the additional key inputs: <ul style="list-style-type: none"> • market yield curve; call provisions • observable prices and spreads for similar public or private securities that incorporate the credit quality and industry sector of the issuer • delta spread adjustments to reflect specific credit-related issues 	Valuation Approaches: Principally the market approach. Key Inputs: <ul style="list-style-type: none"> • illiquidity premium • delta spread adjustments to reflect specific credit-related issues • credit spreads • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 • independent non-binding broker quotations
Foreign government, U.S. government and agency and State and political subdivision securities		
	Valuation Approaches: Principally the market approach. Key Inputs: <ul style="list-style-type: none"> • quoted prices in markets that are not active • benchmark U.S. Treasury yield or other yields • the spread off the U.S. Treasury yield curve for the identical security • issuer ratings and issuer spreads; broker-dealer quotes • comparable securities that are actively traded 	Valuation Approaches: Principally the market approach. Key Inputs: <ul style="list-style-type: none"> • independent non-binding broker quotations • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 • credit spreads
Structured Securities		
	Valuation Approaches: Principally the market and income approaches. Key Inputs: <ul style="list-style-type: none"> • quoted prices in markets that are not active • spreads for actively traded securities; spreads off benchmark yields • expected prepayment speeds and volumes • current and forecasted loss severity; ratings; geographic region • weighted average coupon and weighted average maturity • average delinquency rates; debt-service coverage ratios • issuance-specific information, including, but not limited to: <ul style="list-style-type: none"> • collateral type; structure of the security; vintage of the loans • payment terms of the underlying assets • payment priority within the tranche; deal performance 	Valuation Approaches: Principally the market and income approaches. Key Inputs: <ul style="list-style-type: none"> • credit spreads • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 • independent non-binding broker quotations

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

10. Fair Value (continued)

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Equity securities		
	Valuation Approaches: Principally the market approach. Key Input: <ul style="list-style-type: none"> • quoted prices in markets that are not considered active 	Valuation Approaches: Principally the market and income approaches. Key Inputs: <ul style="list-style-type: none"> • credit ratings; issuance structures • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 • independent non-binding broker quotations
FVO securities, Short-term investments, and Other investments		
	<ul style="list-style-type: none"> • Contractholder-directed unit-linked investments include mutual fund interests without readily determinable fair values given prices are not published publicly. Valuation of these mutual funds is based upon quoted prices or reported NAV provided by the fund managers, which were based on observable inputs. • All other investments are of a similar nature and class to the fixed maturity and equity securities described above; accordingly, the valuation approaches and observable inputs used in their valuation are also similar to those described above. 	<ul style="list-style-type: none"> • FVO securities and short-term investments are of a similar nature and class to the fixed maturity and equity securities described above; accordingly, the valuation approaches and unobservable inputs used in their valuation are also similar to those described above.
Residential mortgage loans — FVO		
	<ul style="list-style-type: none"> • N/A 	Valuation Approaches: Principally the market approach. Valuation Techniques and Key Inputs: These investments are based primarily on matrix pricing or other similar techniques that utilize inputs from mortgage servicers that are unobservable or cannot be derived principally from, or corroborated by, observable market data.
Separate account assets and Separate account liabilities (1)		
Mutual funds and hedge funds without readily determinable fair values as prices are not published publicly		
	Key Input: <ul style="list-style-type: none"> • quoted prices or reported NAV provided by the fund managers 	<ul style="list-style-type: none"> • N/A
Other limited partnership interests		
	<ul style="list-style-type: none"> • N/A 	Valued giving consideration to the underlying holdings of the partnerships and by applying a premium or discount, if appropriate. Key Inputs: <ul style="list-style-type: none"> • liquidity; bid/ask spreads; performance record of the fund manager • other relevant variables that may impact the exit value of the particular partnership interest

- (1) Estimated fair value equals carrying value, based on the value of the underlying assets, including: mutual fund interests, fixed maturity securities, equity securities, derivatives, hedge funds, other limited partnership interests, short-term investments and cash and cash equivalents. Fixed maturity securities, equity securities, derivatives, short-term investments and cash and cash equivalents are similar in nature to the instruments described under “— Securities, Short-term Investments and Other Investments” and “— Derivatives — Freestanding Derivatives.”

Notes to the Consolidated Financial Statements — (continued)**10. Fair Value (continued)****Derivatives**

The estimated fair value of derivatives is determined through the use of quoted market prices for exchange-traded derivatives, or through the use of pricing models for OTC-bilateral and OTC-cleared derivatives. The determination of estimated fair value, when quoted market values are not available, is based on market standard valuation methodologies and inputs that management believes are consistent with what other market participants would use when pricing such instruments. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk, nonperformance risk, volatility, liquidity and changes in estimates and assumptions used in the pricing models. The valuation controls and procedures for derivatives are described in “— Investments.”

The significant inputs to the pricing models for most OTC-bilateral and OTC-cleared derivatives are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. Certain OTC-bilateral and OTC-cleared derivatives may rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. These unobservable inputs may involve significant management judgment or estimation. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and management believes they are consistent with what other market participants would use when pricing such instruments.

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

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

Freestanding Derivatives**Level 2 Valuation Approaches and Key Inputs:**

This level includes all types of derivatives utilized by the Company with the exception of exchange-traded derivatives included within Level 1 and those derivatives with unobservable inputs as described in Level 3.

Level 3 Valuation Approaches and Key Inputs:

These valuation methodologies generally use the same inputs as described in the corresponding sections 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.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

10. Fair Value (continued)

Freestanding derivatives are principally valued using the income approach. Valuations of non-option-based derivatives utilize present value techniques, whereas valuations of option-based derivatives utilize option pricing models. Key inputs are as follows:

Instrument	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market
Inputs common to Level 2 and Level 3 by instrument type	<ul style="list-style-type: none"> • swap yield curves • basis curves • interest rate volatility (1) 	<ul style="list-style-type: none"> • swap yield curves • basis curves • currency spot rates • cross currency basis curves • currency volatility (1) 	<ul style="list-style-type: none"> • swap yield curves • credit curves • recovery rates 	<ul style="list-style-type: none"> • swap yield curves • spot equity index levels • dividend yield curves • equity volatility (1)
Level 3	<ul style="list-style-type: none"> • swap yield curves (2) • basis curves (2) • repurchase rates 	<ul style="list-style-type: none"> • swap yield curves (2) • basis curves (2) • cross currency basis curves (2) • currency correlation • currency volatility (1) 	<ul style="list-style-type: none"> • swap yield curves (2) • credit curves (2) • credit spreads • repurchase rates • independent non-binding broker quotations 	<ul style="list-style-type: none"> • dividend yield curves (2) • equity volatility (1), (2) • correlation between model inputs (1)

- (1) Option-based only.
(2) Extrapolation beyond the observable limits of the curve(s).

Embedded Derivatives

Embedded derivatives principally include certain direct, assumed and ceded variable annuity guarantees, equity or bond indexed crediting rates within certain funding agreements and annuity contracts, and those related to funds withheld on ceded reinsurance agreements. Embedded derivatives are recorded at estimated fair value with changes in estimated fair value reported in net income.

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

The Company’s actuarial department calculates the fair value of these embedded derivatives, which are estimated as the present value of projected future benefits minus the present value of projected future fees using actuarial and capital market assumptions including expectations concerning policyholder behavior. The calculation is based on in-force business, and is performed using standard actuarial valuation software which projects future cash flows from the embedded derivative over multiple risk neutral stochastic scenarios using observable risk-free rates.

Capital market assumptions, such as risk-free rates and implied volatilities, are based on market prices for publicly traded instruments to the extent that prices for such instruments are observable. Implied volatilities beyond the observable period are extrapolated based on observable implied volatilities and historical volatilities. Actuarial assumptions, including mortality, lapse, withdrawal and utilization, are unobservable and are reviewed at least annually based on actuarial studies of historical experience.

The valuation of these guarantee liabilities includes nonperformance risk adjustments and adjustments for a risk margin related to non-capital market inputs. The nonperformance adjustment is determined by taking into consideration publicly available information relating to spreads in the secondary market for MetLife, Inc.’s debt, including related credit default swaps. These observable spreads are then adjusted, as necessary, to reflect the priority of these liabilities and the claims paying ability of the issuing insurance subsidiaries as compared to MetLife, Inc.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****10. Fair Value (continued)**

Risk margins are established to capture the non-capital market risks of the instrument which represent the additional compensation a market participant would require to assume the risks related to the uncertainties of such actuarial assumptions as annuitization, premium persistency, partial withdrawal and surrenders. The establishment of risk margins requires the use of significant management judgment, including assumptions of the amount and cost of capital needed to cover the guarantees. These guarantees may be more costly than expected in volatile or declining equity markets. Market conditions including, but not limited to, changes in interest rates, equity indices, market volatility and foreign currency exchange rates; changes in nonperformance risk; and variations in actuarial assumptions regarding policyholder behavior, mortality and risk margins related to non-capital market inputs, may result in significant fluctuations in the estimated fair value of the guarantees that could materially affect net income.

The Company ceded the risk associated with certain of the GMIBs previously described. These reinsurance agreements contain embedded derivatives which are included within premiums, reinsurance and other receivables on the consolidated balance sheets with changes in estimated fair value reported in net derivative gains (losses) or policyholder benefits and claims depending on the statement of operations classification of the direct risk. The value of the embedded derivatives on the ceded risk is determined using a methodology consistent with that described previously for the guarantees directly written by the Company with the exception of the input for nonperformance risk that reflects the credit of the reinsurer.

The estimated fair value of the embedded derivatives within funds withheld related to certain ceded reinsurance is determined based on the change in estimated fair value of the underlying assets held by the Company in a reference portfolio backing the funds withheld liability. The estimated fair value of the underlying assets is determined as described in “— Investments — Securities, Short-term Investments and Other Investments.” The estimated fair value of these embedded derivatives is included, along with their funds withheld hosts, in other liabilities on the consolidated balance sheets with changes in estimated fair value recorded in net derivative gains (losses). Changes in the credit spreads on the underlying assets, interest rates and market volatility may result in significant fluctuations in the estimated fair value of these embedded derivatives that could materially affect net income.

The estimated fair value of the embedded equity and bond indexed derivatives contained in certain funding agreements is determined using market standard swap valuation models and observable market inputs, including a nonperformance risk adjustment. The estimated fair value of these embedded derivatives are included, along with their funding agreements host, within policyholder account balances with changes in estimated fair value recorded in net derivative gains (losses). Changes in equity and bond indices, interest rates and the Company’s credit standing may result in significant fluctuations in the estimated fair value of these embedded derivatives that could materially affect net income.

The Company issues certain annuity contracts which allow the policyholder to participate in returns from equity indices. These equity indexed features are embedded derivatives which are measured at estimated fair value separately from the host fixed annuity contract, with changes in estimated fair value reported in net derivative gains (losses). These embedded derivatives are classified within policyholder account balances on the consolidated balance sheets.

The estimated fair value of the embedded equity indexed derivatives, based on the present value of future equity returns to the policyholder using actuarial and present value assumptions including expectations concerning policyholder behavior, is calculated by the Company’s actuarial department. The calculation is based on in-force business and uses standard capital market techniques, such as Black-Scholes, to calculate the value of the portion of the embedded derivative for which the terms are set. The portion of the embedded derivative covering the period beyond where terms are set is calculated as the present value of amounts expected to be spent to provide equity indexed returns in those periods. The valuation of these embedded derivatives also includes the establishment of a risk margin, as well as changes in nonperformance risk.

Notes to the Consolidated Financial Statements — (continued)**10. Fair Value (continued)***Embedded Derivatives Within Asset and Liability Host Contracts**Level 3 Valuation Approaches and Key Inputs:**Direct and assumed guaranteed minimum benefits*

These embedded derivatives are principally valued using the income approach. Valuations are based on option pricing techniques, which utilize significant inputs that may include swap yield curves, 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 curves and implied volatilities, actuarial assumptions for policyholder behavior and mortality and the potential variability in policyholder behavior and mortality, nonperformance risk and cost of capital for purposes of calculating the risk margin.

Reinsurance ceded on certain guaranteed minimum benefits

These embedded derivatives are principally valued using the income approach. The valuation techniques and significant market standard unobservable inputs used in their valuation are similar to those described above in “— Direct and assumed guaranteed minimum benefits” and also include counterparty credit spreads.

Transfers between Levels

Overall, transfers between levels occur when there are changes in the observability of inputs and market activity. Transfers into or out of any level are assumed to occur at the beginning of the period.

Transfers between Levels 1 and 2:

There were no transfers between Levels 1 and 2 for assets and liabilities measured at estimated fair value and still held at December 31, 2017. Transfers between Levels 1 and 2 for assets and liabilities measured at estimated fair value and still held at December 31, 2016, were not significant.

Transfers into or out of Level 3:

Assets and liabilities are transferred into Level 3 when a significant input cannot be corroborated with market observable data. This occurs when market activity decreases significantly and underlying inputs cannot be observed, current prices are not available, and/or when there are significant variances in quoted prices, thereby affecting transparency. Assets and liabilities are transferred out of Level 3 when circumstances change such that a significant input can be corroborated with market observable data. This may be due to a significant increase in market activity, a specific event, or one or more significant input(s) becoming observable.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

10. Fair Value (continued)

Assets and Liabilities Measured at Fair Value Using Significant Unobservable Inputs (Level 3)

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

Valuation Techniques	Significant Unobservable Inputs	December 31, 2017		December 31, 2016		Impact of Increase in Input on Estimated Fair Value (2)	
		Range	Weighted Average (1)	Range	Weighted Average (1)		
Fixed maturity securities (3)							
U.S. corporate and foreign corporate	• Matrix pricing	• Offered quotes (4)	83 - 142	110	18 - 138	106	Increase
	• Market pricing	• Quoted prices (4)	10 - 443	121	6 - 700	116	Increase
	• Consensus pricing	• Offered quotes (4)	97 - 104	101	37 - 120	102	Increase
RMBS	• Market pricing	• Quoted prices (4)	— - 126	94	19 - 137	91	Increase (5)
ABS	• Market pricing	• Quoted prices (4)	5 - 117	100	5 - 106	99	Increase (5)
	• Consensus pricing	• Offered quotes (4)	100 - 103	100	96 - 102	100	Increase (5)
Derivatives							
Interest rate	• Present value techniques	• Swap yield (6)	200 - 300		200 - 300		Increase (7)
		• Repurchase rates (8)	(5) - 5		(44) - 18		Decrease (7)
Foreign currency exchange rate	• Present value techniques	• Swap yield (6)	(14) - 309		50 - 328		Increase (7)
Credit	• Present value techniques	• Credit spreads (9)	— - —		97 - 98		Decrease (7)
	• Consensus pricing	• Offered quotes (10)					
Equity market	• Present value techniques or option pricing models	• Volatility (11)	11% - 31%		12% - 32%		Increase (7)
		• Correlation (12)	10% - 30%		40% - 40%		
Embedded derivatives							
Direct, assumed and ceded guaranteed minimum benefits	• Option pricing techniques	• Mortality rates:					
		Ages 0 - 40	0% - 0.21%		0% - 0.21%		Decrease (13)
		Ages 41 - 60	0.03% - 0.75%		0.01% - 0.78%		Decrease (13)
		Ages 61 - 115	0.15% - 100%		0.04% - 100%		Decrease (13)
		• Lapse rates:					
		Durations 1 - 10	0.25% - 100%		0.25% - 100%		Decrease (14)
		Durations 11 - 20	2% - 100%		2% - 100%		Decrease (14)
		Durations 21 - 116	1.25% - 100%		1.25% - 100%		Decrease (14)
		• Utilization rates	0% - 25%		0% - 25%		Increase (15)
		• Withdrawal rates	0% - 20%		0% - 20%		(16)
• Long-term equity volatilities	8.25% - 33%		9.95% - 33%		Increase (17)		
• Nonperformance risk spread	0.02% - 1.32%		0.04% - 1.70%		Decrease (18)		

- (1) The weighted average for fixed maturity securities is determined based on the estimated fair value of the securities.
- (2) The impact of a decrease in input would have the opposite impact on estimated fair value. For embedded derivatives, changes to direct and assumed guaranteed minimum benefits are based on liability positions; changes to ceded guaranteed minimum benefits are based on asset positions.
- (3) Significant increases (decreases) in expected default rates in isolation would result in substantially lower (higher) valuations.
- (4) Range and weighted average are presented in accordance with the market convention for fixed maturity securities of dollars per hundred dollars of par.
- (5) Changes in the assumptions used for the probability of default are accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumptions used for prepayment rates.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****10. Fair Value (continued)**

- (6) Ranges represent the rates across different yield curves and are presented in basis points. The swap yield curves are utilized among different types of derivatives to project cash flows, as well as to discount future cash flows to present value. Since this valuation methodology uses a range of inputs across a yield curve to value the derivative, presenting a range is more representative of the unobservable input used in the valuation.
- (7) Changes in estimated fair value are based on long U.S. dollar net asset positions and will be inversely impacted for short U.S. dollar net asset positions.
- (8) Ranges represent different repurchase rates utilized as components within the valuation methodology and are presented in basis points.
- (9) Represents the risk quoted in basis points of a credit default event on the underlying instrument. Credit derivatives with significant unobservable inputs are primarily comprised of written credit default swaps.
- (10) At both December 31, 2017 and 2016, independent non-binding broker quotations were used in the determination of less than 1% of the total net derivative estimated fair value.
- (11) Ranges represent the underlying equity volatility quoted in percentage points. Since this valuation methodology uses a range of inputs across multiple volatility surfaces to value the derivative, presenting a range is more representative of the unobservable input used in the valuation.
- (12) Ranges represent the different correlation factors utilized as components within the valuation methodology. Presenting a range of correlation factors is more representative of the unobservable input used in the valuation. Increases (decreases) in correlation in isolation will increase (decrease) the significance of the change in valuations.
- (13) Mortality rates vary by age and by demographic characteristics such as gender. Mortality rate assumptions are based on company experience. A mortality improvement assumption is also applied. For any given contract, mortality rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
- (14) Base lapse rates are adjusted at the contract level based on a comparison of the actuarially calculated guaranteed values and the current policyholder account value, as well as other factors, such as the applicability of any surrender charges. A dynamic lapse function reduces the base lapse rate when the guaranteed amount is greater than the account value as in the money contracts are less likely to lapse. Lapse rates are also generally assumed to be lower in periods when a surrender charge applies. For any given contract, lapse rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
- (15) The utilization rate assumption estimates the percentage of contractholders with a GMIB or lifetime withdrawal benefit who will elect to utilize the benefit upon becoming eligible. The rates may vary by the type of guarantee, the amount by which the guaranteed amount is greater than the account value, the contract's withdrawal history and by the age of the policyholder. For any given contract, utilization rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
- (16) The withdrawal rate represents the percentage of account balance that any given policyholder will elect to withdraw from the contract each year. The withdrawal rate assumption varies by age and duration of the contract, and also by other factors such as benefit type. For any given contract, withdrawal rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative. For GMWBs, any increase (decrease) in withdrawal rates results in an increase (decrease) in the estimated fair value of the guarantees. For GMABs and GMIBs, any increase (decrease) in withdrawal rates results in a decrease (increase) in the estimated fair value.
- (17) Long-term equity volatilities represent equity volatility beyond the period for which observable equity volatilities are available. For any given contract, long-term equity volatility rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
- (18) Nonperformance risk spread varies by duration and by currency. For any given contract, multiple nonperformance risk spreads will apply, depending on the duration of the cash flow being discounted for purposes of valuing the embedded derivative.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****10. Fair Value (continued)**

The following is a summary of the valuation techniques and significant unobservable inputs used in the fair value measurement of assets and liabilities classified within Level 3 that are not included in the preceding table. Generally, all other classes of securities classified within Level 3, including those within separate account assets, and embedded derivatives within funds withheld related to certain ceded reinsurance, use the same valuation techniques and significant unobservable inputs as previously described for Level 3 securities. This includes matrix pricing and discounted cash flow methodologies, inputs such as quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2, as well as independent non-binding broker quotations. The residential mortgage loans — FVO are valued using independent non-binding broker quotations and internal models including matrix pricing and discounted cash flow methodologies using current interest rates. The sensitivity of the estimated fair value to changes in the significant unobservable inputs for these other assets and liabilities is similar in nature to that described in the preceding table. The valuation techniques and significant unobservable inputs used in the fair value measurement for the more significant assets measured at estimated fair value on a nonrecurring basis and determined using significant unobservable inputs (Level 3) are summarized in “— Nonrecurring Fair Value Measurements.”

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

10. Fair Value (continued)

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Fixed Maturity Securities					
	Corporate (1)	Foreign Government	Structured Securities	State and Political Subdivision	Equity Securities	FVO Securities
(In millions)						
Balance, January 1, 2016	\$ 10,311	\$ 829	\$ 5,121	\$ 34	\$ 334	\$ 270
Total realized/unrealized gains (losses) included in net income (loss) (2) (3)	5	12	103	1	(24)	2
Total realized/unrealized gains (losses) included in AOCI	59	(42)	56	2	19	—
Purchases (4)	2,754	44	2,221	—	23	99
Sales (4)	(996)	(45)	(1,483)	—	(15)	(35)
Issuances (4)	—	—	—	—	—	—
Settlements (4)	—	—	—	—	—	—
Transfers into Level 3 (5)	969	3	25	7	327	18
Transfers out of Level 3 (5)	(1,565)	(512)	(828)	(34)	(196)	(67)
Balance, December 31, 2016	11,537	289	5,215	10	468	287
Total realized/unrealized gains (losses) included in net income (loss) (2) (3)	3	4	94	—	—	22
Total realized/unrealized gains (losses) included in AOCI	708	—	133	—	19	—
Purchases (4)	3,830	30	1,376	—	25	292
Sales (4)	(1,763)	(53)	(1,598)	—	(51)	(141)
Issuances (4)	—	—	—	—	—	—
Settlements (4)	—	—	—	—	—	—
Transfers into Level 3 (5)	72	5	70	—	1	8
Transfers out of Level 3 (5)	(3,168)	(66)	(449)	(10)	(34)	(106)
Balance, December 31, 2017	\$ 11,219	\$ 209	\$ 4,841	\$ —	\$ 428	\$ 362
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at December 31, 2015: (6)	\$ 13	\$ 12	\$ 103	\$ —	\$ —	\$ (27)
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at December 31, 2016: (6)	\$ 6	\$ 12	\$ 103	\$ 1	\$ (29)	\$ 3
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at December 31, 2017: (6)	\$ 1	\$ 4	\$ 84	\$ —	\$ (17)	\$ 19
Gains (Losses) Data for the year ended December 31, 2015:						
Total realized/unrealized gains (losses) included in net income (loss) (2) (3)	\$ 53	\$ 13	\$ 103	\$ —	\$ 11	\$ (30)
Total realized/unrealized gains (losses) included in AOCI	\$ (637)	\$ (23)	\$ (77)	\$ 1	\$ (54)	\$ —

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

10. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
	Short-term Investments	Residential Mortgage Loans - FVO	Net Derivatives (7)	Net Embedded Derivatives (8)	Separate Accounts (9)
	(In millions)				
Balance, January 1, 2016	\$ 244	\$ 314	\$ (179)	\$ (178)	\$ 1,558
Total realized/unrealized gains (losses) included in net income (loss) (2) (3)	1	8	(31)	(214)	(2)
Total realized/unrealized gains (losses) included in AOCI	4	—	(367)	(20)	—
Purchases (4)	50	297	28	—	375
Sales (4)	(50)	(11)	—	—	(512)
Issuances (4)	—	—	—	—	62
Settlements (4)	—	(42)	(13)	(317)	(51)
Transfers into Level 3 (5)	—	—	—	—	19
Transfers out of Level 3 (5)	(203)	—	—	—	(308)
Balance, December 31, 2016	46	566	(562)	(729)	1,141
Total realized/unrealized gains (losses) included in net income (loss) (2) (3)	—	40	87	823	(8)
Total realized/unrealized gains (losses) included in AOCI	—	—	216	(46)	—
Purchases (4)	32	175	—	—	187
Sales (4)	(1)	(179)	—	—	(80)
Issuances (4)	—	—	(7)	—	1
Settlements (4)	—	(82)	134	(322)	(93)
Transfers into Level 3 (5)	—	—	—	—	35
Transfers out of Level 3 (5)	(44)	—	—	—	(224)
Balance, December 31, 2017	\$ 33	\$ 520	\$ (132)	\$ (274)	\$ 959
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at December 31, 2015: (6)	\$ —	\$ 20	\$ (170)	\$ 216	\$ —
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at December 31, 2016: (6)	\$ 1	\$ 8	\$ (56)	\$ (242)	\$ —
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at December 31, 2017: (6)	\$ —	\$ 27	\$ 53	\$ 793	\$ —
Gains (Losses) Data for the year ended December 31, 2015:					
Total realized/unrealized gains (losses) included in net income (loss) (2) (3)	\$ 1	\$ 20	\$ (149)	\$ 155	\$ 14
Total realized/unrealized gains (losses) included in AOCI	\$ (1)	\$ —	\$ (2)	\$ 1	\$ —

- (1) Comprised of U.S. and foreign corporate securities.
- (2) Amortization of premium/accretion of discount is included within net investment income. Impairments charged to net income (loss) on securities are included in net investment gains (losses), while changes in estimated fair value of residential mortgage loans — FVO are included in net investment income. Lapses associated with net embedded derivatives are included in net derivative gains (losses). Substantially all realized/unrealized gains (losses) included in net income (loss) for net derivatives and net embedded derivatives are reported in net derivatives gains (losses).
- (3) Interest and dividend accruals, as well as cash interest coupons and dividends received, are excluded from the rollforward.
- (4) Items purchased/issued and then sold/settled in the same period are excluded from the rollforward. Fees attributed to embedded derivatives are included in settlements.
- (5) Gains and losses in net income (loss) and OCI are calculated assuming transfers into and/or out of Level 3 occurred at the beginning of the period. Items transferred into and then out of Level 3 in the same period are excluded from the rollforward.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

10. Fair Value (continued)

- (6) Changes in unrealized gains (losses) included in net income (loss) relate to assets and liabilities still held at the end of the respective periods. Substantially all changes in unrealized gains (losses) included in net income (loss) for net derivatives and net embedded derivatives are reported in net derivative gains (losses).
- (7) Freestanding derivative assets and liabilities are presented net for purposes of the rollforward.
- (8) Embedded derivative assets and liabilities are presented net for purposes of the rollforward.
- (9) Investment performance related to separate account assets is fully offset by corresponding amounts credited to contractholders within separate account liabilities. Therefore, such changes in estimated fair value are not recorded in net income (loss). For the purpose of this disclosure, these changes are presented within net investment gains (losses). Separate account assets and liabilities are presented net for the purposes of the rollforward.

Fair Value Option

The Company elects the FVO for certain residential mortgage loans that are managed on a total return basis. The following table presents information for residential mortgage loans which are accounted for under the FVO and were initially measured at fair value.

	December 31,	
	2017	2016
(In millions)		
Unpaid principal balance	\$ 650	\$ 794
Difference between estimated fair value and unpaid principal balance	(130)	(228)
Carrying value at estimated fair value	<u>\$ 520</u>	<u>\$ 566</u>
Loans in nonaccrual status	\$ 198	\$ 214
Loans more than 90 days past due	\$ 94	\$ 137
Loans in nonaccrual status or more than 90 days past due, or both — difference between aggregate estimated fair value and unpaid principal balance	\$ (102)	\$ (150)

Nonrecurring Fair Value Measurements

The following table presents information for assets measured at estimated fair value on a nonrecurring basis during the periods and still held at the reporting dates (for example, when there is evidence of impairment). The estimated fair values for these assets were determined using significant unobservable inputs (Level 3).

	At December 31,			Years Ended December 31,		
	2017	2016	2015	2017	2016	2015
	Carrying Value After Measurement			Gains (Losses)		
(In millions)						
Other limited partnership interests (1)	\$ 58	\$ 96	\$ 57	\$ (65)	\$ (64)	\$ (31)
Other assets (2)	\$ —	\$ —	\$ —	\$ 10	\$ (30)	\$ —

- (1) For these cost method investments, estimated fair value is determined from information provided on the financial statements of the underlying entities including NAV data. These investments include private equity and debt funds that typically invest primarily in various strategies including domestic and international leveraged buyout funds; power, energy, timber and infrastructure development funds; venture capital funds; and below investment grade debt and mezzanine debt funds. Distributions will be generated from investment gains, from operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds. The Company estimates that the underlying assets of the funds will be liquidated over the next two to 10 years. Unfunded commitments for these investments at both December 31, 2017 and 2016 were not significant.
- (2) As discussed in Note 3, during the year ended December 31, 2016, the Company recognized an impairment of computer software in connection with the U.S. Retail Advisor Force Divestiture.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
10. Fair Value (continued)
Fair Value of Financial Instruments Carried at Other Than Fair Value

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

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

	December 31, 2017				
	Carrying Value	Fair Value Hierarchy			Total Estimated Fair Value
		Level 1	Level 2	Level 3	
(In millions)					
Assets					
Mortgage loans	\$ 68,211	\$ —	\$ —	\$ 69,797	\$ 69,797
Policy loans	\$ 9,669	\$ —	\$ 336	\$ 11,176	\$ 11,512
Other limited partnership interests	\$ 219	\$ —	\$ —	\$ 216	\$ 216
Other invested assets	\$ 443	\$ —	\$ —	\$ 443	\$ 443
Premiums, reinsurance and other receivables	\$ 4,155	\$ —	\$ 1,283	\$ 3,056	\$ 4,339
Other assets	\$ 285	\$ —	\$ 189	\$ 139	\$ 328
Liabilities					
Policyholder account balances	\$ 114,355	\$ —	\$ —	\$ 116,534	\$ 116,534
Long-term debt	\$ 15,675	\$ —	\$ 17,773	\$ —	\$ 17,773
Collateral financing arrangement	\$ 1,121	\$ —	\$ —	\$ 894	\$ 894
Junior subordinated debt securities	\$ 3,144	\$ —	\$ 4,319	\$ —	\$ 4,319
Other liabilities	\$ 3,208	\$ —	\$ 1,496	\$ 2,345	\$ 3,841
Separate account liabilities	\$ 124,011	\$ —	\$ 124,011	\$ —	\$ 124,011

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
10. Fair Value (continued)

	December 31, 2016					Total Estimated Fair Value
	Carrying Value	Fair Value Hierarchy			Total Estimated Fair Value	
		Level 1	Level 2	Level 3		
(In millions)						
Assets						
Mortgage loans	\$ 64,601	\$ —	\$ —	\$ 65,742	\$ 65,742	
Policy loans	\$ 9,511	\$ —	\$ 335	\$ 10,921	\$ 11,256	
Other limited partnership interests	\$ 340	\$ —	\$ —	\$ 371	\$ 371	
Other invested assets	\$ 497	\$ 145	\$ —	\$ 352	\$ 497	
Premiums, reinsurance and other receivables	\$ 4,088	\$ —	\$ 1,152	\$ 3,127	\$ 4,279	
Other assets	\$ 237	\$ —	\$ 198	\$ 71	\$ 269	
Liabilities						
Policyholder account balances	\$ 108,255	\$ —	\$ —	\$ 110,359	\$ 110,359	
Long-term debt	\$ 16,422	\$ —	\$ 17,972	\$ —	\$ 17,972	
Collateral financing arrangement	\$ 1,274	\$ —	\$ —	\$ 978	\$ 978	
Junior subordinated debt securities	\$ 3,169	\$ —	\$ 3,982	\$ —	\$ 3,982	
Other liabilities	\$ 1,767	\$ —	\$ 1,493	\$ 275	\$ 1,768	
Separate account liabilities	\$ 118,385	\$ —	\$ 118,385	\$ —	\$ 118,385	

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

Mortgage Loans

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

Policy Loans

Policy loans with fixed interest rates are classified within Level 3. The estimated fair values for these loans are determined using a discounted cash flow model applied to groups of similar policy loans determined by the nature of the underlying insurance liabilities. Cash flow estimates are developed by applying a weighted-average interest rate to the outstanding principal balance of the respective group of policy loans and an estimated average maturity determined through experience studies of the past performance of policyholder repayment behavior for similar loans. These cash flows are discounted using current risk-free interest rates with no adjustment for borrower credit risk, as these loans are fully collateralized by the cash surrender value of the underlying insurance policy. Policy loans with variable interest rates are classified within Level 2 and the estimated fair value approximates carrying value due to the absence of borrower credit risk and the short time period between interest rate resets, which presents minimal risk of a material change in estimated fair value due to changes in market interest rates.

Other Limited Partnership Interests

The estimated fair values of these cost method investments are generally based on the Company's share of the NAV as provided on the financial statements of the investees. In certain circumstances, management may adjust the NAV by a premium or discount when it has sufficient evidence to support applying such adjustments.

Other Invested Assets

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

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****10. Fair Value (continued)****Premiums, Reinsurance and Other Receivables**

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

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

The amounts on deposit for derivative settlements, classified within Level 2, essentially represent the equivalent of demand deposit balances and amounts due for securities sold are generally received over short periods such that the estimated fair value approximates carrying value.

Other Assets

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

Policyholder Account Balances

These policyholder account balances include investment contracts which primarily include certain funding agreements, fixed deferred annuities, modified guaranteed annuities, fixed term payout annuities and total control accounts (“TCA”). The valuation of these investment contracts is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using current market risk-free interest rates adding a spread to reflect the nonperformance risk in the liability.

Long-term Debt, Collateral Financing Arrangement and Junior Subordinated Debt Securities

The estimated fair values of long-term debt, a collateral financing arrangement and junior subordinated debt securities are principally determined using market standard valuation methodologies.

Valuations of instruments classified as Level 2 are based primarily on quoted prices in markets that are not active or using matrix pricing that use standard market observable inputs such as quoted prices in markets that are not active and observable yields and spreads in the market. Instruments valued using discounted cash flow methodologies use standard market observable inputs including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues.

Valuations of instruments classified as Level 3 are based primarily on discounted cash flow methodologies that utilize unobservable discount rates that can vary significantly based upon the specific terms of each individual arrangement. The determination of the estimated fair value of a collateral financing arrangement incorporates valuations obtained from the counterparty to the arrangement as part of the collateral management process.

Other Liabilities

Other liabilities consist primarily of interest payable, amounts due for securities purchased but not yet settled, funds withheld amounts payable, which are contractually withheld by the Company in accordance with the terms of the reinsurance agreements, and amounts payable under certain assumed reinsurance agreements, which are recorded using the deposit method of accounting. The Company evaluates the specific terms, facts and circumstances of each instrument to determine the appropriate estimated fair values, which are not materially different from the carrying values, with the exception of certain deposit type reinsurance payables. For such payables, the estimated fair value is determined as the present value of expected future cash flows, which are discounted using an interest rate determined to reflect the appropriate credit standing of the assuming counterparty.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****10. Fair Value (continued)****Separate Account Liabilities**

Separate account liabilities represent those balances due to policyholders under contracts that are classified as investment contracts.

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

Since separate account liabilities are fully funded by cash flows from the separate account assets which are recognized at estimated fair value as described in the section “— Recurring Fair Value Measurements,” the value of those assets approximates the estimated fair value of the related separate account liabilities. The valuation techniques and inputs for separate account liabilities are similar to those described for separate account assets.

11. Goodwill

Goodwill is the excess of cost over the estimated fair value of net assets acquired. Goodwill is not amortized but is tested for impairment at least annually or more frequently if events or circumstances, such as adverse changes in the business climate, indicate that there may be justification for conducting an interim test. The goodwill impairment process requires a comparison of the estimated fair value of a reporting unit to its carrying value. The Company tests goodwill for impairment by either performing a qualitative assessment or a two-step quantitative test. The qualitative assessment is an assessment of historical information and relevant events and circumstances to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. The Company may elect not to perform the qualitative assessment for some or all of its reporting units and perform a two-step quantitative impairment test. In performing the two-step quantitative impairment test, the Company may determine the fair values of its reporting units by applying a market multiple, discounted cash flow, and/or an actuarial based valuation approach.

The market multiple valuation approach utilizes market multiples of companies with similar businesses and the projected adjusted earnings of the reporting unit. The discounted cash flow valuation approach requires judgments about revenues, adjusted earnings projections, capital market assumptions and discount rates. The actuarial-based valuation approach, such as embedded value, estimates the net worth of the reporting unit and the value of existing and new business. The actuarial based approaches require judgments and assumptions about the level of economic capital required to support the mix of business, long-term growth rates, the account value of in-force business, projections of new and renewal business, as well as margins on such business, the level of interest rates, credit spreads, equity market levels, and the discount rate that the Company believes is appropriate for the respective reporting unit.

When testing goodwill for impairment, the Company also considers its market capitalization in relation to the aggregate estimated fair value of its reporting units. The Company applies significant judgment when determining the estimated fair value of its reporting units and when assessing the relationship of market capitalization to the aggregate estimated fair value of its reporting units.

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

The Company performed its annual goodwill impairment tests of its reporting units using a qualitative assessment and/or quantitative assessments under the market multiple, discounted cash flow and/or actuarial-based valuation approaches and concluded that the estimated fair values of all such reporting units were in excess of their carrying values and, therefore, goodwill was not impaired.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
11. Goodwill (continued)

Information regarding goodwill by segment, as well as Corporate & Other, was as follows:

	U.S.	Asia (1)	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total
	(In millions)						
Balance at January 1, 2015							
Goodwill	\$ 1,451	\$ 4,615	\$ 1,385	\$ 1,232	\$ 1,567	\$ 42	\$ 10,292
Accumulated impairment (2)	—	—	—	—	(680)	—	(680)
Total goodwill, net	1,451	4,615	1,385	1,232	887	42	9,612
Effect of foreign currency translation and other	—	(107)	(199)	(89)	—	—	(395)
Balance at December 31, 2015							
Goodwill	1,451	4,508	1,186	1,143	1,567	42	9,897
Accumulated impairment	—	—	—	—	(680)	—	(680)
Total goodwill, net	1,451	4,508	1,186	1,143	887	42	9,217
Dispositions (3)	—	—	—	—	—	(42)	(42)
Effect of foreign currency translation and other	—	88	40	(83)	—	—	45
Balance at December 31, 2016							
Goodwill	1,451	4,596	1,226	1,060	1,567	—	9,900
Accumulated impairment	—	—	—	—	(680)	—	(680)
Total goodwill, net	1,451	4,596	1,226	1,060	887	—	9,220
Acquisition	—	—	—	—	—	103	103
Dispositions (4)	—	—	(16)	—	—	—	(16)
Effect of foreign currency translation and other	—	77	96	110	—	—	283
Balance at December 31, 2017							
Goodwill	1,451	4,673	1,306	1,170	1,567	103	10,270
Accumulated impairment	—	—	—	—	(680)	—	(680)
Total goodwill, net	<u>\$ 1,451</u>	<u>\$ 4,673</u>	<u>\$ 1,306</u>	<u>\$ 1,170</u>	<u>\$ 887</u>	<u>\$ 103</u>	<u>\$ 9,590</u>

- (1) Includes goodwill of \$4.5 billion, \$4.4 billion and \$4.3 billion from the Japan operations at December 31, 2017, 2016 and 2015, respectively.
- (2) The \$680 million accumulated impairment in the MetLife Holdings segment relates to the retail annuities business impaired in 2012 that was not part of the separation of Brighthouse. See Note 3.
- (3) In connection with the U.S. Retail Advisor Force Divestiture, goodwill in Corporate & Other was reduced by \$42 million for the year ended December 31, 2016. See Note 3.
- (4) In connection with the disposition of Mexico Afore, goodwill was reduced by \$16 million for the year ended December 31, 2017. See Note 3.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

12. Long-term and Short-term Debt

Long-term and short-term debt outstanding, excluding debt relating to CSEs, was as follows:

	Interest Rates (1)			December 31,					
				2017			2016		
	Range	Weighted Average	Maturity	Face Value	Unamortized Discount and Issuance Costs	Carrying Value	Face Value	Unamortized Discount and Issuance Costs	Carrying Value
(In millions)									
Senior notes	3.00% - 7.72%	4.84%	2018 - 2046	\$ 14,685	\$ (86)	\$ 14,599	\$ 15,597	\$ (92)	\$ 15,505
Surplus notes	7.63% - 7.88%	7.79%	2024 - 2025	507	(5)	502	507	(6)	501
Other notes (2)	2.20% - 7.29%	4.56%	2018 - 2058	578	\$ (4)	574	420	(5)	415
Capital lease obligations				5	—	5	8	—	8
Total long-term debt				15,775	(95)	15,680	16,532	(103)	16,429
Total short-term debt				477	—	477	242	—	242
Total				\$ 16,252	\$ (95)	\$ 16,157	\$ 16,774	\$ (103)	\$ 16,671

(1) Range of interest rates and weighted average interest rates are for the year ended December 31, 2017.

(2) During 2017, an affiliate issued \$139 million of long-term debt to a third party.

The aggregate maturities of long-term debt at December 31, 2017 for the next five years and thereafter are \$1.1 billion in 2018, \$1.0 billion in 2019, \$540 million in 2020, \$999 million in 2021, \$846 million in 2022 and \$11.2 billion thereafter.

Capital lease obligations are collateralized and rank highest in priority, followed by unsecured senior notes and other notes, followed by subordinated debt which consists of junior subordinated debt securities (see Note 14). Payments of interest and principal on the Company's surplus notes, which are subordinate to all other obligations of the operating company issuing the notes and are senior to obligations of MetLife, Inc., may be made only with the prior approval of the insurance department of the state of domicile of the notes issuer. The Company's collateral financing arrangement (see Note 13) is supported by surplus notes of a subsidiary and, accordingly, has priority consistent with surplus notes.

Certain of the Company's debt instruments and committed facilities, as well as its unsecured revolving credit facility, contain various administrative, reporting, legal and financial covenants. The Company believes it was in compliance with all applicable covenants at December 31, 2017.

Senior Notes

In November 2015, MetLife, Inc. issued \$500 million of senior notes due in November 2025 which bear interest at a fixed rate of 3.60%, payable semi-annually. Also in November 2015, MetLife, Inc. issued \$750 million of senior notes due in May 2046 which bear interest at a fixed rate of 4.60%, payable semi-annually. In connection with the issuances, MetLife, Inc. incurred \$10 million of issuance costs which have been capitalized and are being amortized over the terms of the senior notes.

In March 2015, MetLife, Inc. issued \$500 million of senior notes due in March 2025 which bear interest at a fixed rate of 3.00%, payable semi-annually. Also in March 2015, MetLife, Inc. issued \$1.0 billion of senior notes due in March 2045 which bear interest at a fixed rate of 4.05%, payable semi-annually. In connection with the issuances, MetLife, Inc. incurred \$12 million of issuance costs which have been capitalized and are being amortized over the terms of the senior notes.

Term Loans

MetLife Private Equity Holdings, LLC ("MPEH"), a wholly-owned indirect investment subsidiary of MLIC, borrowed \$350 million in December 2015 under a five-year credit agreement included within other notes in the table above. In November 2017, this agreement was amended to extend the maturity to November 2022, change the amount MPEH may borrow on a revolving basis to \$75 million from \$100 million, and change the interest rate to a variable rate of three-month LIBOR plus 3.25%, payable quarterly, from a variable rate of three-month LIBOR plus 3.70%. In connection with the initial borrowing in 2015, \$6 million of costs were incurred, and additional costs of \$1 million were incurred in connection with the 2017 amendment, which have been capitalized and are being amortized over the term of the loans. MPEH has pledged invested assets to secure the loans; however, these loans are non-recourse to MLIC and MetLife, Inc.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

12. Long-term and Short-term Debt (continued)

Short-term Debt

Short-term debt with maturities of one year or less was as follows:

	December 31,	
	2017	2016
(Dollars in millions)		
Commercial paper	\$ 100	\$ 100
Short-term borrowings (1)	377	142
Total short-term debt	\$ 477	\$ 242
Average daily balance	\$ 280	\$ 135
Average days outstanding	27 days	21 days

- (1) Includes \$374 million and \$133 million at December 31, 2017 and 2016, respectively, of short-term debt related to repurchase agreements, secured by assets of subsidiaries.

During the years ended December 31, 2017, 2016 and 2015, the weighted average interest rate on short-term debt was 2.41%, 1.32% and 0.15%, respectively.

Interest Expense

Interest expense included in other expenses was \$841 million, \$874 million and \$890 million for the years ended December 31, 2017, 2016 and 2015, respectively. Such amounts do not include interest expense on long-term debt related to CSEs, the collateral financing arrangement, or junior subordinated debt securities. See Notes 13 and 14.

Credit and Committed Facilities

At December 31, 2017, the Company maintained a \$3.0 billion unsecured revolving credit facility (the “Credit Facility”) and certain committed facilities (the “Committed Facilities”) aggregating \$3.7 billion. When drawn upon, these facilities bear interest at varying rates in accordance with the respective agreements.

Credit Facility

The Company’s Credit Facility is used for general corporate purposes, to support the borrowers’ commercial paper programs and for the issuance of letters of credit. Total fees associated with the Credit Facility were \$13 million, \$15 million and \$13 million for the years ended December 31, 2017, 2016 and 2015, respectively, and were included in other expenses. Information on the Credit Facility at December 31, 2017 was as follows:

Borrower(s)	Expiration	Maximum Capacity	Letters of Credit Issued	Drawdowns	Unused Commitments
(In millions)					
MetLife, Inc. and MetLife Funding, Inc.	December 2021 (1)	\$ 3,000 (1)	\$ 130	\$ —	\$ 2,870

- (1) All borrowings under the Credit Facility must be repaid by December 20, 2021, except that letters of credit outstanding upon termination may remain outstanding until December 20, 2022.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

12. Long-term and Short-term Debt (continued)

Committed Facilities

Letters of credit issued under the Committed Facilities are used for collateral for certain of the Company’s affiliated reinsurance liabilities. Total fees associated with the Committed Facilities, included in other expenses, were \$21 million, \$27 million and \$29 million for the years ended December 31, 2017, 2016 and 2015, respectively. Total fees associated with the Committed Facilities, included in income (loss) from discontinued operations, net of income tax, were \$305 million, \$69 million and \$61 million for the years ended December 31, 2017, 2016 and 2015, respectively. See Note 3 for fees associated with termination of financing arrangements included within 2017 amounts. Information on the Committed Facilities at December 31, 2017 was as follows:

<u>Account Party/Borrower(s)</u>	<u>Expiration</u>	<u>Maximum Capacity</u>	<u>Letters of Credit Issued</u>	<u>Drawdowns</u>	<u>Unused Commitments</u>
(In millions)					
MetLife, Inc.	June 2018 (1)	\$ 395	\$ 395	\$ —	\$ —
MetLife Reinsurance Company of Vermont and MetLife, Inc.	December 2024 (2), (3)	400	380	—	20
MetLife Reinsurance Company of Vermont and MetLife, Inc.	December 2037 (2), (4)	2,896	2,354	—	542
Total		<u>\$ 3,691</u>	<u>\$ 3,129</u>	<u>\$ —</u>	<u>\$ 562</u>

- (1) Capacity decreases in March 2018 and June 2018 to \$200 million and \$0, respectively.
- (2) MetLife, Inc. is a guarantor under the applicable facility.
- (3) Capacity decreases in June 2022, December 2022, June 2023, December 2023 and December 2024 to \$380 million, \$360 million, \$310 million, \$260 million and \$0, respectively.
- (4) Capacity at December 31, 2017 of \$2.6 billion increases periodically to a maximum of \$2.9 billion in 2024, decreases periodically commencing in 2025 to \$2.0 billion in 2037, and decreases to \$0 at expiration in December 2037. Unused commitment of \$542 million is based on maximum capacity. As of December 31, 2017, Brighthouse is a beneficiary of \$2.4 billion of letters of credit issued under this committed facility. See Note 3.

In addition to the Committed Facilities, see also “— Term Loans” for information about the undrawn line of credit facility in the amount of \$75 million.

13. Collateral Financing Arrangement

Information related to the collateral financing arrangement associated with the closed block (see Note 7) was as follows at:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
(In millions)		
Surplus notes outstanding (1)	\$ 1,121	\$ 1,274
Receivable from unaffiliated financial institution (1)	\$ 146	\$ 166
Pledged collateral (2)	\$ 97	\$ 160
Assets held in trust (2)	\$ 1,248	\$ 1,211

- (1) Carrying value.
- (2) Estimated fair value.

Interest expense on the collateral financing arrangement was \$30 million, \$24 million and \$20 million for the years ended December 31, 2017, 2016 and 2015, respectively, which is included in other expenses.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****13. Collateral Financing Arrangement (continued)**

In December 2007, MLIC reinsured a portion of its closed block liabilities to MRC, a wholly-owned subsidiary of MetLife, Inc. In connection with this transaction, MRC issued, to investors placed by an unaffiliated financial institution, \$2.5 billion in aggregate principal amount of 35-year surplus notes to provide statutory reserve support for the assumed closed block liabilities. Interest on the surplus notes accrues at an annual rate of three-month LIBOR plus 0.55%, payable quarterly. The ability of MRC to make interest and principal payments on the surplus notes is contingent upon South Carolina regulatory approval.

Simultaneously with the issuance of the surplus notes, MetLife, Inc. entered into an agreement with the unaffiliated financial institution, under which MetLife, Inc. is entitled to the interest paid by MRC on the surplus notes of three-month LIBOR plus 0.55% in exchange for the payment of three-month LIBOR plus 1.12%, payable quarterly on such amount as adjusted, as described below. MetLife, Inc. may also be required to pledge collateral or make payments to the unaffiliated financial institution related to any decline in the estimated fair value of the surplus notes. Any such payments are accounted for as a receivable and included in other assets on the Company's consolidated balance sheets and do not reduce the principal amount outstanding of the surplus notes. Such payments, however, reduce the amount of interest payments due from MetLife, Inc. under the agreement. Any payment received from the unaffiliated financial institution reduces the receivable by an amount equal to such payment and also increases the amount of interest payments due from MetLife, Inc. under the agreement. In addition, the unaffiliated financial institution may be required to pledge collateral to MetLife, Inc. related to any increase in the estimated fair value of the surplus notes. MetLife, Inc. may also be required to make a payment to the unaffiliated financial institution in connection with any early termination of this agreement.

During 2017, 2016 and 2015 following regulatory approval, MRC repurchased \$153 million, \$68 million and \$57 million, respectively, in aggregate principal amount of the surplus notes. Cumulatively, since December 2007, MRC repurchased \$1.4 billion in aggregate principal amount of the surplus notes as of December 31, 2017. Payments made by the Company in 2017, 2016 and 2015 associated with the repurchases were exclusive of accrued interest on the surplus notes. In connection with the repurchases during 2017, 2016 and 2015, the Company received payments in the aggregate amount of \$20 million, \$8 million and \$8 million, respectively, from the unaffiliated financial institution, which reduced the amount receivable from the unaffiliated financial institution by the same amounts. No other payments related to an increase or decrease in the estimated fair value of the surplus notes were made by MetLife, Inc. or received from the unaffiliated financial institution during 2017, 2016 or 2015.

A majority of the proceeds from the offering of the surplus notes was placed in a trust, which is consolidated by the Company, to support MRC's statutory obligations associated with the assumed closed block liabilities. During the years ended December 31, 2017, 2016 and 2015, MRC transferred \$3 million, \$1 million and \$30 million, respectively, out of the trust to its general account. The assets are principally invested in fixed maturity securities and are presented as such within the Company's consolidated balance sheets, with the related income included within net investment income on the Company's consolidated statements of operations.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

14. Junior Subordinated Debt Securities

Outstanding Junior Subordinated Debt Securities

Outstanding junior subordinated debt securities and exchangeable surplus trust securities which are exchangeable for junior subordinated debt securities prior to redemption or repayment, were as follows:

Issuer	Issue Date	Interest Rate (1)	Scheduled Redemption Date	Interest Rate Subsequent to Scheduled Redemption Date (2)	Final Maturity	December 31,					
						2017			2016		
						Face Value	Unamortized Discount and Issuance Costs	Carrying Value	Face Value	Unamortized Discount and Issuance Costs	Carrying Value
(In millions)											
MetLife, Inc.	December 2006	6.400%	December 2036	LIBOR + 2.205%	December 2066	\$ 1,250	\$ (21)	\$ 1,229	\$ 1,250	\$ (11)	\$ 1,239
MetLife Capital Trust IV (3)	December 2007	7.875%	December 2037	LIBOR + 3.960%	December 2067	700	(17)	683	700	(10)	690
MetLife, Inc. (4)	April 2008	9.250%	April 2038	LIBOR + 5.540%	April 2068	750	(11)	739	750	(6)	744
MetLife, Inc.	July 2009	10.750%	August 2039	LIBOR + 7.548%	August 2069	500	(7)	493	500	(4)	496
						<u>\$ 3,200</u>	<u>\$ (56)</u>	<u>\$ 3,144</u>	<u>\$ 3,200</u>	<u>\$ (31)</u>	<u>\$ 3,169</u>

- (1) Prior to the scheduled redemption date, interest is payable semiannually in arrears.
- (2) In the event the securities are not redeemed on or before the scheduled redemption date, interest will accrue after such date at an annual rate of three-month LIBOR plus the indicated margin, payable quarterly in arrears.
- (3) MetLife Capital Trust IV is a VIE which is consolidated on the financial statements of the Company. The securities issued by this entity are exchangeable surplus trust securities, which are exchangeable for a like amount of MetLife, Inc.'s junior subordinated debt securities on the scheduled redemption date, mandatorily under certain circumstances, and at any time upon MetLife, Inc. exercising its option to redeem the securities.
- (4) On February 10, 2017, in connection with the Separation, MetLife, Inc. exchanged \$750 million aggregate principal amount of its 9.250% Fixed-to-Floating Rate Junior Subordinated Debentures due 2068 for \$750 million aggregate liquidation preference of the 9.250% Fixed-to-Floating Rate Exchangeable Surplus Trust Securities of MetLife Capital Trust X (the "Trust"). As a result of the exchange, MetLife, Inc. became the sole beneficial owner of the Trust, a special purpose entity which issued the exchangeable surplus trust securities to third-party investors. On March 23, 2017, MetLife, Inc. dissolved the Trust.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

14. Junior Subordinated Debt Securities (continued)

In connection with each of the securities described above, MetLife, Inc. may redeem or may cause the redemption of the securities (i) in whole or in part, at any time on or after the date five years prior to the scheduled redemption date at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption, or (ii) in certain circumstances, in whole or in part, prior to the date five years prior to the scheduled redemption date at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption or, if greater, a make-whole price. MetLife, Inc. also has the right to, and in certain circumstances the requirement to, defer interest payments on the securities for a period up to 10 years. Interest compounds during such periods of deferral. If interest is deferred for more than five consecutive years, MetLife, Inc. is required to use proceeds from the sale of its common stock or warrants on common stock to satisfy this interest payment obligation. In connection with each of the securities described above, MetLife, Inc. entered into a separate replacement capital covenant (“RCC”). As part of each RCC, MetLife, Inc. agreed that it will not repay, redeem, or purchase the securities on or before a date 10 years prior to the final maturity date of each issuance, unless, subject to certain limitations, it has received cash proceeds during a specified period from the sale of specified replacement securities. Each RCC will terminate upon the occurrence of certain events, including an acceleration of the applicable securities due to the occurrence of an event of default. The RCCs are not intended for the benefit of holders of the securities and may not be enforced by them. Rather, each RCC is for the benefit of the holders of a designated series of MetLife, Inc.’s other indebtedness (the “Covered Debt”). Initially, the Covered Debt for each of the securities described above was MetLife, Inc.’s 5.700% senior notes due 2035 (the “5.700% Senior Notes”). As a result of the issuance of MetLife, Inc.’s 10.750% Fixed-to-Floating Rate Junior Subordinated Debentures due 2069 (the “10.750% JSDs”), the 10.750% JSDs became the Covered Debt with respect to, and in accordance with, the terms of the RCC relating to MetLife, Inc.’s 6.40% Fixed-to-Floating Rate Junior Subordinated Debentures due 2066. The 5.700% Senior Notes continue to be the Covered Debt with respect to, and in accordance with, the terms of the RCCs relating to each of MetLife Capital Trust IV’s 7.875% Fixed-to-Floating Rate Exchangeable Surplus Trust Securities, MetLife, Inc.’s 9.250% Fixed-to-Floating Rate Junior Subordinated Debentures and the 10.750% JSDs. MetLife, Inc. also entered into a replacement capital obligation which will commence during the six month period prior to the scheduled redemption date of each of the securities described above and under which MetLife, Inc. must use reasonable commercial efforts to raise replacement capital to permit repayment of the securities through the issuance of certain qualifying capital securities.

Interest expense on outstanding junior subordinated debt securities was \$258 million for each of the years ended December 31, 2017, 2016 and 2015, which is included in other expenses.

15. Equity

Preferred Stock

Preferred stock authorized, issued and outstanding was as follows at both December 31, 2017 and 2016:

Series	Shares Authorized	Shares Issued	Shares Outstanding
Floating Rate Non-Cumulative Preferred Stock, Series A	27,600,000	24,000,000	24,000,000
5.25% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C	1,500,000	1,500,000	1,500,000
Series A Junior Participating Preferred Stock	10,000,000	—	—
Not designated	160,900,000	—	—
Total	200,000,000	25,500,000	25,500,000

As discussed below, MetLife, Inc. repurchased or redeemed and canceled the 6.50% Non-Cumulative Preferred Stock, Series B (the “Series B preferred stock”) in 2015. On November 3, 2015, MetLife, Inc. filed a Certificate of Elimination (the “Certificate of Elimination”) of 6.50% Non-Cumulative Preferred Stock, Series B with the Secretary of State of the State of Delaware to eliminate all references to the Series B preferred stock in MetLife, Inc.’s Amended and Restated Certificate of Incorporation (the “Certificate of Incorporation”), including the related Certificate of Designations. As a result of the filing of the Certificate of Elimination, MetLife, Inc.’s Certificate of Incorporation was amended to eliminate all references therein to the Series B preferred stock, and the shares that were designated to such series were returned to the status of authorized but unissued shares of preferred stock, par value \$0.01 per share, of MetLife, Inc., without designation as to series.

In June 2015, MetLife, Inc. issued 1,500,000 shares of 5.25% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C (the “Series C preferred stock”), with a \$0.01 par value per share and a liquidation preference of \$1,000 per share, for aggregate proceeds of \$1.5 billion. In connection with the offering of the Series C preferred stock, MetLife, Inc. incurred \$17 million of issuance costs which have been recorded as a reduction of additional paid-in capital.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****15. Equity (continued)**

In June 2015, MetLife, Inc. conducted a tender offer for up to 59,850,000 of its 60,000,000 shares of Series B preferred stock, liquidation preference \$25 per share, at a purchase price of \$25 per share, plus an amount equal to accrued, unpaid and undeclared dividends from, and including, June 15, 2015 to, but excluding, June 29, 2015, the settlement date of the tender offer. In June 2015, MetLife, Inc. also delivered a notice of redemption to the holders of the Series B preferred stock, pursuant to which it would redeem any shares of Series B preferred stock not purchased by it in the tender offer at a redemption price of \$25 per share, without any payment for accrued, unpaid and undeclared dividends on the Series B preferred stock from, and including, June 15, 2015 to, but excluding, July 1, 2015, the redemption date. On June 29, 2015, MetLife, Inc. repurchased and canceled 37,192,413 shares of Series B preferred stock in the tender offer for \$932 million in cash. On July 1, 2015, MetLife, Inc. redeemed and canceled the remaining 22,807,587 shares of Series B preferred stock not tendered in the tender offer for an aggregate redemption price of \$570 million in cash. In connection with the tender offer and redemption, MetLife, Inc. recognized a preferred stock repurchase premium of \$42 million (calculated as the difference between the carrying value of the Series B preferred stock and the total amount paid by MetLife, Inc. to the holders of the Series B preferred stock in connection with the tender offer and redemption), which was reflected as a reduction to retained earnings on the consolidated balance sheet.

The outstanding preferred stock ranks senior to MetLife, Inc.'s common stock with respect to the payment of dividends and distributions upon liquidation, dissolution or winding-up. Holders of the outstanding preferred stock are entitled to receive dividend payments only when, as and if declared by MetLife, Inc.'s Board of Directors or a duly authorized committee thereof. Dividends on the preferred stock are not cumulative or mandatory. Accordingly, if dividends are not declared on the preferred stock of the applicable series for any dividend period, then any accrued dividends for that dividend period will cease to accrue and be payable. If a dividend is not declared before the dividend payment date for any such dividend period, MetLife, Inc. will have no obligation to pay dividends accrued for such dividend period whether or not dividends are declared for any future period. No dividends may be paid or declared on MetLife, Inc.'s common stock (or any other securities ranking junior to the preferred stock) and MetLife, Inc. may not purchase, redeem, or otherwise acquire its common stock (or other such junior stock) unless the full dividends for the latest completed dividend period on all outstanding shares of preferred stock, and any parity stock, have been declared and paid or provided for. If dividends are declared on MetLife, Inc.'s Floating Rate Non-Cumulative Preferred Stock, Series A (the "Series A preferred stock"), they will be payable quarterly, in arrears, at an annual rate of the greater of: (i) 1.00% above three-month LIBOR on the related LIBOR determination date; or (ii) 4.00%. If dividends are declared on the Series C preferred stock for any dividend period, they are calculated on a non-cumulative basis at a fixed rate per annum of 5.25% from the date of original issue to, but excluding, June 15, 2020, and will be calculated at a floating rate per annum equal to three-month LIBOR plus 3.575% on the related LIBOR determination date from and after June 15, 2020. Dividends on the Series C preferred stock for any dividend period are payable, if declared, semi-annually in arrears on the 15th day of June and December of each year commencing on December 15, 2015 and ending on June 15, 2020, and thereafter quarterly in arrears on the 15th day of September, December, March and June of each year. Information on payments of dividends on the Series B preferred stock is set forth in the table below.

MetLife, Inc. is prohibited from declaring dividends on the outstanding preferred stock if it fails to meet specified capital adequacy, net income and stockholders' equity levels. Beginning on January 1, 2019, MetLife, Inc. will no longer be subject to such limitations with respect to the Series C preferred stock. See "— Dividend Restrictions — MetLife, Inc."

Holders of the preferred stock do not have voting rights except in certain circumstances, including where the dividends have not been paid for an equivalent of six or more dividend payment periods whether or not those periods are consecutive. Under such circumstances, the holders of the preferred stock have certain voting rights with respect to members of the Board of Directors of MetLife, Inc.

The preferred stock is not subject to any mandatory redemption, sinking fund, retirement fund, purchase fund or similar provisions. The Series A preferred stock is redeemable at MetLife, Inc.'s option in whole or in part, at a redemption price of \$25 per share of preferred stock, plus declared and unpaid dividends. MetLife, Inc. may, at its option, redeem the Series C preferred stock, (i) in whole but not in part, at any time prior to June 15, 2020, within 90 days after the occurrence of a "regulatory capital event," and (ii) in whole or in part, from time to time, on or after June 15, 2020, in each case, at a redemption price equal to \$1,000 per Series C preferred share, plus an amount equal to any dividends per share that have accrued but not been declared and paid for the then-current dividend period to, but excluding, such redemption date. A "regulatory capital event" could occur as a result of a change or proposed change in capital adequacy rules (or the interpretation or application thereof) that would apply to MetLife, Inc. from rules (or the interpretation or application thereof) in effect with respect to bank holding companies as of June 1, 2015 that would create a more than insubstantial risk, as determined by MetLife, Inc., that the Series C preferred stock would not be treated as "Tier 1 Capital" or as capital with attributes similar to those of Tier 1 Capital.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

15. Equity (continued)

In December 2008, MetLife, Inc. entered into an RCC related to the Series A and Series B preferred stock and, in June 2015, MetLife, Inc. entered into an RCC related to the Series C preferred stock. As part of each such RCC, MetLife, Inc. agreed that it will not repay, redeem or purchase the preferred stock on or before December 31, 2018, unless, subject to certain limitations, it has received proceeds during a specified period from the sale of specified replacement securities. The repurchase and redemption of Series B preferred stock as described above was in compliance with the terms of the applicable RCC. The RCC is, in each case, for the benefit of the holders of the related Covered Debt, which is currently MetLife, Inc.'s 10.750% JSDs. The RCC will terminate upon the occurrence of certain events, including the date on which MetLife, Inc. has no series of outstanding eligible debt securities.

The declaration, record and payment dates, as well as per share and aggregate dividend amounts, for the Series A, Series B and Series C preferred stock was as follows:

Declaration Date	Record Date	Payment Date	Dividend					
			Series A Per Share	Series A Aggregate	Series B Per Share	Series B Aggregate	Series C Per Share	Series C Aggregate
(In millions, except per share data)								
November 15, 2017	November 30, 2017	December 15, 2017	\$ 0.253	\$ 6	\$ —	\$ —	\$ 26.250	\$ 39
August 15, 2017	August 31, 2017	September 15, 2017	\$ 0.256	6	\$ —	—	\$ —	—
May 15, 2017	May 31, 2017	June 15, 2017	\$ 0.256	7	\$ —	—	\$ 26.250	39
March 6, 2017	February 28, 2017	March 15, 2017	\$ 0.250	6	\$ —	—	\$ —	—
				<u>\$ 25</u>		<u>\$ —</u>		<u>\$ 78</u>
November 15, 2016	November 30, 2016	December 15, 2016	\$ 0.253	\$ 6	\$ —	\$ —	\$ 26.250	\$ 39
August 15, 2016	August 31, 2016	September 15, 2016	\$ 0.256	6	\$ —	—	\$ —	—
May 16, 2016	May 31, 2016	June 15, 2016	\$ 0.256	7	\$ —	—	\$ 26.250	39
March 7, 2016	February 29, 2016	March 15, 2016	\$ 0.253	6	\$ —	—	\$ —	—
				<u>\$ 25</u>		<u>\$ —</u>		<u>\$ 78</u>
November 16, 2015	November 30, 2015	December 15, 2015	\$ 0.253	\$ 6	\$ —	\$ —	\$ 28.292	\$ 43
August 17, 2015	August 31, 2015	September 15, 2015	\$ 0.256	6	\$ —	—	\$ —	—
May 15, 2015	May 31, 2015	June 15, 2015	\$ 0.256	7	\$ 0.406	24	\$ —	—
March 5, 2015	February 28, 2015	March 16, 2015	\$ 0.250	6	\$ 0.406	24	\$ —	—
				<u>\$ 25</u>		<u>\$ 48</u>		<u>\$ 43</u>

See Note 22 for information on subsequent preferred stock dividends declared.

Common Stock

Issuances

During the years ended December 31, 2017, 2016 and 2015, MetLife, Inc. issued 4,680,116, 4,439,219 and 5,592,622 new shares of its common stock for \$158 million, \$166 million and \$216 million, respectively, in connection with stock option exercises and other stock-based awards. There were no shares of common stock issued from treasury stock for each of the years ended December 31, 2017, 2016 and 2015.

Repurchase Authorizations

On September 22, 2015, MetLife, Inc. announced that its Board of Directors authorized \$739 million of common stock repurchases in addition to previously authorized repurchases. On November 10, 2016, MetLife, Inc. announced that its Board of Directors authorized \$3.0 billion of common stock repurchases. On November 1, 2017, MetLife, Inc. announced that its Board of Directors authorized \$2.0 billion of common stock repurchases.

During the years ended December 31, 2017, 2016 and 2015, MetLife, Inc. repurchased 56,599,540 shares, 6,948,739 shares and 39,491,991 shares under these repurchase authorizations for \$2.9 billion, \$372 million, and \$1.9 billion, respectively. At December 31, 2017, MetLife, Inc. had \$1.8 billion remaining under its common stock repurchase authorization. See Note 22 for information on subsequent common stock repurchases.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

15. Equity (continued)

Under these authorizations, MetLife, Inc. may purchase its common stock from the MetLife Policyholder Trust, in the open market (including pursuant to the terms of a pre-set trading plan meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934 (“Exchange Act”)), and in privately negotiated transactions. Common stock repurchases are dependent upon several factors, including the Company’s capital position, liquidity, financial strength and credit ratings, general market conditions, the market price of MetLife, Inc.’s common stock compared to management’s assessment of the stock’s underlying value and applicable regulatory approvals, as well as other legal and accounting factors.

Dividends

The declaration, record and payment dates, as well as per share and aggregate dividend amounts, for common stock was as follows:

Declaration Date	Record Date	Payment Date	Dividend	
			Per Share	Aggregate
(In millions, except per share data)				
October 24, 2017	November 6, 2017	December 13, 2017	\$ 0.400	\$ 422
July 7, 2017	August 7, 2017	September 13, 2017	\$ 0.400	427
April 25, 2017	May 8, 2017	June 13, 2017	\$ 0.400	431
January 6, 2017	February 6, 2017	March 13, 2017	\$ 0.400	437
				<u>\$ 1,717</u>
October 25, 2016	November 7, 2016	December 13, 2016	\$ 0.400	\$ 441
July 7, 2016	August 8, 2016	September 13, 2016	\$ 0.400	441
April 26, 2016	May 9, 2016	June 13, 2016	\$ 0.400	441
January 6, 2016	February 5, 2016	March 14, 2016	\$ 0.375	413
				<u>\$ 1,736</u>
October 27, 2015	November 6, 2015	December 11, 2015	\$ 0.375	\$ 419
July 7, 2015	August 7, 2015	September 11, 2015	\$ 0.375	420
April 28, 2015	May 11, 2015	June 12, 2015	\$ 0.375	420
January 6, 2015	February 6, 2015	March 13, 2015	\$ 0.350	394
				<u>\$ 1,653</u>

See Note 22 for information on subsequent common stock dividends declared.

The funding of the cash dividends and operating expenses of MetLife, Inc. is primarily provided by cash dividends from MetLife, Inc.’s insurance subsidiaries. The statutory capital and surplus, or net assets, of MetLife, Inc.’s insurance subsidiaries are subject to regulatory restrictions except to the extent that dividends are allowed to be paid in a given year without prior regulatory approval. Dividends exceeding these limitations can generally be made subject to regulatory approval. The nature and amount of these dividend restrictions, as well as the statutory capital and surplus of MetLife, Inc.’s U.S. insurance subsidiaries, are disclosed in “— Statutory Equity and Income” and “— Dividend Restrictions — Insurance Operations.” MetLife, Inc.’s principal non-U.S. insurance operations are branches or subsidiaries of American Life Insurance Company (“American Life”), a U.S. insurance subsidiary of the Company. In addition, the payment of dividends by MetLife, Inc. to its shareholders is also subject to restrictions. See “— Dividend Restrictions — MetLife, Inc.”

Stock-Based Compensation Plans

Plans for Employees and Agents

Under the MetLife, Inc. 2015 Stock and Incentive Compensation Plan (the “2015 Stock Plan”), MetLife, Inc. may grant awards to employees and agents in the form of Stock Options, Stock Appreciation Rights, Performance Shares or Performance Share Units, Restricted Stock or Restricted Stock Units, Cash-Based Awards and Stock-Based Awards (each, as applicable, as defined in the 2015 Stock Plan with reference to shares of MetLife, Inc. common stock (“Shares”). Awards under the 2015 Stock Plan and its predecessor plan, the MetLife, Inc. 2005 Stock and Incentive Compensation Plan (the “2005 Stock Plan”) were outstanding at December 31, 2017. MetLife, Inc. granted all awards to employees and agents in 2017 under the 2015 Stock Plan.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****15. Equity (continued)**

The aggregate number of Shares authorized for issuance under the 2015 Stock Plan at December 31, 2017 was 36,166,517.

With the exception of performance shares granted in 2013 and after, which are re-measured quarterly, MetLife recognizes compensation expense related to awards under the 2005 Stock Plan or 2015 Stock Plan based on the number of awards it expects to vest, which represents the awards granted less expected forfeitures over the life of the award, as estimated at the date of grant. Unless a material deviation from the assumed forfeiture rate is observed during the term in which the awards are expensed, MetLife recognizes any adjustment necessary to reflect differences in actual experience in the period the award becomes payable or exercisable.

Compensation expense related to awards under the 2005 Stock Plan is principally related to the issuance of Stock Options. Under the 2015 Stock Plan, compensation expense principally relates to Stock Options, Unit Options, Performance Shares, Performance Units, Restricted Stock Units and Restricted Units. MetLife, Inc. granted the majority of each year's awards under the 2005 Stock Plan and 2015 Stock Plan in the first quarter of the year.

Deferred Shares are Shares that are covered by awards that have become payable under a plan, but the issuance of which has been deferred. Deferred Shares payable to employees or agents related to awards under the 2005 Stock Plan, 2015 Stock Plan, or earlier applicable plans equaled 1,351,798 Shares at December 31, 2017.

Certain stock-based awards provide solely for cash settlement based in whole or in part on the price of Shares or changes in the price of Shares ("Phantom Stock-Based Awards"). MetLife granted such awards under the MetLife, Inc. International Unit Option Incentive Plan, the MetLife International Performance Unit Incentive Plan, and the MetLife International Restricted Unit Incentive Plan prior to 2015, and under the 2015 Stock Plan in 2015 and later.

Plans for Non-Management Directors

Under the MetLife, Inc. 2015 Non-Management Director Stock Compensation Plan (the "2015 Director Stock Plan"), MetLife, Inc. may grant non-management Directors of MetLife, Inc. awards in the form of nonqualified Stock Options, Stock Appreciation Rights, Restricted Stock or Restricted Stock Units, or Stock-Based Awards (each, as applicable, as defined in the 2015 Director Stock Plan with reference to Shares). The only awards MetLife, Inc. granted under the 2015 Director Stock Plan and its predecessor plan, the MetLife, Inc. 2005 Non-Management Director Stock Compensation Plan (the "2005 Director Stock Plan"), through December 31, 2017 vested immediately and no awards under the 2005 Director Stock Plan or 2015 Director Stock Plan remained outstanding at December 31, 2017.

The aggregate number of Shares authorized for issuance under the 2015 Director Stock Plan at December 31, 2017 was 1,702,903.

MetLife recognizes compensation expense related to awards under the 2015 Director Stock Plan based on the number of Shares awarded. The only awards made under the 2005 Director Stock Plan and under the 2015 Director Stock Plan through December 31, 2017 were Stock-Based Awards that vested immediately. MetLife, Inc. granted the majority of the awards in 2015 and 2016 under the 2015 Director Stock Plan in the second quarter of each year.

Deferred Shares payable to Directors related to awards under the 2005 Director Stock Plan, 2015 Director Stock Plan, or earlier applicable plans equaled 223,176 Shares at December 31, 2017.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

15. Equity (continued)

Compensation Expense Related to Stock-Based Compensation

The components of compensation expense related to stock-based compensation includes compensation expense related to Phantom Stock-Based Awards, and excludes the insignificant compensation expense related to the 2015 Director Stock Plan. Those components were:

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Stock Options and Unit Options	\$ 8	\$ 9	\$ 12
Performance Shares and Performance Units (1)	62	75	59
Restricted Stock Units and Restricted Units	58	63	66
Total compensation expense	<u>\$ 128</u>	<u>\$ 147</u>	<u>\$ 137</u>
Income tax benefit	<u>\$ 45</u>	<u>\$ 51</u>	<u>\$ 48</u>

- (1) Performance Shares expected to vest and the related compensation expenses may be further adjusted by the performance factor most likely to be achieved, as estimated by management, at the end of the performance period.

The following table presents the total unrecognized compensation expense related to stock-based compensation and the expected weighted average period over which these expenses will be recognized at:

	December 31, 2017	
	Expense (In millions)	Weighted Average Period (Years)
Stock Options	\$ 4	1.77
Performance Shares	\$ 30	1.59
Restricted Stock Units	\$ 40	1.84

Equity Awards

Stock Options

Stock Options are the contingent right of award holders to purchase Shares at a stated price for a limited time. All Stock Options have an exercise price equal to the closing price of a Share reported on the New York Stock Exchange (“NYSE”) on the date of grant, and have a maximum term of 10 years. The vast majority of Stock Options granted has become or will become exercisable at a rate of one-third of each award on each of the first three anniversaries of the grant date. Other Stock Options have become or will become exercisable on the third anniversary of the grant date. Vesting is subject to continued service, except for employees who meet specified age and service criteria and in certain other limited circumstances.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
15. Equity (continued)

A summary of the activity related to Stock Options was as follows:

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (1) (In millions)
Outstanding at January 1, 2017	19,482,388	\$ 44.73	3.68	\$ 218
Granted (2)	709,085	\$ 46.85		
Exercised (2)	(3,475,198)	\$ 33.36		
Expired (2)	(2,913,457)	\$ 56.06		
Forfeited (2)	(115,670)	\$ 40.06		
Other Separation adjustment (2)	2,322,606	\$ 38.40		
Outstanding at December 31, 2017	<u>16,009,754</u>	<u>\$ 38.77</u>	<u>3.54</u>	<u>\$ 198</u>
Vested and expected to vest at December 31, 2017	<u>15,991,119</u>	<u>\$ 38.76</u>	<u>3.13</u>	<u>\$ 238</u>
Exercisable at December 31, 2017	<u>14,487,455</u>	<u>\$ 38.46</u>	<u>3.02</u>	<u>\$ 185</u>

- (1) The intrinsic value of each Stock Option is the closing price on a particular date less the exercise price of the Stock Option, so long as the difference is greater than zero. The aggregate intrinsic value of all outstanding Stock Options is computed using the closing Share price on December 31, 2017 of \$50.56 and December 31, 2016 of \$48.02, as applicable.
- (2) For Stock Options outstanding as of August 4, 2017, MetLife, Inc. increased the number of Stock Options by an adjustment ratio, and lowered their exercise price by dividing it by the same adjustment ratio, to maintain the intrinsic value of the award pursuant to the anti-dilution provisions of the 2015 Stock Plan and the 2005 Stock Plan as a result of the Separation. MetLife, Inc. determined the adjustment ratio by dividing the \$53.92 closing price of MetLife, Inc. common stock on August 4, 2017 by the \$48.17 opening price of MetLife, Inc. common stock on August 7, 2017, the next trading day. Each of “Granted,” “Exercised,” “Expired,” and “Forfeited” reflects the impact of this adjustment, as applicable, regardless of the date of the transaction during 2017. “Other Separation adjustment” reflects the remaining adjustment to produce the Stock Options outstanding at December 31, 2017.

MetLife estimates the fair value of Stock Options on the date of grant using a binomial lattice model. The significant assumptions the Company uses in its binomial lattice model are further described below. The assumptions include: expected volatility of the price of Shares; risk-free rate of return; dividend yield on Shares; exercise multiple; and the post-vesting termination rate.

Expected volatility is based upon an analysis of historical prices of Shares and call options on Shares traded on the open market. The Company uses a weighted-average of the implied volatility for publicly-traded call options with the longest remaining maturity nearest to the money as of each valuation date and the historical volatility, calculated using monthly closing prices of Shares. The Company chose a monthly measurement interval for historical volatility as this interval reflects the Company’s view that employee option exercise decisions are based on longer-term trends in the price of the underlying Shares rather than on daily price movements.

The binomial lattice model used by the Company incorporates different risk-free rates based on the imputed forward rates for U.S. Treasury Strips for each year over the contractual term of the option. The table below presents the full range of rates that were used for options granted during the respective periods.

Dividend yield is determined based on historical dividend distributions compared to the price of the underlying Shares as of the valuation date and held constant over the life of the Stock Option.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

15. Equity (continued)

The binomial lattice model used by the Company incorporates the term of the Stock Options. The model also factors in expected exercise behavior and a post-vesting termination rate, or the rate at which vested options are exercised or expire prematurely due to termination of employment. From these factors, the model derives an expected life of the Stock Option. The exercise behavior in the model is a multiple that reflects the ratio of stock price at the time of exercise over the exercise price of the Stock Option at the time the model expects holders to exercise. The model derives the exercise multiple from actual exercise activity. The model determines the post-vesting termination rate from actual exercise experience and expiration activity under the Incentive Plans.

The following table presents the weighted average assumptions, with the exception of risk-free rate, which is expressed as a range, that the model uses to determine the fair value of unexercised Stock Options that MetLife, Inc. has granted:

	Years Ended December 31,		
	2017	2016	2015
Dividend yield	3.05%	3.90%	2.72%
Risk-free rate of return	0.94% - 3.22%	0.62% - 2.85%	0.20% - 3.04%
Expected volatility	34.19%	33.58%	32.56%
Exercise multiple	1.43	1.43	1.44
Post-vesting termination rate	2.94%	2.58%	2.73%
Contractual term (years)	10	10	10
Expected life (years)	6	7	7
Weighted average exercise price of stock options granted	\$46.85	\$34.33	\$45.91
Weighted average fair value of stock options granted	\$12.36	\$8.27	\$11.87

The following table presents a summary of Stock Option exercise activity:

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Total intrinsic value of stock options exercised	\$ 59	\$ 42	\$ 44
Cash received from exercise of stock options	\$ 116	\$ 84	\$ 121
Income tax benefit realized from stock options exercised	\$ 20	\$ 15	\$ 15

Performance Shares

Performance Shares are units that, if they vest, are multiplied by a performance factor to produce a number of final Performance Shares which are payable in Shares. MetLife accounts for Performance Shares as equity awards. MetLife, Inc. does not credit Performance Shares with dividend-equivalents for dividends paid on Shares. Performance Share awards normally vest in their entirety at the end of the three-year performance period. Vesting is subject to continued service, except for employees who meet specified age and service criteria, and in certain other limited circumstances.

For awards granted for the 2015 – 2017 and later performance periods in progress through December 31, 2017, the vested Performance Shares will be multiplied by a performance factor of 0% to 175%. Assuming that MetLife, Inc. has met threshold performance goals related to its adjusted income or total shareholder return, the MetLife, Inc. Compensation Committee will determine the performance factor in its discretion. In doing so, the Compensation Committee may consider MetLife, Inc.'s total shareholder return relative to the performance of its competitors and adjusted return on MetLife, Inc.'s common stockholders' equity relative to its financial plan. MetLife estimates the fair value of Performance Shares each quarter until they become payable. The performance factor for the 2014 - 2016 performance period was 44.4%.

Restricted Stock Units

Restricted Stock Units are units that, if they vest, are payable in an equal number of Shares. MetLife accounts for Restricted Stock Units as equity awards. MetLife, Inc. does not credit Restricted Stock Units with dividend-equivalents for dividends paid on Shares. Accordingly, the estimated fair value of Restricted Stock Units is based upon the closing price of Shares on the date of grant, reduced by the present value of estimated dividends to be paid on that stock.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

15. Equity (continued)

The vast majority of Restricted Stock Units normally vest in thirds on or shortly after the first three anniversaries of their grant date. Other Restricted Stock Units normally vest in their entirety on the third or later anniversary of their grant date. Vesting is subject to continued service, except for employees who meet specified age and service criteria and in certain other limited circumstances.

The following table presents a summary of Performance Share and Restricted Stock Unit activity:

	Performance Shares		Restricted Stock Units	
	Shares	Weighted Average Fair Value (1)	Units	Weighted Average Fair Value (1)
Outstanding at January 1, 2017	3,817,100	\$ 49.88	3,422,013	\$ 39.08
Granted (2)	1,225,333	\$ 45.60	1,445,238	\$ 42.45
Forfeited (2)	(270,292)	\$ 42.94	(251,216)	\$ 35.64
Payable (2) (3)	(1,192,734)	\$ 44.84	(1,720,168)	\$ 36.81
Other Separation adjustment (2)	454,353	\$ 42.34	408,510	\$ 37.07
Outstanding at December 31, 2017	4,033,760	\$ 46.02	3,304,377	\$ 37.17
Vested and expected to vest at December 31, 2017	3,971,002	\$ 46.02	3,246,476	\$ 37.14

- (1) Values for shares outstanding at January 1, 2017, represent weighted average number of shares multiplied by the fair value per share at December 31, 2016. Otherwise, all values represent weighted average of number of shares multiplied by the fair value per share at December 31, 2017. Fair value per share of Restricted Stock Units on December 31, 2017 was equal to Grant Date fair value per share.
- (2) For Performance Shares, Restricted Stock Units, and Deferred Shares outstanding as of August 4, 2017, MetLife, Inc. increased the number of units by an adjustment ratio to maintain the intrinsic value of the award or Deferred Shares pursuant to the anti-dilution provisions of the 2015 Stock Plan and the 2005 Stock Plan as a result of the Separation. MetLife, Inc. determined the adjustment ratio by dividing the \$53.92 closing price of MetLife, Inc. common stock on August 4, 2017 by the \$48.17 opening price of MetLife, Inc. common stock on August 7, 2017, the next trading day. Each of “Granted,” “Forfeited,” and “Payable” reflects the impact of this adjustment, as applicable, regardless of the date of the transaction during 2017. “Other Separation adjustment” reflects the remaining adjustment to produce the Performance Shares and Restricted Stock Units outstanding at December 31, 2017.
- (3) Includes both Shares paid and Deferred Shares for later payment.

Performance Share amounts above represent aggregate initial target awards and do not reflect potential increases or decreases resulting from the performance factor determined after the end of the respective performance periods. At December 31, 2017, the performance period for the 2015 — 2017 Performance Share grants was completed, but the performance factor had not yet been determined. Included in the immediately preceding table are 1,194,283 outstanding Performance Shares to which the 2015 — 2017 performance factor will be applied.

Liability Awards (Phantom Stock-Based Awards)

Certain MetLife subsidiaries have a liability for Phantom Stock-Based Awards in the form of Unit Options, Performance Units, and/or Restricted Units. These Share-based cash settled awards are recorded as liabilities until payout is made. Unlike Share-settled awards, which have a fixed grant-date fair value, the fair value of unsettled or unvested liability awards is re-measured at the end of each reporting period based on the change in fair value of one Share. The liability and corresponding expense are adjusted accordingly until the award is settled.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

15. Equity (continued)

Unit Options

Unit Options are the contingent right of award holders to receive a cash payment equal to the closing price of a Share on the exercise date, less the closing price on the grant date, if the difference is greater than zero, for a limited time. All Unit Options have an exercise price equal to the closing price of a Share reported on the NYSE on the date of grant, and have a maximum term of 10 years. The vast majority of Unit Options has become or will become eligible for exercise at a rate of one-third of each award on each of the first three anniversaries of the grant date. Other Unit Options have become or will become eligible for exercise on the third anniversary of the grant date. Vesting is subject to continued service, except for employees who meet specified age and service criteria and in certain other limited circumstances.

Performance Units

Performance Units are units that, if they vest, are multiplied by a performance factor to produce a number of final Performance Units which are payable in cash equal to the closing price of a Share on a date following the last day of the three-year performance period. Performance Units are accounted for as liability awards. They are not credited with dividend-equivalents for dividends paid on Shares. Accordingly, the estimated fair value of Performance Units is based upon the closing price of a Share on the date of grant, reduced by the present value of estimated dividends to be paid on that stock during the performance period.

See “— Equity Awards — Performance Shares” for a discussion of the Performance Shares vesting period and performance factor calculation, which are also used for Performance Units.

Restricted Units

Restricted Units are units that, if they vest, are payable in cash equal to the closing price of a Share on the last day of the restriction period. They are not credited with dividend-equivalents for dividends paid on Shares. The vast majority of Restricted Units normally vest in thirds on or shortly after the first three anniversaries of their grant date. Other Restricted Units normally vest in their entirety on the third or later anniversary of their grant date. Vesting is subject to continued service, except for employees who meet specified age and service criteria and in certain other limited circumstances. Restricted Units are accounted for as liability awards.

The following table presents a summary of Liability Awards activity:

	<u>Unit Options</u>	<u>Performance Units</u>	<u>Restricted Units</u>
Outstanding at January 1, 2017	855,897	615,356	763,723
Granted (1)	24,175	238,487	375,414
Exercised (1)	(200,687)	—	—
Forfeited (1)	(100,439)	(53,499)	(82,940)
Paid (1)	—	(185,178)	(368,049)
Other Separation adjustment (1)	102,066	73,063	90,928
Outstanding at December 31, 2017	<u>681,012</u>	<u>688,229</u>	<u>779,076</u>
Vested and expected to vest at December 31, 2017	<u>612,911</u>	<u>619,406</u>	<u>701,168</u>

- (1) For Unit Options, Performance Units, and Restricted Units outstanding as of August 4, 2017, MetLife, Inc. increased the number of units, and for Units Options lowered the exercise price by an adjustment ratio to maintain the intrinsic value of the award pursuant to the anti-dilution provisions of the 2015 Stock Plan and the 2005 Stock Plan as a result of the Separation. MetLife, Inc. determined the adjustment ratio by dividing the \$53.92 closing price of MetLife, Inc. common stock on August 4, 2017 by the \$48.17 opening price of MetLife, Inc. common stock on August 7, 2017, the next trading day. Each of “Granted,” “Exercised,” “Forfeited,” and “Paid” reflects the impact of this adjustment, as applicable, regardless of the date of the transaction during 2017. “Other Separation adjustment” reflects the remaining adjustment to produce the Unit Options, Performance Units, and Restricted Units outstanding at December 31, 2017.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****15. Equity (continued)*****Statutory Equity and Income***

The states of domicile of MetLife, Inc.'s U.S. insurance subsidiaries each impose risk-based capital ("RBC") requirements that were developed by the National Association of Insurance Commissioners ("NAIC"). American Life does not write business in Delaware or any other domestic state and, as such, is exempt from RBC requirements by Delaware law. Regulatory compliance is determined by a ratio of a company's total adjusted capital, calculated in the manner prescribed by the NAIC ("TAC") to its authorized control level RBC, calculated in the manner prescribed by the NAIC ("ACL RBC"), based on the statutory-based filed financial statements. Companies below specific trigger levels or ratios are classified by their respective levels, each of which requires specified corrective action. The minimum level of TAC before corrective action commences is twice ACL RBC ("Company Action Level RBC"). While not required by or filed with insurance regulators, the Company also calculates an internally defined combined RBC ratio ("Statement-Based Combined RBC Ratio"), which is determined by dividing the sum of TAC for MetLife, Inc.'s principal U.S. insurance subsidiaries, excluding American Life, by the sum of Company Action Level RBC for such subsidiaries. The Company's Statement-Based Combined RBC Ratio was in excess of 390% at December 31, 2017. The Company's Statement-Based Combined RBC Ratio (both including and excluding Brighthouse insurance subsidiaries) was in excess of 400% at December 31, 2016. In addition, all non-exempted U.S. insurance subsidiaries individually exceeded Company Action Level RBC for all periods presented.

MetLife, Inc.'s foreign insurance operations are regulated by applicable authorities of the jurisdictions in which each entity operates and are subject to minimum capital and solvency requirements in those jurisdictions before corrective action commences. At December 31, 2017 and 2016, the adjusted capital of American Life's insurance subsidiary in Japan, the Company's largest foreign insurance operation, was in excess of four times the 200% solvency margin ratio that would require corrective action. Excluding Japan, the aggregate required capital and surplus of the Company's other foreign insurance operations was \$3.7 billion and the aggregate actual regulatory capital and surplus of such operations was \$10.5 billion as of the date of the most recent required capital adequacy calculation for each jurisdiction, adjusted for the revision of assumed variable annuity guarantee reserves. See Note 1. Each of those other foreign insurance operations exceeded minimum capital and solvency requirements of their respective jurisdictions for all periods presented.

MetLife, Inc.'s insurance subsidiaries prepare statutory-basis financial statements in accordance with statutory accounting practices prescribed or permitted by the insurance department of the state of domicile or applicable foreign jurisdiction. The NAIC has adopted the Codification of Statutory Accounting Principles ("Statutory Codification"). Statutory Codification is intended to standardize regulatory accounting and reporting to state insurance departments. However, statutory accounting principles continue to be established by individual state laws and permitted practices. Modifications by the various state insurance departments may impact the effect of Statutory Codification on the statutory capital and surplus of MetLife, Inc.'s U.S. insurance subsidiaries.

Statutory accounting principles differ from GAAP primarily by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities using different actuarial assumptions, reporting surplus notes as surplus instead of debt and valuing securities on a different basis.

In addition, certain assets are not admitted under statutory accounting principles and are charged directly to surplus. The most significant assets not admitted by the Company are net deferred income tax assets resulting from temporary differences between statutory accounting principles basis and tax basis not expected to reverse and become recoverable within three years. Further, statutory accounting principles do not give recognition to purchase accounting adjustments. MetLife, Inc.'s U.S. insurance subsidiaries have no material state prescribed accounting practices, except as described below.

New York has adopted certain prescribed accounting practices, primarily consisting of the continuous Commissioners' Annuity Reserve Valuation Method, which impacts deferred annuities, and the New York Special Consideration Letter, which mandates certain assumptions in asset adequacy testing. The collective impact of these prescribed accounting practices decreased the statutory capital and surplus of MLIC for the years ended December 31, 2017 and 2016 by an amount of \$1.1 billion and \$909 million, respectively, in excess of the amount of the decrease had capital and surplus been measured under NAIC guidance.

American Life calculates its policyholder reserves on insurance written in each foreign jurisdiction in accordance with the reserve standards required by such jurisdiction. Additionally, American Life's insurance subsidiaries are valued based on each respective subsidiary's underlying local statutory equity, adjusted in a manner consistent with the reporting prescribed for its branch operations. The prescribed practice exempts American Life from calculating and disclosing the impact to its statutory capital and surplus. The tables below present amounts from MetLife, Inc.'s U.S. insurance subsidiaries, which are derived from the statutory-basis financial statements as filed with the insurance regulators.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
15. Equity (continued)

Statutory net income (loss) was as follows:

Company	State of Domicile	Years Ended December 31,		
		2017	2016	2015
(In millions)				
Metropolitan Life Insurance Company (1)	New York	\$ 1,982	\$ 3,444	\$ 3,703
American Life Insurance Company	Delaware	\$ 3,077	\$ 341	\$ 335
Brighthouse Life Insurance Company (2)	Delaware	N/A	\$ 1,186	\$ (1,022)
Metropolitan Property and Casualty Insurance Company	Rhode Island	\$ 197	\$ 171	\$ 204
Metropolitan Tower Life Insurance Company	Delaware	\$ 74	\$ 8	\$ (42)
New England Life Insurance Company (2)	Massachusetts	N/A	\$ 109	\$ 157
General American Life Insurance Company	Missouri	\$ 90	\$ (2)	\$ 204
Other (3)	Various	\$ 11	\$ (70)	\$ 20

- In December 2016, MLIC transferred all of the issued and outstanding shares of the common stock of each of New England Life Insurance Company (“NELICO”) and General American Life Insurance Company (“GALIC”) to MetLife, Inc., in the form of a non-cash extraordinary dividend.
- Effective April 28, 2017 in connection with the Separation, MetLife, Inc. contributed all of the issued and outstanding shares of common stock of each of Brighthouse Insurance and NELICO to Brighthouse Holdings, LLC. As a result of the Separation, Brighthouse Insurance and NELICO ceased to be subsidiaries of MetLife, Inc.
- Effective April 28, 2017 in connection with the Separation, MetLife, Inc. contributed all of the issued and outstanding shares of Brighthouse Life Insurance Company of NY (“Brighthouse NY”) to Brighthouse Holdings, LLC. As a result of the Separation, Brighthouse NY ceased to be a subsidiary of MetLife, Inc. For the years ended December 31, 2016 and 2015, statutory net income (loss) of Brighthouse NY was (\$87) million and \$17 million, respectively.

Statutory capital and surplus was as follows at:

Company	December 31,	
	2017	2016
(In millions)		
Metropolitan Life Insurance Company (1)	\$ 10,384	\$ 11,195
American Life Insurance Company	\$ 6,548	\$ 5,895
Brighthouse Life Insurance Company (2)	N/A	\$ 4,374
Metropolitan Property and Casualty Insurance Company	\$ 2,266	\$ 2,271
Metropolitan Tower Life Insurance Company	\$ 733	\$ 669
New England Life Insurance Company (2)	N/A	\$ 455
General American Life Insurance Company	\$ 988	\$ 923
Other (3)	\$ 100	\$ 303

- In December 2016, MLIC transferred all of the issued and outstanding shares of the common stock of each of NELICO and GALIC to MetLife, Inc. in the form of a non-cash extraordinary dividend.
- Effective April 28, 2017 in connection with the Separation, MetLife, Inc. contributed all of the issued and outstanding shares of common stock of each of Brighthouse Insurance and NELICO to Brighthouse Holdings, LLC. As a result of the Separation, Brighthouse Insurance and NELICO ceased to be subsidiaries of MetLife, Inc.
- Effective April 28, 2017 in connection with the Separation, MetLife, Inc. contributed all of the issued and outstanding shares of Brighthouse NY to Brighthouse Holdings, LLC. As a result of the Separation, Brighthouse NY ceased to be a subsidiary of MetLife, Inc. At December 31, 2016, Brighthouse NY statutory capital and surplus was \$196 million.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

15. Equity (continued)

The Company's domestic captive life reinsurance subsidiaries, which reinsure risks including the closed block, level premium term life and ULSG assumed from other MetLife subsidiaries, have no state prescribed accounting practices, except for MRV and MetLife Reinsurance Company of Delaware ("MRD").

MRV, with the explicit permission of the Commissioner of Insurance of the State of Vermont, has included, as admitted assets, the value of letters of credit serving as collateral for reinsurance credit taken by various affiliated cedants, in connection with reinsurance agreements entered into between MRV and the various affiliated cedants, which resulted in higher statutory capital and surplus of \$2.7 billion and \$5.6 billion for the years ended December 31, 2017 and 2016. MRV's RBC would have triggered a regulatory event without the use of the state prescribed practice. A designated protected cell of MRV ("MRV Cell 2") ceased being part of MetLife upon Separation.

MRD, with the explicit permission of the Commissioner of Insurance of the State of Delaware, has included, as admitted assets, the value of letters of credit issued to MRD, which resulted in higher statutory capital and surplus of \$260 million for the year ended December 31, 2016. MRD's RBC would not have triggered a regulatory event without the use of the state prescribed practice. MRD ceased to be a subsidiary of MetLife, Inc. upon Separation.

The combined statutory net income (loss) of MetLife, Inc.'s domestic captive life reinsurance subsidiaries was \$2.1 billion, (\$344) million and (\$336) million for the years ended December 2017, 2016 and 2015, respectively, and the combined statutory capital and surplus, including the aforementioned prescribed practice, was \$1.7 billion and \$4.4 billion at December 31, 2017 and 2016, respectively.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

15. Equity (continued)

Dividend Restrictions

Insurance Operations

The table below sets forth the dividends permitted to be paid by MetLife, Inc.'s primary insurance subsidiaries without insurance regulatory approval and dividends paid:

Company	2018	2017	2016
	Permitted Without Approval (1)	Paid (2)	Paid (2)
	(In millions)		
Metropolitan Life Insurance Company	\$ 3,075	\$ 2,523	\$ 5,740 (3)
American Life Insurance Company	\$ —	\$ 2,200 (4)	\$ —
Brighthouse Life Insurance Company (5)	N/A	\$ —	\$ 261
Metropolitan Property and Casualty Insurance Company	\$ 125	\$ 185	\$ 228
Metropolitan Tower Life Insurance Company	\$ 73	\$ —	\$ 60
New England Life Insurance Company (5)	N/A	\$ —	\$ 295 (6)
General American Life Insurance Company	\$ 118	\$ 1	\$ —

- (1) Reflects dividend amounts that may be paid during 2018 without prior regulatory approval. However, because dividend tests may be based on dividends previously paid over rolling 12-month periods, if paid before a specified date during 2018, some or all of such dividends may require regulatory approval.
- (2) Reflects all amounts paid, including those requiring regulatory approval.
- (3) In 2016, MLIC paid an ordinary cash dividend to MetLife, Inc. in the amount of \$3.6 billion. In addition, in December 2016, MLIC distributed all of the issued and outstanding shares of common stock of each of NELICO and GALIC to MetLife, Inc. in the form of a non-cash extraordinary dividend in the amount of \$981 million and \$1.2 billion, respectively, as calculated on a statutory basis.
- (4) Represents an extraordinary dividend.
- (5) Effective April 28, 2017 in connection with the Separation, MetLife, Inc. contributed all of the issued and outstanding shares of common stock of each of Brighthouse Insurance and NELICO to Brighthouse Holdings, LLC. As a result of the Separation, Brighthouse Insurance and NELICO ceased to be subsidiaries of MetLife, Inc. See Note 3 for other Brighthouse dividend transactions prior to the Separation.
- (6) Represents an extraordinary dividend paid by NELICO in 2016 to MetLife, Inc.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****15. Equity (continued)**

Under New York State Insurance Law, MLIC is permitted, without prior insurance regulatory clearance, to pay stockholder dividends to MetLife, Inc. in any calendar year based on either of two standards. Under one standard, MLIC is permitted, without prior insurance regulatory clearance, to pay dividends out of earned surplus (defined as positive unassigned funds (surplus), excluding 85% of the change in net unrealized capital gains or losses (less capital gains tax), for the immediately preceding calendar year), in an amount up to the greater of: (i) 10% of its surplus to policyholders as of the end of the immediately preceding calendar year, or (ii) its statutory net gain from operations for the immediately preceding calendar year (excluding realized capital gains), not to exceed 30% of surplus to policyholders as of the end of the immediately preceding calendar year. In addition, under this standard, MLIC may not, without prior insurance regulatory clearance, pay any dividends in any calendar year immediately following a calendar year for which its net gain from operations, excluding realized capital gains, was negative. Under the second standard, if dividends are paid out of other than earned surplus, MLIC may, without prior insurance regulatory clearance, pay an amount up to the lesser of: (i) 10% of its surplus to policyholders as of the end of the immediately preceding calendar year, or (ii) its statutory net gain from operations for the immediately preceding calendar year (excluding realized capital gains). In addition, MLIC will be permitted to pay a dividend to MetLife, Inc. in excess of the amounts allowed under both standards only if it files notice of its intention to declare such a dividend and the amount thereof with the New York Superintendent of Financial Services (the “Superintendent”) and the Superintendent either approves the distribution of the dividend or does not disapprove the dividend within 30 days of its filing. Under New York State Insurance Law, the Superintendent has broad discretion in determining whether the financial condition of a stock life insurance company would support the payment of such dividends to its stockholder.

Under Delaware Insurance Code, each of American Life and Metropolitan Tower Life Insurance Company (“MTL”) is permitted, without prior insurance regulatory clearance, to pay a stockholder dividend to MetLife, Inc. as long as the amount of the dividend, when aggregated with all other dividends in the preceding 12 months, does not exceed the greater of: (i) 10% of its surplus to policyholders as of the end of the immediately preceding calendar year, or (ii) its net statutory gain from operations for the immediately preceding calendar year (excluding realized capital gains), not including pro rata distributions of each insurer's own securities. Each of American Life and MTL will be permitted to pay a dividend to MetLife, Inc. in excess of the greater of such two amounts only if it files notice of the declaration of such a dividend and the amount thereof with the Delaware Commissioner of Insurance (the “Delaware Commissioner”) and the Delaware Commissioner either approves the distribution of the dividend or does not disapprove the distribution within 30 days of its filing. In addition, any dividend that exceeds earned surplus (defined as “unassigned funds (surplus)”) as of the immediately preceding calendar year requires insurance regulatory approval. Under Delaware Insurance Code, the Delaware Commissioner has broad discretion in determining whether the financial condition of a stock life insurance company would support the payment of such dividends to its stockholders.

Under Rhode Island Insurance Code, Metropolitan Property and Casualty Insurance Company (“MPC”) is permitted, without prior insurance regulatory clearance, to pay a stockholder dividend to MetLife, Inc. as long as the aggregate amount of all such dividends in any 12 month period does not exceed the lesser of: (i) 10% of its surplus to policyholders as of the end of the immediately preceding calendar year, or (ii) net income, not including realized capital gains, for the immediately preceding calendar year, not including pro rata distributions of MPC’s own securities. In determining whether a dividend is extraordinary, MPC may include carry forward net income from the previous two calendar years, excluding realized capital gains less dividends paid in the second and immediately preceding calendar years. MPC will be permitted to pay a dividend to MetLife, Inc. in excess of the lesser of such two amounts only if it files notice of its intention to declare such a dividend and the amount thereof with the Rhode Island Commissioner of Insurance (the “Rhode Island Commissioner”) and the Rhode Island Commissioner either approves the distribution of the dividend or does not disapprove the distribution within 30 days of its filing. Under Rhode Island Insurance Code, the Rhode Island Commissioner has broad discretion in determining whether the financial condition of a stock property and casualty insurance company would support the payment of such dividends to its stockholders.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****15. Equity (continued)**

Under Missouri State Insurance Law, GALIC is permitted, without prior insurance regulatory clearance, to pay a stockholder dividend to MetLife, Inc. as long as the amount of such dividend when aggregated with all other dividends in the preceding 12 months does not exceed the greater of: (i) 10% of its surplus to policyholders as of the end of the immediately preceding calendar year, or (ii) its statutory net gain from operations for the immediately preceding calendar year (excluding net realized capital gains), not including pro rata distributions of GALIC's own securities. GALIC will be permitted to pay a dividend to MetLife, Inc. in excess of the greater of such two amounts only if it files notice of the declaration of such a dividend and the amount thereof with the Missouri Director of Insurance (the "Missouri Director") and the Missouri Director either approves the distribution of the dividend or does not disapprove the distribution within 30 days of its filing. In addition, any dividend that exceeds earned surplus (defined by us to mean "unassigned funds (surplus)") as of the last filed annual statutory statement requires insurance regulatory approval. Under Missouri State Insurance Law, the Missouri Director has broad discretion in determining whether the financial condition of a stock life insurance company would support the payment of such dividends to its stockholders.

MetLife, Inc.

In addition to regulatory restrictions on the payment of dividends by its insurance subsidiaries to MetLife, Inc., the payment of dividends by MetLife, Inc. to its stockholders is also subject to other restrictions. The declaration and payment of dividends is subject to the discretion of MetLife, Inc.'s Board of Directors, and will depend on its financial condition, results of operations, cash requirements, future prospects and other factors deemed relevant by the Board. In addition, the payment of dividends on MetLife, Inc.'s common stock, and MetLife, Inc.'s ability to repurchase its common stock, may be subject to restrictions described below arising under the terms of MetLife, Inc.'s preferred stock and junior subordinated debentures in situations where MetLife, Inc. may be experiencing financial stress, as described below. For purposes of this discussion, "junior subordinated debentures" are deemed to include MetLife, Inc.'s Fixed-to-Floating Rate Exchangeable Surplus Trust Securities, as discussed in Note 14.

"Dividend Stopper" Provisions in the Preferred Stock and Junior Subordinated Debentures. MetLife, Inc.'s preferred stock and junior subordinated debentures contain provisions that would automatically suspend the payment of preferred stock dividends and interest on junior subordinated debentures if MetLife, Inc. fails to meet certain risk based capital ratio, net income and stockholders' equity tests at specified times, except to the extent of the net proceeds from the issuance of certain securities during specified periods. If preferred stock dividends or interest on junior subordinated debentures are not paid, certain provisions in those instruments (sometimes referred to as "dividend stoppers") may restrict MetLife, Inc. from repurchasing its common or preferred stock or paying dividends on its common or preferred stock and interest on its junior subordinated debentures. If MetLife, Inc. has not paid the full dividends on its preferred stock for the latest completed dividend period, MetLife, Inc. may not repurchase or pay dividends on its common stock during a dividend period. Under the junior subordinated debentures, if MetLife, Inc. has not paid in full the accrued interest on its junior subordinated debentures through the most recent interest payment date, it may not repurchase or pay dividends on its common stock or other capital stock (including the preferred stock), subject to certain exceptions. After obtaining the approval of the holders of a majority of MetLife, Inc.'s outstanding common stock on October 19, 2017, MetLife, Inc. amended the stockholders' equity test applicable to the preferred stock to reflect the Separation of Brighthouse, so that prospectively the test will reflect the decrease in MetLife's shareholders' equity as a result of the Separation. On August 28, 2017, with the consent of holders of each series of junior subordinated debentures (or securities exchangeable for junior subordinated debentures), MetLife, Inc. amended the stockholders' equity test in the junior subordinated debentures to the same effect.

The junior subordinated debentures further provide that MetLife, Inc. may, at its option and provided that certain conditions are met, defer payment of interest without giving rise to an event of default for periods of up to 10 years. In that case, after five years MetLife, Inc. would be obligated to use commercially reasonable efforts to sell equity securities to raise proceeds to pay the interest. MetLife, Inc. would not be subject to limitations on the number of deferral periods that MetLife, Inc. could begin, so long as all accrued and unpaid interest is paid with respect to prior deferral periods. If MetLife, Inc. were to defer payments of interest, the "dividend stopper" provisions in the junior subordinated debentures would thus prevent MetLife, Inc. from repurchasing or paying dividends on its common stock or other capital stock (including the preferred stock) during the period of deferral, subject to exceptions.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

15. Equity (continued)

MetLife, Inc. is a party to certain RCCs which limit its ability to eliminate these restrictions through the repayment, redemption or purchase of preferred stock or junior subordinated debentures by requiring MetLife, Inc., with some limitations, to receive cash proceeds during a specified period from the sale of specified replacement securities prior to any repayment, redemption or purchase. See “— Preferred Stock” for a description of such covenants in effect with respect to the preferred stock, and Note 14 for a description of such covenants in effect with respect to junior subordinated debentures.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

15. Equity (continued)

Accumulated Other Comprehensive Income (Loss)

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

	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
(In millions)					
Balance at December 31, 2014	\$ 15,224	\$ 1,076	\$ (3,303)	\$ (2,283)	\$ 10,714
OCI before reclassifications	(7,224)	(19)	(1,646)	125	(8,764)
Deferred income tax benefit (expense)	2,456	6	(1)	(43)	2,418
AOCI before reclassifications, net of income tax	10,456	1,063	(4,950)	(2,201)	4,368
Amounts reclassified from AOCI	(223)	608	—	229	614
Deferred income tax benefit (expense)	78	(213)	—	(80)	(215)
Amounts reclassified from AOCI, net of income tax	(145)	395	—	149	399
Balance at December 31, 2015	10,311	1,458	(4,950)	(2,052)	4,767
OCI before reclassifications	800	344	(476)	(62)	606
Deferred income tax benefit (expense)	(338)	(100)	114	24	(300)
AOCI before reclassifications, net of income tax	10,773	1,702	(5,312)	(2,090)	5,073
Amounts reclassified from AOCI	21	229	—	193	443
Deferred income tax benefit (expense)	(9)	(66)	—	(75)	(150)
Amounts reclassified from AOCI, net of income tax	12	163	—	118	293
Balance at December 31, 2016	10,785	1,865	(5,312)	(1,972)	5,366
OCI before reclassifications	5,392	(140)	765	(23)	5,994
Deferred income tax benefit (expense)	(1,732)	47	125	8	(1,552)
AOCI before reclassifications, net of income tax	14,445	1,772	(4,422)	(1,987)	9,808
Amounts reclassified from AOCI	(289)	(1,025)	—	167	(1,147)
Deferred income tax benefit (expense)	87	356	—	(43)	400
Amounts reclassified from AOCI, net of income tax	(202)	(669)	—	124	(747)
Disposal of subsidiary (2)	(2,286)	(305)	51	28	(2,512)
Deferred income tax benefit (expense)	800	107	(19)	(10)	878
Disposal of subsidiary, net of income tax	(1,486)	(198)	32	18	(1,634)
Balance at December 31, 2017	\$ 12,757	\$ 905	\$ (4,390)	\$ (1,845)	\$ 7,427

- (1) See Note 8 for information on offsets to investments related to future policy benefits, DAC, VOBA and DSI, and the policyholder dividend obligation.
- (2) See Note 3.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
15. Equity (continued)

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

AOCI Components	Amounts Reclassified from AOCI			Consolidated Statements of Operations Locations
	Years Ended December 31,			
	2017	2016	2015	
	(In millions)			
Net unrealized investment gains (losses):				
Net unrealized investment gains (losses)	\$ 404	\$ 78	\$ 263	Net investment gains (losses)
Net unrealized investment gains (losses)	20	39	35	Net investment income
Net unrealized investment gains (losses)	(49)	(37)	56	Net derivative gains (losses)
Net unrealized investment gains (losses)	(86)	(101)	(131)	Discontinued operations
Net unrealized investment gains (losses), before income tax	289	(21)	223	
Income tax (expense) benefit	(87)	9	(78)	
Net unrealized investment gains (losses), net of income tax	202	(12)	145	
Unrealized gains (losses) on derivatives - cash flow hedges:				
Interest rate swaps	24	56	84	Net derivative gains (losses)
Interest rate swaps	16	12	11	Net investment income
Interest rate swaps	2	36	2	Discontinued operations
Interest rate forwards	(11)	(1)	4	Net derivative gains (losses)
Interest rate forwards	2	4	3	Net investment income
Interest rate forwards	1	1	2	Other expenses
Interest rate forwards	3	4	4	Discontinued operations
Foreign currency swaps	974	(350)	(720)	Net derivative gains (losses)
Foreign currency swaps	—	(2)	(1)	Net investment income
Foreign currency swaps	2	2	1	Other expenses
Foreign currency swaps	11	5	—	Discontinued operations
Credit forwards	1	3	1	Net derivative gains (losses)
Credit forwards	—	1	—	Net investment income
Credit forwards	—	—	1	Discontinued operations
Gains (losses) on cash flow hedges, before income tax	1,025	(229)	(608)	
Income tax (expense) benefit	(356)	66	213	
Gains (losses) on cash flow hedges, net of income tax	669	(163)	(395)	
Defined benefit plans adjustment: (1)				
Amortization of net actuarial gains (losses)	(190)	(199)	(231)	
Amortization of prior service (costs) credit	23	6	6	
Discontinued operations	—	—	(4)	
Amortization of defined benefit plan items, before income tax	(167)	(193)	(229)	
Income tax (expense) benefit	43	75	80	
Amortization of defined benefit plan items, net of income tax	(124)	(118)	(149)	
Total reclassifications, net of income tax	\$ 747	\$ (293)	\$ (399)	

(1) These AOCI components are included in the computation of net periodic benefit costs. See Note 17.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

16. Other Expenses

Information on other expenses was as follows:

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Employee and related costs	\$ 3,595	\$ 3,840	\$ 3,950
Professional services	1,693	1,619	1,568
General and administrative expenses	1,129	1,007	1,417
Pension, postretirement and postemployment benefit costs	307	400	367
Premium taxes, other taxes, and licenses & fees	842	688	691
Commissions and other variable expenses	5,387	5,741	6,112
Capitalization of DAC	(3,002)	(3,152)	(3,319)
Amortization of DAC and VOBA	2,681	2,718	3,184
Amortization of negative VOBA	(140)	(269)	(361)
Interest expense on debt	1,129	1,157	1,168
Total other expenses	<u>\$ 13,621</u>	<u>\$ 13,749</u>	<u>\$ 14,777</u>

Certain prior year amounts have been reclassified to conform to the current year presentation, which has been revised to align the expense categories with the Company's businesses. The reclassifications did not result in a change to total other expenses.

See Note 3 for further information on Separation-related transaction costs.

Capitalization of DAC and Amortization of DAC and VOBA

See Note 5 for additional information on DAC and VOBA including impacts of capitalization and amortization. See also Note 7 for a description of the DAC amortization impact associated with the closed block.

Interest Expense on Debt

See Notes 12, 13, and 14 for attribution of interest expense by debt issuance. Interest expense on debt includes interest expense related to CSEs. See Note 8.

Income Tax

See Note 18 for information on the charge related to income tax for the year ended December 31, 2015.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
16. Other Expenses (continued)
Restructuring Charges

The Company commenced in 2016 a unit cost improvement program related to the Company's refreshed enterprise strategy. This global strategy focuses on transforming the Company to become more digital, driving efficiencies and innovation to achieve competitive advantage, and simplified, decreasing the costs and risks associated with the Company's highly complex industry to customers and shareholders. Restructuring charges related to this program are included in other expenses. As the expenses relate to an enterprise-wide initiative, they are reported in Corporate & Other. Such restructuring charges were as follows:

	Years Ended December 31,	
	2017	2016
Severance		
(In millions)		
Balance at January 1,	\$ 35	\$ —
Restructuring charges	38	35
Cash payments	(51)	—
Balance at December 31,	\$ 22	\$ 35
Total restructuring charges incurred since inception of initiative	\$ 73	\$ 35

Management anticipates further restructuring charges through the year ending December 31, 2019. However, such restructuring plans were not sufficiently developed to enable management to make an estimate of such restructuring charges at December 31, 2017.

In 2016, the Company completed a previous enterprise-wide strategic initiative. These restructuring charges were included in other expenses. As the expenses related to an enterprise-wide initiative, they were reported in Corporate & Other. Information regarding such restructuring charges was as follows:

	Years Ended December 31,					
	2016			2015		
	Severance	Lease and Asset Impairment	Total	Severance	Lease and Asset Impairment	Total
(In millions)						
Balance at January 1,	\$ 18	\$ 4	\$ 22	\$ 31	\$ 6	\$ 37
Restructuring charges	—	1	1	60	4	64
Cash payments	(17)	(4)	(21)	(73)	(6)	(79)
Balance at December 31,	\$ 1	\$ 1	\$ 2	\$ 18	\$ 4	\$ 22
Total restructuring charges incurred since inception of initiative	\$ 383	\$ 47	\$ 430	\$ 383	\$ 46	\$ 429

17. Employee Benefit Plans
Pension and Other Postretirement Benefit Plans

Certain subsidiaries of MetLife, Inc. sponsor and/or administer various U.S. qualified and nonqualified defined benefit pension plans and other postretirement employee benefit plans covering employees and sales representatives who meet specified eligibility requirements. U.S. pension benefits are provided utilizing either a traditional formula or cash balance formula. The traditional formula provides benefits that are primarily based upon years of credited service and either final average or career average earnings. The cash balance formula utilizes hypothetical or notional accounts which credit participants with benefits equal to a percentage of eligible pay, as well as interest credits, determined annually based upon the annual rate of interest on 30-year U.S. Treasury securities, for each account balance. The U.S. nonqualified pension plans provide supplemental benefits in excess of limits applicable to a qualified plan. The non-U.S. pension plans generally provide benefits based upon either years of credited service and earnings preceding retirement or points earned on job grades and other factors in years of service.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
17. Employee Benefit Plans (continued)

These subsidiaries also provide certain postemployment benefits and certain postretirement medical and life insurance benefits for U.S. retired employees. Employees of these subsidiaries who were hired prior to 2003 (or, in certain cases, rehired during or after 2003) and meet age and service criteria while working for one of the subsidiaries may become eligible for these other postretirement benefits, at various levels, in accordance with the applicable plans. Virtually all retirees, or their beneficiaries, contribute a portion of the total costs of postretirement medical benefits. Employees hired after 2003 are not eligible for any employer subsidy for postretirement medical benefits.

The benefit obligations, funded status and net periodic benefit costs related to these pension and other postretirement benefits were comprised of the following:

	December 31, 2017						December 31, 2016					
	Pension Benefits			Other Postretirement Benefits			Pension Benefits			Other Postretirement Benefits		
	U.S. Plans	Non-U.S. Plans	Total	U.S. Plans	Non-U.S. Plans	Total	U.S. Plans	Non-U.S. Plans	Total	U.S. Plans	Non-U.S. Plans	Total
	(In millions)											
Benefit obligations	\$10,500	\$ 909	\$11,409	\$ 1,648	\$ 26	\$ 1,674	\$ 9,859	\$ 882	\$10,741	\$ 1,734	\$ 25	\$ 1,759
Estimated fair value of plan assets	9,371	317	9,688	1,426	8	1,434	8,721	288	9,009	1,379	7	1,386
Over (under) funded status	<u>\$ (1,129)</u>	<u>\$ (592)</u>	<u>\$ (1,721)</u>	<u>\$ (222)</u>	<u>\$ (18)</u>	<u>\$ (240)</u>	<u>\$ (1,138)</u>	<u>\$ (594)</u>	<u>\$ (1,732)</u>	<u>\$ (355)</u>	<u>\$ (18)</u>	<u>\$ (373)</u>
Net periodic benefit costs	<u>\$ 267</u>	<u>\$ 82</u>	<u>\$ 349</u>	<u>\$ (12)</u>	<u>\$ 2</u>	<u>\$ (10)</u>	<u>\$ 278</u>	<u>\$ 81</u>	<u>\$ 359</u>	<u>\$ 37</u>	<u>\$ 2</u>	<u>\$ 39</u>

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

17. Employee Benefit Plans (continued)

Obligations and Funded Status

	December 31,			
	2017		2016	
	Pension Benefits (1)	Other Postretirement Benefits	Pension Benefits (1)	Other Postretirement Benefits
	(In millions)			
Change in benefit obligations:				
Benefit obligations at January 1,	\$ 10,741	\$ 1,759	\$ 10,293	\$ 1,892
Service costs	238	6	272	9
Interest costs	429	76	423	82
Plan participants' contributions	—	33	—	30
Net actuarial (gains) losses	595	(95)	362	(115)
Acquisition, divestitures, settlements and curtailments	(27)	—	(37)	18
Change in benefits	—	—	(11)	(43)
Benefits paid	(600)	(107)	(582)	(111)
Effect of foreign currency translation	33	2	21	(3)
Benefit obligations at December 31,	<u>11,409</u>	<u>1,674</u>	<u>10,741</u>	<u>1,759</u>
Change in plan assets:				
Estimated fair value of plan assets at January 1,	9,009	1,386	8,603	1,382
Actual return on plan assets	968	125	618	75
Acquisition, divestitures and settlements	(30)	(1)	(7)	(1)
Plan participants' contributions	—	33	—	30
Employer contributions	329	(2)	374	13
Benefits paid	(600)	(107)	(582)	(111)
Effect of foreign currency translation	12	—	3	(2)
Estimated fair value of plan assets at December 31,	<u>9,688</u>	<u>1,434</u>	<u>9,009</u>	<u>1,386</u>
Over (under) funded status at December 31,	<u>\$ (1,721)</u>	<u>\$ (240)</u>	<u>\$ (1,732)</u>	<u>\$ (373)</u>
Amounts recognized on the consolidated balance sheets:				
Other assets	\$ 59	\$ 160	\$ 3	\$ 1
Other liabilities	(1,780)	(400)	(1,735)	(374)
Net amount recognized	<u>\$ (1,721)</u>	<u>\$ (240)</u>	<u>\$ (1,732)</u>	<u>\$ (373)</u>
AOCI:				
Net actuarial (gains) losses	\$ 2,917	\$ (55)	\$ 2,993	\$ 89
Prior service costs (credit)	(11)	(27)	(11)	(49)
AOCI, before income tax	<u>\$ 2,906</u>	<u>\$ (82)</u>	<u>\$ 2,982</u>	<u>\$ 40</u>
Accumulated benefit obligation	<u>\$ 10,996</u>	N/A	<u>\$ 10,340</u>	N/A

(1) Includes nonqualified unfunded plans, for which the aggregate PBO was \$1.2 billion and \$1.1 billion at December 31, 2017 and 2016, respectively.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
17. Employee Benefit Plans (continued)

Information for pension plans with PBOs in excess of plan assets and accumulated benefit obligations (“ABO”) in excess of plan assets was as follows at:

	December 31,			
	2017		2016	
	PBO Exceeds Estimated Fair Value of Plan Assets		ABO Exceeds Estimated Fair Value of Plan Assets	
	(In millions)			
Projected benefit obligations	\$ 2,016	\$ 10,670	\$ 1,996	\$ 1,894
Accumulated benefit obligations	\$ 1,904	\$ 10,318	\$ 1,890	\$ 1,785
Estimated fair value of plan assets	\$ 285	\$ 8,979	\$ 266	\$ 228

Net Periodic Benefit Costs

The components of net periodic benefit costs and other changes in plan assets and benefit obligations recognized in OCI were as follows:

	Years Ended December 31,					
	2017		2016		2015	
	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits
	(In millions)					
Net periodic benefit costs:						
Service costs	\$ 238	\$ 6	\$ 272	\$ 9	\$ 275	\$ 17
Interest costs	429	76	423	82	414	89
Settlement and curtailment costs (1)	4	2	2	19	(1)	3
Expected return on plan assets	(516)	(72)	(527)	(75)	(534)	(80)
Amortization of net actuarial (gains) losses	195	—	189	10	189	42
Amortization of prior service costs (credit)	(1)	(22)	—	(6)	(1)	(5)
Total net periodic benefit costs (credit)	349	(10)	359	39	342	66
Other changes in plan assets and benefit obligations recognized in OCI:						
Net actuarial (gains) losses	149	(146)	238	(124)	43	(161)
Prior service costs (credit)	(1)	—	(11)	(41)	—	(7)
Amortization of net actuarial (gains) losses	(195)	—	(189)	(10)	(189)	(42)
Amortization of prior service (costs) credit	1	22	—	6	1	5
Discontinued operations	—	—	(1)	1	(2)	(2)
Disposal of subsidiary	(30)	2	—	—	—	—
Total recognized in OCI	(76)	(122)	37	(168)	(147)	(207)
Total recognized in net periodic benefit costs and OCI	\$ 273	\$ (132)	\$ 396	\$ (129)	\$ 195	\$ (141)

- (1) The Company recognized curtailment charges in 2016 on certain postretirement benefit plans in connection with the U.S. Retail Advisor Force Divestiture. See Note 3.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

17. Employee Benefit Plans (continued)

The estimated net actuarial (gains) losses and prior service costs (credit) for the defined benefit pension plans and other postretirement benefit plans that will be amortized from AOCI into net periodic benefit costs over the next year are \$171 million and (\$1) million, and (\$6) million and (\$19) million, respectively.

Assumptions

Assumptions used in determining benefit obligations for the U.S. plans were as follows:

	<u>Pension Benefits</u>	<u>Other Postretirement Benefits</u>
December 31, 2017		
Weighted average discount rate	3.65%	3.70%
Rate of compensation increase	2.25% - 8.50%	N/A
December 31, 2016		
Weighted average discount rate	4.30%	4.45%
Rate of compensation increase	2.25% - 8.50%	N/A

Assumptions used in determining net periodic benefit costs for the U.S. plans were as follows:

	<u>Pension Benefits</u>	<u>Other Postretirement Benefits</u>
Year Ended December 31, 2017		
Weighted average discount rate	4.30%	4.45%
Weighted average expected rate of return on plan assets	6.00%	5.36%
Rate of compensation increase	2.25% - 8.50%	N/A
Year Ended December 31, 2016		
Weighted average discount rate	4.13%	4.37%
Weighted average expected rate of return on plan assets	6.00%	5.53%
Rate of compensation increase	2.25% - 8.50%	N/A
Year Ended December 31, 2015		
Weighted average discount rate	4.10%	4.10%
Weighted average expected rate of return on plan assets	6.25%	5.70%
Rate of compensation increase	2.25% - 8.50%	N/A

The weighted average discount rate for the U.S. plans is determined annually based on the yield, measured on a yield to worst basis, of a hypothetical portfolio constructed of high quality debt instruments available on the valuation date, which would provide the necessary future cash flows to pay the aggregate PBO when due.

The weighted average expected rate of return on plan assets for the U.S. plans is based on anticipated performance of the various asset sectors in which the plans invest, weighted by target allocation percentages. Anticipated future performance is based on long-term historical returns of the plan assets by sector, adjusted for the long-term expectations on the performance of the markets. While the precise expected rate of return derived using this approach will fluctuate from year to year, the policy is to hold this long-term assumption constant as long as it remains within reasonable tolerance from the derived rate.

The weighted average expected rate of return on plan assets for use in that plan's valuation in 2018 is currently anticipated to be 5.75% for U.S. pension benefits and 5.11% for U.S. other postretirement benefits.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
17. Employee Benefit Plans (continued)

The assumed healthcare costs trend rates used in measuring the APBO and net periodic benefit costs were as follows:

	December 31,			
	2017		2016	
	Before Age 65	Age 65 and older	Before Age 65	Age 65 and older
Following year	5.6%	6.6%	6.8%	13.0%
Ultimate rate to which cost increase is assumed to decline	4.0%	4.3%	4.0%	4.3%
Year in which the ultimate trend rate is reached	2086	2098	2077	2092

Assumed healthcare costs trend rates may have a significant effect on the amounts reported for healthcare plans. A 1% change in assumed healthcare costs trend rates would have the following effects on the U.S. plans as of December 31, 2017:

	One Percent Increase		One Percent Decrease	
	(In millions)			
Effect on total of service and interest costs components	\$	9	\$	(8)
Effect of accumulated postretirement benefit obligations	\$	186	\$	(154)

Plan Assets

Certain U.S. subsidiaries provide employees with benefits under various Employee Retirement Income Security Act of 1974 (“ERISA”) benefit plans. These include qualified pension plans, postretirement medical plans and certain retiree life insurance coverage. The assets of these U.S. subsidiaries’ qualified pension plans are held in an insurance group annuity contract, and the vast majority of the assets of the postretirement medical plan and backing the retiree life coverage are held in a trust which largely utilizes insurance contracts to hold the assets. All of these contracts are issued by the Company’s insurance affiliates, and the assets under the contracts are held in insurance separate accounts that have been established by the Company. The underlying assets of the separate accounts are principally comprised of cash and cash equivalents, short-term investments, fixed maturity and equity securities, derivatives, real estate, private equity investments and hedge fund investments.

The insurance contract provider engages investment management firms (“Managers”) to serve as sub-advisors for the separate accounts based on the specific investment needs and requests identified by the plan fiduciary. These Managers have portfolio management discretion over the purchasing and selling of securities and other investment assets pursuant to the respective investment management agreements and guidelines established for each insurance separate account. The assets of the qualified pension plans and postretirement medical plans (the “Invested Plans”) are well diversified across multiple asset categories and across a number of different Managers, with the intent of minimizing risk concentrations within any given asset category or with any of the given Managers.

The Invested Plans, other than those held in participant directed investment accounts, are managed in accordance with investment policies consistent with the longer-term nature of related benefit obligations and within prudent risk parameters. Specifically, investment policies are oriented toward (i) maximizing the Invested Plan’s funded status; (ii) minimizing the volatility of the Invested Plan’s funded status; (iii) generating asset returns that exceed liability increases; and (iv) targeting rates of return in excess of a custom benchmark and industry standards over appropriate reference time periods. These goals are expected to be met through identifying appropriate and diversified asset classes and allocations, ensuring adequate liquidity to pay benefits and expenses when due and controlling the costs of administering and managing the Invested Plan’s investments. Independent investment consultants are periodically used to evaluate the investment risk of the Invested Plan’s assets relative to liabilities, analyze the economic and portfolio impact of various asset allocations and management strategies and recommend asset allocations.

Derivative contracts may be used to reduce investment risk, to manage duration and to replicate the risk/return profile of an asset or asset class. Derivatives may not be used to leverage a portfolio in any manner, such as to magnify exposure to an asset, asset class, interest rates or any other financial variable. Derivatives are also prohibited for use in creating exposures to securities, currencies, indices or any other financial variable that is otherwise restricted.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

17. Employee Benefit Plans (continued)

The table below summarizes the actual weighted average allocation of the estimated fair value of total plan assets by asset class at December 31 for the years indicated and the approved target allocation by major asset class at December 31, 2017 for the Invested Plans:

Asset Class	December 31,					
	2017				2016	
	U.S. Pension Benefits		U.S. Other Postretirement Benefits (1)		U.S. Pension Benefits	U.S. Other Postretirement Benefits (1)
	Target	Actual Allocation	Target	Actual Allocation	Actual Allocation	Actual Allocation
Fixed maturity securities	82%	82%	85%	84%	81%	76%
Equity securities (2)	10%	10%	15%	15%	11%	24%
Alternative securities (3)	8%	8%	—%	1%	8%	—%
Total assets		100%		100%	100%	100%

- (1) U.S. other postretirement benefits do not reflect postretirement life's plan assets invested in fixed maturity securities.
- (2) Equity securities percentage includes derivative assets.
- (3) Alternative securities primarily include hedge, private equity and real estate funds.

Estimated Fair Value

The pension and other postretirement benefit plan assets are categorized into a three-level fair value hierarchy, as described in Note 10, based upon the significant input with the lowest level in its valuation. The Level 2 asset category includes certain separate accounts that are primarily invested in liquid and readily marketable securities. The estimated fair value of such separate accounts is based upon reported NAV provided by fund managers and this value represents the amount at which transfers into and out of the respective separate account are effected. These separate accounts provide reasonable levels of price transparency and can be corroborated through observable market data. Directly held investments are primarily invested in U.S. and foreign government and corporate securities. The Level 3 asset category includes separate accounts that are invested in assets that provide little or no price transparency due to the infrequency with which the underlying assets trade and generally require additional time to liquidate in an orderly manner. Accordingly, the values for separate accounts invested in these alternative asset classes are based on inputs that cannot be readily derived from or corroborated by observable market data.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

17. Employee Benefit Plans (continued)

The pension and other postretirement plan assets measured at estimated fair value on a recurring basis and their corresponding placement in the fair value hierarchy are summarized as follows:

	December 31, 2017							
	Pension Benefits				Other Postretirement Benefits			
	Fair Value Hierarchy			Total Estimated Fair Value	Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
(In millions)								
Assets								
Fixed maturity securities:								
Corporate	\$ —	\$ 3,833	\$ 1	\$ 3,834	\$ 20	\$ 362	\$ —	\$ 382
U.S. government bonds	1,256	528	—	1,784	269	6	—	275
Foreign bonds	—	1,037	—	1,037	—	102	—	102
Federal agencies	35	134	—	169	—	17	—	17
Municipals	—	335	—	335	—	28	—	28
Short-term investments	135	192	—	327	8	390	—	398
Other (1)	7	388	10	405	—	68	—	68
Total fixed maturity securities	1,433	6,447	11	7,891	297	973	—	1,270
Equity securities:								
Common stock - domestic	480	90	—	570	80	—	—	80
Common stock - foreign	317	87	3	407	74	—	—	74
Total equity securities	797	177	3	977	154	—	—	154
Other investments	19	144	622	785	—	9	—	9
Derivative assets	33	2	—	35	1	—	—	1
Total assets	\$ 2,282	\$ 6,770	\$ 636	\$ 9,688	\$ 452	\$ 982	\$ —	\$ 1,434

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

17. Employee Benefit Plans (continued)

December 31, 2016								
Pension Benefits					Other Postretirement Benefits			
Fair Value Hierarchy					Fair Value Hierarchy			
Level 1	Level 2	Level 3	Total Estimated Fair Value	Level 1	Level 2	Level 3	Total Estimated Fair Value	
(In millions)								
Assets								
Fixed maturity securities:								
Corporate	\$ —	\$ 3,499	\$ —	\$ 3,499	\$ 20	\$ 306	\$ —	\$ 326
U.S. government bonds	1,656	4	—	1,660	210	1	—	211
Foreign bonds	—	862	—	862	—	79	—	79
Federal agencies	—	196	—	196	—	27	—	27
Municipals	—	313	—	313	—	23	—	23
Short-term investments	118	217	—	335	13	416	—	429
Other (1)	—	362	9	371	—	55	—	55
Total fixed maturity securities	1,774	5,453	9	7,236	243	907	—	1,150
Equity securities:								
Common stock - domestic	474	—	—	474	113	—	—	113
Common stock - foreign	380	69	—	449	122	—	—	122
Total equity securities	854	69	—	923	235	—	—	235
Other investments	30	105	637	772	—	—	—	—
Derivative assets	16	(3)	65	78	1	—	—	1
Total assets	\$ 2,674	\$ 5,624	\$ 711	\$ 9,009	\$ 479	\$ 907	\$ —	\$ 1,386

(1) Other primarily includes money market securities, mortgage-backed securities, collateralized mortgage obligations and ABS.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

17. Employee Benefit Plans (continued)

A rollforward of all pension and other postretirement benefit plan assets measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs was as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Pension Benefits					
	Fixed Maturity Securities:			Equity Securities:		
	Corporate	Foreign Bonds	Other (1)	Common Stock - Foreign	Other Investments	Derivative Assets
	(In millions)					
Balance, January 1, 2016	\$ 77	\$ 17	\$ 7	\$ —	\$ 723	\$ 76
Realized gains (losses)	2	—	—	—	—	3
Unrealized gains (losses)	3	(3)	—	—	33	(18)
Purchases, sales, issuances and settlements, net	(20)	(3)	—	—	(119)	6
Transfers into and/or out of Level 3	(62)	(11)	2	—	—	(2)
Balance, December 31, 2016	\$ —	\$ —	\$ 9	\$ —	\$ 637	\$ 65
Realized gains (losses)	(10)	—	—	2	—	(22)
Unrealized gains (losses)	10	—	—	—	(12)	6
Purchases, sales, issuances and settlements, net	—	—	8	(4)	—	(48)
Transfers into and/or out of Level 3	1	—	(7)	5	(3)	(1)
Balance, December 31, 2017	\$ 1	\$ —	\$ 10	\$ 3	\$ 622	\$ —

(1) Other includes ABS and collateralized mortgage obligations.

For the years ended December 31, 2017 and 2016, there were no other postretirement benefit plan assets measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

Expected Future Contributions and Benefit Payments

It is the subsidiaries' practice to make contributions to the U.S. qualified pension plan to comply with minimum funding requirements of ERISA. In accordance with such practice, no contributions are required for 2018. The subsidiaries expect to make discretionary contributions to the qualified pension plan of \$150 million in 2018. For information on employer contributions, see "— Obligations and Funded Status."

Benefit payments due under the U.S. nonqualified pension plans are primarily funded from the subsidiaries' general assets as they become due under the provisions of the plans, and therefore benefit payments equal employer contributions. The U.S. subsidiaries expect to make contributions of \$70 million to fund the benefit payments in 2018.

Postretirement benefits are either: (i) not vested under law; (ii) a non-funded obligation of the subsidiaries; or (iii) both. Current regulations do not require funding for these benefits. The subsidiaries use their general assets, net of participant's contributions, to pay postretirement medical claims as they come due. As permitted under the terms of the governing trust document, the subsidiaries may be reimbursed from plan assets for postretirement medical claims paid from their general assets. The U.S. subsidiaries expect to make contributions of \$50 million towards benefit obligations in 2018 to pay postretirement medical claims.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

17. Employee Benefit Plans (continued)

Gross benefit payments for the next 10 years, which reflect expected future service where appropriate, are expected to be as follows:

	<u>Pension Benefits</u>	<u>Other Postretirement Benefits</u>	
	(In millions)		
2018	\$	604	\$ 87
2019	\$	618	\$ 90
2020	\$	634	\$ 90
2021	\$	645	\$ 89
2022	\$	664	\$ 90
2023-2027	\$	3,523	\$ 450

Additional Information

As previously discussed, most of the assets of the U.S. pension benefit plans are held in group annuity contracts issued by the subsidiaries while some of the assets of the U.S. postretirement benefit plans are held in a trust which largely utilizes life insurance contracts issued by the subsidiaries to hold such assets. Total revenues from these contracts recognized on the consolidated statements of operations were \$56 million, \$58 million and \$55 million for the years ended December 31, 2017, 2016 and 2015, respectively, and included policy charges and net investment income from investments backing the contracts and administrative fees. Total investment income (loss), including realized and unrealized gains (losses), credited to the account balances was \$1.1 billion, \$660 million and (\$125) million for the years ended December 31, 2017, 2016 and 2015, respectively. The terms of these contracts are consistent in all material respects with those the subsidiaries offer to unaffiliated parties that are similarly situated.

Defined Contribution Plans

Certain subsidiaries sponsor defined contribution plans under which a portion of employee contributions are matched. These subsidiaries contributed \$72 million, \$81 million and \$80 million for the years ended December 31, 2017, 2016 and 2015, respectively.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

18. Income Tax

On December 22, 2017, President Trump signed into law U.S. Tax Reform. U.S. Tax Reform includes numerous changes in tax law, including a permanent reduction in the federal corporate income tax rate from 35% to 21%, which took effect for taxable years beginning on or after January 1, 2018. U.S. Tax Reform moves the United States from a worldwide tax system to a participation exemption system by providing corporations a 100% dividends received deduction (“DRD”) for dividends distributed by a controlled foreign corporation. To transition to that new system, U.S. Tax Reform imposes a one-time deemed repatriation tax on unremitted earnings and profits at a rate of 8.0% for illiquid assets and 15.5% for cash and cash equivalents.

The incremental financial statement impact related to U.S. Tax Reform was as follows:

	U.S. Tax Reform
	(In millions)
Income (loss) from continuing operations before provision for income tax	\$ (289)
Provision for income tax expense (benefit):	
Deemed repatriation	170
Deferred tax revaluation	(1,790)
Total provision for income tax expense (benefit)	(1,620)
Income (loss) from continuing operations, net of income tax	1,331
Income tax (expense) benefit related to items of other comprehensive income (loss)	144
Increase to net equity from U.S. Tax Reform	\$ 1,475

In accordance with SAB 118 issued by the SEC in December 2017, the Company has recorded provisional amounts for certain items for which the income tax accounting is not complete. For these items, the Company has recorded a reasonable estimate of the tax effects of U.S. Tax Reform. The estimates will be reported as provisional amounts during a measurement period, which will not exceed one year from the date of enactment of U.S. Tax Reform. The Company may reflect adjustments to its provisional amounts upon obtaining, preparing, or analyzing additional information about facts and circumstances that existed as of the enactment date that, if known, would have affected the income tax effects initially reported as provisional amounts.

The following items are considered provisional estimates due to complexities and ambiguities in U.S. Tax Reform which resulted in incomplete accounting for the tax effects of these provisions. Further guidance, either legislative or interpretive, and analysis will be required to complete the accounting for these items:

- Deemed Repatriation Transition Tax - The Company has recorded a \$170 million charge for this item. This charge is in addition to the \$180 million charge recorded in the third quarter of 2017 resulting from the post-Separation review of the Company’s capital needs. The total transition tax liability recorded for the year ended December 31, 2017 is \$350 million.
- Global Intangible Low-Tax Income - U.S. Tax Reform imposes a minimum tax on global intangible low-tax income, which is generally the excess income of foreign subsidiaries over a 10% rate of routine return on tangible business assets. The Company has not yet formally adopted an accounting policy for this item. For the year ended December 31, 2017, the Company did not record a tax charge and tax incurred in future periods related to global intangible low-tax income will be recorded in the period incurred.
- Compensation and Fringe Benefits - U.S. Tax Reform limits certain employer deductions for fringe benefit and related expenses and also repeals the exception allowing the deduction of certain performance-based compensation paid to certain senior executives. The Company has recorded an \$8 million tax charge, included within the deferred tax revaluation.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

18. Income Tax (continued)

- **Alternative Minimum Tax Credits - U.S. Tax Reform** eliminates the corporate alternative minimum tax and allows for minimum tax credit carryforwards to be used to offset future regular tax or to be refunded over the next few years. However, pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, refund payments issued for corporations claiming refundable prior year alternative minimum tax credits are subject to a sequestration rate of 6.6%. The application of this fee to refunds in future years is subject to further guidance. Additionally, the sequestration reduction rate in effect at the time is subject to uncertainty. The Company has recorded a \$9 million tax charge included within the deferred tax revaluation.
- **Tax Credit Partnerships -** Certain tax credit partnership investments derive returns in part from income tax credits. The Company recognizes changes in tax attributes at the partnership level when reported by the investee in its financial information. U.S. Tax Reform may impact the tax attributes of tax credit partnerships. However, investee financial information is not yet available to enable the Company to determine the impacts of U.S. Tax Reform. Accordingly, the Company has applied prior law to these equity method investments in accordance with SAB 118. During the one year measurement period under SAB 118, the impacts of U.S. Tax Reform will be recognized as the investee financial information is made available.

U.S. Tax Reform requires the Company to recognize a transition tax on all previously unremitted foreign earnings at December 31, 2017. However, the Company has not provided for U.S. deferred taxes on the remaining excess of book bases over tax bases of certain investments in foreign subsidiaries that are essentially permanent in duration. It is not practicable to estimate the amount of remaining deferred tax liability related to the Company's remaining basis difference in these foreign subsidiaries.

The provision for income tax from continuing operations was as follows:

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Current:			
Federal	\$ (246)	\$ 520	\$ 632
State and local	5	3	10
Foreign	891	628	556
Subtotal	650	1,151	1,198
Deferred:			
Federal	(2,373)	(827)	194
Foreign	253	369	198
Subtotal	(2,120)	(458)	392
Provision for income tax expense (benefit)	\$ (1,470)	\$ 693	\$ 1,590

The Company's income (loss) from continuing operations before income tax expense (benefit) from domestic and foreign operations were as follows:

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Income (loss) from continuing operations:			
Domestic	\$ 684	\$ 185	\$ 1,874
Foreign	2,852	4,096	3,777
Total	\$ 3,536	\$ 4,281	\$ 5,651

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
18. Income Tax (continued)

The reconciliation of the income tax provision at the U.S. statutory rate to the provision for income tax as reported for continuing operations was as follows:

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Tax provision at U.S. statutory rate	\$ 1,238	\$ 1,498	\$ 1,977
Tax effect of:			
Dividend received deduction	(67)	(69)	(71)
Tax-exempt income	(97)	(86)	(70)
Prior year tax (1)	(27)	(13)	559
Low income housing tax credits	(278)	(270)	(221)
Other tax credits	(102)	(98)	(67)
Foreign tax rate differential (2), (3), (4)	(95)	(332)	(555)
Change in valuation allowance	(8)	(9)	5
Separation tax benefits	(540)	—	—
U.S. Tax Reform impact (5)	(1,519)	—	—
Other, net	25	72	33
Provision for income tax expense (benefit)	<u>\$ (1,470)</u>	<u>\$ 693</u>	<u>\$ 1,590</u>

- (1) As discussed further below, for the year ended December 31, 2015, prior year tax includes a \$557 million non-cash charge related to an uncertain tax position.
- (2) For the year ended December 31, 2017, foreign tax rate differential includes a net tax charge of \$180 million as a result of repatriation. Included in the net tax charge of \$180 million is a \$444 million tax charge related to the repatriation of approximately \$3.0 billion of pre-2017 earnings following the post-Separation review of the Company's capital needs. This charge was partially offset by a \$264 million tax benefit associated with dividends from other non-U.S. operations. This charge was recorded prior to U.S. Tax Reform and is incremental to the \$170 million repatriation transition tax recorded for the year ended December 31, 2017.
- (3) For the year ended December 31, 2016, foreign tax rate differential includes a tax benefit of \$110 million in Japan related to a change in tax rate, offset by a tax charge of \$19 million in Chile related to a change in tax rate.
- (4) For the year ended December 31, 2015, foreign tax rate differential includes tax benefits of \$174 million related to a Japan tax rate change, \$61 million related to restructuring in Chile, \$57 million related to the repatriation of earnings from Japan, \$41 million related to certain non-portfolio net investment gains that were non-taxable and \$31 million related to the devaluation of the peso in Argentina. These benefits were partially offset by charges of \$23 million related to the impact of foreign exchange on investment gains in Argentina.
- (5) U.S. Tax Reform impact of (\$1.5) billion excludes (\$101) million of tax provision at the U.S. statutory rate for a total tax reform benefit of (\$1.6) billion.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
18. Income Tax (continued)

Deferred income tax represents the tax effect of the differences between the book and tax bases of assets and liabilities. Net deferred income tax assets and liabilities consisted of the following at:

	December 31,	
	2017	2016
(In millions)		
Deferred income tax assets:		
Policyholder liabilities and receivables	\$ 2,654	\$ 2,029
Net operating loss carryforwards	512	1,420
Employee benefits	802	1,045
Capital loss carryforwards	6	9
Tax credit carryforwards	1,322	1,375
Litigation-related and government mandated	160	268
Other	657	743
Total gross deferred income tax assets	<u>6,113</u>	<u>6,889</u>
Less: Valuation allowance	189	161
Total net deferred income tax assets	<u>5,924</u>	<u>6,728</u>
Deferred income tax liabilities:		
Investments, including derivatives	2,772	2,940
Intangibles	1,321	1,213
Net unrealized investment gains	4,783	5,423
DAC	3,206	3,619
Other	609	425
Total deferred income tax liabilities	<u>12,691</u>	<u>13,620</u>
Net deferred income tax asset (liability)	<u>\$ (6,767)</u>	<u>\$ (6,892)</u>

The Company also has recorded a valuation allowance benefit of \$8 million related to certain state and foreign net operating loss carryforwards for the year ended December 31, 2017. In addition, a \$19 million increase was related to foreign currency movement and a \$17 million increase was recorded as a balance sheet reclassification with other deferred tax assets for the year ended December 31, 2017. The valuation allowance reflects management's assessment, based on available information, that it is more likely than not that the deferred income tax asset for certain foreign and state net operating loss carryforwards will not be realized. The tax benefit will be recognized when management believes that it is more likely than not that these deferred income tax assets are realizable.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
18. Income Tax (continued)

The following table sets forth the domestic, state, and foreign net operating loss carryforwards and the domestic capital loss carryforwards for tax purposes at December 31, 2017.

	Net Operating Loss Carryforwards			Capital Loss Carryforwards
	Domestic	State	Foreign	Domestic
	(In millions)			
Expiration:				
2018-2022	\$ 1	\$ 49	\$ 46	\$ 27
2023-2027	—	64	28	—
2028-2032	8	13	—	—
2033-2037	2,095	2	—	—
Indefinite	—	—	397	—
	<u>\$ 2,104</u>	<u>\$ 128</u>	<u>\$ 471</u>	<u>\$ 27</u>

The following table sets forth the general business credits, foreign tax credits, and other credit carryforwards for tax purposes at December 31, 2017.

	Tax Credit Carryforwards		
	General Business Credits	Foreign Tax Credits	Other
	(In millions)		
Expiration:			
2018-2022	\$ —	\$ 42	\$ —
2023-2027	—	200	—
2028-2032	236	1	—
2033-2037	832	—	—
Indefinite	—	21	263
	<u>\$ 1,068</u>	<u>\$ 264</u>	<u>\$ 263</u>

The Company files income tax returns with the U.S. federal government and various state and local jurisdictions, as well as foreign jurisdictions. The Company is under continuous examination by the IRS and other tax authorities in jurisdictions in which the Company has significant business operations. The income tax years under examination vary by jurisdiction and subsidiary. The Company is no longer subject to U.S. federal, state, or local income tax examinations for years prior to 2007, except for i) 2000 through 2002 where the IRS disallowance relates to certain tax credits claimed, for which in April 2015, the Company received a Statutory Notice of Deficiency (the “Notice”) and paid the tax thereon in September 2015 (see note (1) below); and ii) 2003 through 2006, where the IRS disallowance relates predominantly to certain tax credits claimed and the Company is engaged with IRS Appeals. Management believes it has established adequate tax liabilities and final resolution for the years 2000 through 2006 is not expected to have a material impact on the Company’s consolidated financial statements. The IRS audit cycle for the years 2007-2009, which began in December of 2015, is scheduled to conclude in 2018. In material foreign jurisdictions, the Company is no longer subject to income tax examinations for years prior to 2009.

The Company’s liability for unrecognized tax benefits may increase or decrease in the next 12 months. For example, federal tax legislation could impact unrecognized tax benefits. A reasonable estimate of the increase or decrease cannot be made at this time. However, the Company continues to believe that the ultimate resolution of the pending issues will not result in a material change to its consolidated financial statements, although the resolution of income tax matters could impact the Company’s effective tax rate for a particular future period.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

18. Income Tax (continued)

A reconciliation of the beginning and ending amount of unrecognized tax benefits was as follows:

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Balance at January 1,	\$ 1,146	\$ 1,259	\$ 719
Additions for tax positions of prior years (1)	70	24	574
Reductions for tax positions of prior years	(101)	(112)	(24)
Additions for tax positions of current year	33	23	24
Reductions for tax positions of current year	(3)	—	—
Settlements with tax authorities	(43)	(48)	(34)
Balance at December 31, (1)	<u>\$ 1,102</u>	<u>\$ 1,146</u>	<u>\$ 1,259</u>
Unrecognized tax benefits that, if recognized, would impact the effective rate	<u>\$ 1,073</u>	<u>\$ 1,112</u>	<u>\$ 1,215</u>

- (1) The significant increase in 2015 is related to a non-cash charge the Company recorded to net income of \$792 million, net of tax. The charge was related to an uncertain tax position and was comprised of a \$557 million charge included in provision for income tax expense (benefit) and a \$362 million (\$235 million, net of tax) charge included in other expenses. This charge is the result of the Company's consideration of certain decisions of the U.S. Court of Appeals for the Second Circuit upholding the disallowance of foreign tax credits claimed by other corporate entities not affiliated with the Company. The Company's action relates to tax years from 2000 to 2009, during which MLIC held non-U.S. investments in support of its life insurance business through a United Kingdom investment subsidiary that was structured as a joint venture at the time.

The Company classifies interest accrued related to unrecognized tax benefits in interest expense, included within other expenses, while penalties are included in income tax expense.

Interest was as follows:

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Interest recognized on the consolidated statements of operations (1)	\$ 37	\$ (41)	\$ 388

	December 31,	
	2017	2016
	(In millions)	
Interest included in other liabilities on the consolidated balance sheets	\$ 659	\$ 623

- (1) The significant increase in 2015 is related to the non-cash charge discussed above.

The Company had insignificant penalties for the years ended December 31, 2017, 2016 and 2015.

There has been no change in the Company's position on the disallowance of its foreign tax credits by the IRS. The Company continues to contest the disallowance of these foreign tax credits by the IRS as management believes the facts strongly support the Company's position. The Company will defend its position vigorously and does not expect any additional charges related to this matter.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****18. Income Tax (continued)**

Also related to the aforementioned foreign tax credit matter, on April 9, 2015, the IRS issued the Notice to the Company. The Notice asserted that the Company owes additional taxes and interest for 2000 through 2002 primarily due to the disallowance of foreign tax credits. The transactions that are the subject of the Notice continue through 2009, and it is likely that the IRS will seek to challenge these later periods. On September 18, 2015, the Company paid the assessed tax and interest of \$444 million for 2000 through 2002. On November 19, 2015, \$9 million of this amount was refunded from the IRS as an overpayment of interest. On May 30, 2017, the Company filed a claim for refund with the IRS for the remaining tax and interest.

Prior to U.S. Tax Reform, the DRD related to variable life insurance and annuity contracts was generally based on a company-specific percentage referred to as the company's share. The calculation of this amount was subject to significant dispute between taxpayers and the IRS. U.S. Tax Reform eliminated this dispute by fixing the calculation to a specific percentage subsequent to 2017.

For the years ended December 31, 2017, 2016, and 2015, the Company recognized an income tax benefit of \$61 million, \$63 million and \$66 million, respectively, related to the separate account DRD. The 2017 and 2016 benefit each included an expense of \$1 million related to a true-up of the 2016 and 2015 tax returns. The 2015 benefit included a benefit of \$1 million related to a true-up of the 2014 tax return.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
19. Earnings Per Common Share

The following table presents the weighted average shares, basic earnings per common share and diluted earnings per common share for each income category presented:

	Years Ended December 31,		
	2017	2016	2015
(In millions, except per share data)			
Weighted Average Shares:			
Weighted average common stock outstanding for basic earnings per common share	1,069.7	1,100.5	1,117.8
Incremental common shares from assumed exercise or issuance of stock-based awards	8.8	8.0	10.5
Weighted average common stock outstanding for diluted earnings per common share	1,078.5	1,108.5	1,128.3
Income (Loss) from Continuing Operations:			
Income (loss) from continuing operations, net of income tax	\$ 5,006	\$ 3,588	\$ 4,061
Less: Income (loss) from continuing operations, net of income tax, attributable to noncontrolling interests	10	4	12
Less: Preferred stock dividends	103	103	116
Preferred stock repurchase premium	—	—	42
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders	\$ 4,893	\$ 3,481	\$ 3,891
Basic	\$ 4.57	\$ 3.16	\$ 3.48
Diluted	\$ 4.53	\$ 3.13	\$ 3.44
Income (Loss) from Discontinued Operations:			
Income (loss) from discontinued operations, net of income tax	\$ (986)	\$ (2,734)	\$ 1,324
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	\$ (986)	\$ (2,734)	\$ 1,324
Basic	\$ (0.92)	\$ (2.48)	\$ 1.19
Diluted	\$ (0.91)	\$ (2.46)	\$ 1.18
Net Income (Loss):			
Net income (loss)	\$ 4,020	\$ 854	\$ 5,385
Less: Net income (loss) attributable to noncontrolling interests	10	4	12
Less: Preferred stock dividends	103	103	116
Preferred stock repurchase premium	—	—	42
Net income (loss) available to MetLife, Inc.'s common shareholders	\$ 3,907	\$ 747	\$ 5,215
Basic	\$ 3.65	\$ 0.68	\$ 4.67
Diluted	\$ 3.62	\$ 0.67	\$ 4.62

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****20. 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 U.S. 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, demonstrates to management that the monetary relief which may be specified in a lawsuit or claim bears little relevance to its merits or disposition value.

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

The Company establishes liabilities for litigation and regulatory loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. 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 reasonably estimated at December 31, 2017. 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 to management, management does not believe any such charges are likely to have a material effect on the Company's financial position.

Matters as to Which an Estimate Can Be Made

For some of the matters disclosed below, the Company is able to estimate a reasonably possible range of loss. For such matters where a loss is believed to be reasonably possible, but not probable, the Company has not made an accrual. As of December 31, 2017, the Company estimates the aggregate range of reasonably possible losses in excess of amounts accrued for these matters to be \$0 to \$425 million.

Matters as to Which an Estimate Cannot Be Made

For other matters disclosed below, the Company is not currently able to estimate the reasonably possible loss or range of loss. The Company is often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support an assessment of the range of possible loss, such as quantification of a damage demand from plaintiffs, discovery from other parties and investigation of factual allegations, rulings by the court on motions or appeals, analysis by experts, and the progress of settlement negotiations. On a quarterly and annual basis, the Company reviews relevant information with respect to litigation contingencies and updates its accruals, disclosures and estimates of reasonably possible losses or ranges of loss based on such reviews.

Notes to the Consolidated Financial Statements — (continued)

20. Contingencies, Commitments and Guarantees (continued)

Asbestos-Related Claims

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

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

The approximate total number of asbestos personal injury claims pending against MLIC as of the dates indicated, the approximate number of new claims during the years ended on those dates and the approximate total settlement payments made to resolve asbestos personal injury claims at or during those years are set forth in the following table:

	December 31,		
	2017	2016	2015
	(In millions, except number of claims)		
Asbestos personal injury claims at year end	62,930	67,223	67,787
Number of new claims during the year	3,514	4,146	3,856
Settlement payments during the year (1)	\$ 48.6	\$ 50.2	\$ 56.1

- (1) Settlement payments represent payments made by MLIC during the year in connection with settlements made in that year and in prior years. Amounts do not include MLIC's attorneys' fees and expenses.

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 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.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****20. Contingencies, Commitments and Guarantees (continued)**

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 effect on the Company's financial position.

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

MLIC reevaluates on a quarterly and annual basis its exposure from asbestos litigation, including studying its claims experience, reviewing external literature regarding asbestos claims experience in the U.S., 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 December 31, 2017. MLIC increased its recorded liability for asbestos-related claims to \$551 million at December 31, 2017.

Regulatory Matters

The Company receives and responds to subpoenas or other inquiries seeking a broad range of information 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"), as well as from local and national regulators and government authorities in jurisdictions outside the United States where MetLife conducts business. The issues involved in information requests and regulatory matters vary widely. The Company cooperates in these inquiries.

In the Matter of Chemform, Inc. Site, Pompano Beach, Broward County, Florida

In July 2010, the Environmental Protection Agency ("EPA") advised MLIC that it believed payments were due under two settlement agreements, known as "Administrative Orders on Consent," that New England Mutual Life Insurance Company ("New England Mutual") signed in 1989 and 1992 with respect to the cleanup of a Superfund site in Florida (the "Chemform Site"). The EPA originally contacted MLIC (as successor to New England Mutual) and a third party in 2001, and advised that they owed additional clean-up costs for the Chemform Site. The matter was not resolved at that time. In September 2012, the EPA, MLIC and the third party executed an Administrative Order on Consent under which MLIC and the third party agreed to be responsible for certain environmental testing at the Chemform Site. The EPA may seek additional costs if the environmental testing identifies issues. The EPA and MLIC have reached a settlement in principal on the EPA's claim for past costs. The Company estimates that the aggregate cost to resolve this matter, including the settlement for claims of past costs and the costs of environmental testing, will not exceed \$300 thousand.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****20. Contingencies, Commitments and Guarantees (continued)**Sales Practices Regulatory Matters

Regulatory authorities in a 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 and GALIC, as well as former subsidiaries of the Company that are part of Brighthouse as a result of the Separation, and a former broker-dealer subsidiary. 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. The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for these sales practices-related investigations or inquiries.

Unclaimed Property LitigationCity of Westland Police and Fire Retirement System v. MetLife, Inc., et. al. (S.D.N.Y., filed January 12, 2012)

Seeking to represent a class of persons who purchased MetLife, Inc. common shares between February 2, 2010, and October 6, 2011, the plaintiff alleges that MetLife, Inc. and several current and former directors and executive officers of MetLife, Inc. violated the Securities Act of 1933, as well as the Exchange Act and Rule 10b-5 promulgated thereunder by issuing, or causing MetLife, Inc. to issue, materially false and misleading statements concerning MetLife, Inc.'s potential liability for millions of dollars in insurance benefits that should have been paid to beneficiaries or escheated to the states. Plaintiff seeks unspecified compensatory damages and other relief. On September 22, 2017, the Court granted plaintiff's motion to certify its proposed class of persons who purchased or acquired MetLife, Inc. common stock in the Company's August 3, 2010 offering or the Company's March 4, 2011 offering. The defendants intend to defend this action vigorously.

Total Asset Recovery Services, LLC. v. MetLife, Inc., et al. (Supreme Court of the State of New York, County of New York, filed November 17, 2017)

Alleging that MetLife, Inc., MLIC, and several other insurance companies violated the New York False Claims Act (the "Act") by filing false unclaimed property reports from 1986 to 2017 with New York to avoid having to escheat the proceeds of more than 25,000 life insurance policies, including policies for which the defendants escheated funds as part of their demutualization in the late 1990s, Total Asset Recovery Services ("The Relator") has brought an action under the qui tam provision of the Act on behalf of itself and New York. The Relator originally filed this action under seal in 2010, and the complaint was unsealed on December 19, 2017. The Relator seeks treble damages and other relief. The Company intends to defend this action vigorously.

Total Control Accounts Litigation

MLIC is a defendant in a lawsuit related to its use of retained asset accounts, known as TCAs, as a settlement option for death benefits.

Owens v. Metropolitan Life Insurance Company (N.D. Ga., filed April 17, 2014)

Plaintiff filed this class action lawsuit on behalf of all persons for whom MLIC established a TCA to pay death benefits under an ERISA plan. The action alleges that MLIC's use of the TCA as the settlement option for life insurance benefits under some group life insurance policies violates MLIC's fiduciary duties under ERISA. As damages, plaintiff seeks disgorgement of profits that MLIC realized on accounts owned by members of the class. In addition, plaintiff, on behalf of a subgroup of the class, seeks interest under Georgia's delayed settlement interest statute, alleging that the use of the TCA as the settlement option did not constitute payment. On September 27, 2016, the court denied MLIC's summary judgment motion in full and granted plaintiff's partial summary judgment motion. On September 29, 2017, the court certified a nationwide class. The court also certified a Georgia subclass. The Company intends to defend this action vigorously.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****20. Contingencies, Commitments and Guarantees (continued)***Diversified Lending Group Litigation*

Hartshorne v. MetLife, Inc., et al. (Los Angeles County Superior Court, filed March 25, 2015)

Plaintiffs named MetLife, Inc., MSI and NELICO in 12 related lawsuits in California state court alleging various causes of action including multiple negligence and statutory claims relating to a Ponzi scheme involving the Diversified Lending Group. All but one of the plaintiffs have resolved their claims with the Company. The Company intends to vigorously defend the remaining claim.

Inquiries into Pension Benefits and Assumed Variable Annuity Guarantee Reserves and Related Litigation

The Company informed its primary state regulator, the New York Department of Financial Services (“NYDFS”), about its practices in connection with the payment of certain pension benefits to annuitants and related matters. The NYDFS is examining the issue. The Division of Enforcement of the SEC is also investigating this matter and several additional regulators, including, but not limited to, the Massachusetts Securities Division, have made inquiries into these practices, including as to related disclosures. It is possible that other jurisdictions may pursue similar investigations or inquiries. On February 13, 2018, the Company announced that in connection with a review of practices and procedures used to estimate reserves related to certain RIS group annuitants who have been unresponsive or missing over time, the Company had identified a material weakness in its internal control over financial reporting related to certain RIS group annuity reserves. In conjunction with the material weakness, the Company increased reserves by \$510 million pre-tax to reinstate reserves previously released, and to reflect accrued interest and other related liabilities. See Note 1.

The Company informed the SEC that as a result of its review of the calculation of reserves associated with certain variable annuity guarantees assumed from the former operating joint venture in Japan, the Company had identified a material weakness in its internal control over financial reporting related to these reserves. In conjunction with the material weakness, the Company decreased these reserves by \$896 million pre-tax. See Note 1. The SEC staff is investigating this matter and the Company has informed other regulators. It is possible that other jurisdictions may pursue similar investigations or inquiries.

The Company is exposed to lawsuits and regulatory investigations, and could be exposed to additional legal actions. These may result in payments, including damages, fines, penalties, interest and other amounts assessed or awarded by courts or regulatory authorities under applicable escheat, tax, securities, ERISA, or other laws or regulations. The Company could incur significant costs in connection with these actions. The Company’s increase in reserves does not reflect, and the Company has not recorded an accrual for, any such potential amounts. An estimate of the possible loss or range of loss cannot be made at this time.

Parchmann v. MetLife, Inc., et. al. (E.D.N.Y., filed February 5, 2018)

Seeking to represent a class of persons who purchased MetLife, Inc. common stock from February 27, 2013 through January 29, 2018, the plaintiff alleges that MetLife, Inc., its Chief Executive Officer and Chairman of the Board, and its Chief Financial Officer violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by issuing materially false and/or misleading statements because the defendants failed to disclose that MetLife’s practices and procedures used to estimate its reserves set aside for annuity and pension payments were inadequate, and that MetLife had inadequate internal control over financial reporting. The plaintiff seeks unspecified compensatory damages and other relief. The defendants intend to defend this action vigorously.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****20. Contingencies, Commitments and Guarantees (continued)**Other LitigationSun Life Assurance Company of Canada Indemnity Claim

In 2006, Sun Life Assurance Company of Canada (“Sun Life”), as successor to the purchaser of MLIC’s Canadian operations, filed a lawsuit in Toronto, seeking a declaration that MLIC remains liable for “market conduct claims” related to certain individual life insurance policies sold by MLIC that were subsequently transferred to Sun Life. 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. Both parties agreed to consider the indemnity claim through arbitration. In September 2010, Sun Life notified MLIC that a purported class action lawsuit was filed against Sun Life in Toronto alleging sales practices claims regarding the policies sold by MLIC and transferred to Sun Life. On August 30, 2011, Sun Life notified MLIC that another purported class action lawsuit was filed against Sun Life in Vancouver, BC alleging sales practices claims regarding certain of the same 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 these lawsuits. These sales practices cases against Sun Life are ongoing, and the Company is unable to estimate the reasonably possible loss or range of loss arising from this litigation.

MetLife, Inc. v. Financial Stability Oversight Council (D. D.C., January 13, 2015).

MetLife, Inc. filed this action in U.S. District Court for the District of Columbia (“D.C. District Court”) seeking to overturn the Financial Stability Oversight Council (“FSOC”) designation of MetLife, Inc. as a non-bank systemically important financial institution (“non-bank SIFI”). The suit was brought under the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act providing that a company designated as a non-bank SIFI may petition the federal courts for review, and sought an order requiring that the final determination be rescinded. On January 23, 2018, the United States District Court of Appeals for the District of Columbia dismissed the FSOC’s appeal of the D.C. District Court’s March 30, 2016 decision that rescinded the Company’s designation as a non-bank SIFI.

Voshall v. Metropolitan Life Insurance Company (Superior Court of the State of California, County of Los Angeles, April 8, 2015)

Plaintiff filed this putative class action lawsuit on behalf of himself and all persons covered under a long-term group disability income insurance policy issued by MLIC to public entities in California between April 8, 2011 and April 8, 2015. Plaintiff alleges that MLIC improperly reduced benefits by including cost of living adjustments and employee paid contributions in the employer retirement benefits and other income that reduces the benefit payable under such policies. Plaintiff asserts causes of action for declaratory relief, violation of the California Business & Professions Code, breach of contract and breach of the implied covenant of good faith and fair dealing. The Company intends to defend this action vigorously.

Martin v. Metropolitan Life Insurance Company, (Superior Court of the State of California, County of Contra Costa, filed December 17, 2015)

Plaintiffs filed this putative class action lawsuit on behalf of themselves and all California persons who have been charged compound interest by MLIC in life insurance policy and/or premium loan balances within the last four years. Plaintiffs allege that MLIC has engaged in a pattern and practice of charging compound interest on life insurance policy and premium loans without the borrower authorizing such compounding, and that this constitutes an unlawful business practice under California law. Plaintiff asserts causes of action for declaratory relief, violation of California’s Unfair Competition Law and Usury Law, and unjust enrichment. Plaintiff seeks declaratory and injunctive relief, restitution of interest, and damages in an unspecified amount. On April 12, 2016, the court granted MLIC’s motion to dismiss. Plaintiffs have appealed this ruling.

MetLife, Inc.**Notes to the Consolidated Financial Statements — (continued)****20. Contingencies, Commitments and Guarantees (continued)**Lau v. Metropolitan Life Insurance Company (S.D.N.Y. filed, December 3, 2015)

This putative class action lawsuit was filed by a single defined contribution plan participant on behalf of all ERISA plans whose assets were invested in MetLife's "Group Annuity Contract Stable Value Funds" within the past six years. The suit alleges breaches of fiduciary duty under ERISA and challenges the "spread" with respect to the stable value fund group annuity products sold to retirement plans. The allegations focus on the methodology MetLife uses to establish and reset the crediting rate, the terms under which plan participants are permitted to transfer funds from a stable value option to another investment option, the procedures followed if an employer terminates a contract, and the level of disclosure provided. Plaintiff seeks declaratory and injunctive relief, as well as damages in an unspecified amount. The parties have settled and the court has dismissed the action.

Newman v. Metropolitan Life Insurance Company (N.D. Ill., filed March 23, 2016)

Plaintiff filed this putative class action alleging causes of action for breach of contract, fraud, and violations of the Illinois Consumer Fraud and Deceptive Business Practices Act, based on MLIC's class-wide increase in premiums charged for long-term care insurance policies. Plaintiff alleges a class consisting of herself and all persons over age 65 who selected a Reduced Pay at Age 65 payment feature and whose premium rates were increased after age 65. Plaintiff asserts that premiums could not be increased for these class members and/or that marketing material was misleading as to MLIC's right to increase premiums. Plaintiff seeks unspecified compensatory, statutory and punitive damages, as well as recessionary and injunctive relief. On April 12, 2017, the court granted MLIC's motion, dismissing the action with prejudice. Plaintiff appealed this ruling to the United States Court of Appeals for the Seventh Circuit and on February 6, 2018, the Seventh Circuit reversed and remanded for further proceedings, ruling that Plaintiff is entitled to relief on her contract claim.

Miller, et al. v. MetLife, Inc., et al. (C.D. Cal., filed April 7, 2017)

Plaintiffs filed this putative class action against MetLife, Inc. and MLIC in the U.S. District Court for the Central District of California, purporting to assert claims on behalf of all persons who replaced their MetLife Optional Term Life or Group Universal Life policy with a Group Variable Universal Life policy wherein MetLife allegedly charged smoker rates for certain non-smokers. Plaintiffs seek unspecified compensatory and punitive damages, as well as other relief. On September 25, 2017, plaintiffs dismissed the action and refiled the complaint in U.S. District Court for the Southern District of New York. On November 9, 2017, plaintiffs dismissed MetLife, Inc. without prejudice from the action. MLIC intends to defend this action vigorously.

Julian & McKinney v. Metropolitan Life Insurance Company (S.D.N.Y., filed February 9, 2017)

Plaintiffs filed this putative class and collective action on behalf of themselves and all current and former long-term disability ("LTD") claims specialists between February 2011 and the present for alleged wage and hour violations under the Fair Labor Standards Act, the New York Labor Law, and the Connecticut Minimum Wage Act. The suit alleges that MetLife improperly reclassified the plaintiffs and similarly situated LTD claims specialists from non-exempt to exempt from overtime pay in November 2013. As a result, they and members of the putative class were no longer eligible for overtime pay even though they allege they continued to work more than 40 hours per week. The Company intends to defend this action vigorously.

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, other products or the misuse of client assets. Some of the current cases seek substantial damages, including punitive and treble damages and attorneys' fees. The Company continues to defend vigorously 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.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

20. Contingencies, Commitments and Guarantees (continued)

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. 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 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 effect on the Company’s consolidated net income or cash flows in particular quarterly or annual periods.

Insolvency Assessments

Most of the jurisdictions in which the Company is admitted to transact business require insurers doing business within the jurisdiction to participate in guaranty associations, which are organized to pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed insurers. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the lines of business in which the impaired, insolvent or failed insurer engaged. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets. In addition, Japan has established the Life Insurance Policyholders Protection Corporation of Japan as a contingency to protect policyholders against the insolvency of life insurance companies in Japan through assessments to companies licensed to provide life insurance.

Assets and liabilities held for insolvency assessments were as follows:

	December 31,	
	2017	2016
	(In millions)	
Other Assets:		
Premium tax offset for future discounted and undiscounted assessments	\$ 56	\$ 30
Premium tax offsets currently available for paid assessments	50	33
Total	<u>\$ 106</u>	<u>\$ 63</u>
Other Liabilities:		
Insolvency assessments	<u>\$ 75</u>	<u>\$ 47</u>

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

20. Contingencies, Commitments and Guarantees (continued)

Commitments

Leases

The Company, as lessee, has entered into various lease and sublease agreements for office space, information technology, aircrafts, automobiles, and other equipment. Future minimum gross rental payments relating to these lease arrangements are as follows:

	<u>Amount</u>
	<u>(In millions)</u>
2018	\$ 302
2019	265
2020	256
2021	237
2022	209
Thereafter	993
Total	<u>\$ 2,262</u>

Total minimum rental payments to be received in the future under non-cancelable subleases were \$572 million as of December 31, 2017. Operating lease expense was \$374 million, \$383 million and \$364 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Mortgage Loan Commitments

The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments were \$3.4 billion and \$4.3 billion at December 31, 2017 and 2016, respectively.

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

The Company commits to fund partnership investments and to lend funds under bank credit facilities, bridge loans and private corporate bond investments. The amounts of these unfunded commitments were \$6.1 billion and \$8.2 billion at December 31, 2017 and 2016, respectively.

Guarantees

In the normal course of its business, the Company has provided certain indemnities, guarantees and commitments to third parties such that it may be required to make payments now or in the future. In the context of acquisition, disposition, investment and other transactions, the Company has provided indemnities and guarantees, including those related to tax, environmental and other specific liabilities and other indemnities and guarantees that are triggered by, among other things, breaches of representations, warranties or covenants provided by the Company. In addition, in the normal course of business, the Company provides indemnifications to counterparties in contracts with triggers similar to the foregoing, as well as for certain other liabilities, such as third-party lawsuits. These obligations are often subject to time limitations that vary in duration, including contractual limitations and those that arise by operation of law, such as applicable statutes of limitation. In some cases, the maximum potential obligation under the indemnities and guarantees is subject to a contractual limitation ranging from less than \$1 million to \$329 million, with a cumulative maximum of \$750 million, while in other cases such limitations are not specified or applicable. Since certain of these obligations are not subject to limitations, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these guarantees in the future. Management believes that it is unlikely the Company will have to make any material payments under these indemnities, guarantees, or commitments.

In addition, the Company indemnifies its directors and officers as provided in its charters and by-laws. Also, the Company indemnifies its agents for liabilities incurred as a result of their representation of the Company's interests. Since these indemnities are generally not subject to limitation with respect to duration or amount, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these indemnities in the future.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

20. Contingencies, Commitments and Guarantees (continued)

The Company has also minimum fund yield requirements on certain international pension funds in accordance with local laws. Since these guarantees are not subject to limitation with respect to duration or amount, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these guarantees in the future.

The Company's recorded liabilities were \$5 million and \$10 million at December 31, 2017 and 2016, respectively, for indemnities, guarantees and commitments.

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
21. Quarterly Results of Operations (Unaudited)

The unaudited quarterly results of operations for 2017 and 2016 are summarized in the table below:

	Three Months Ended											
	March 31, 2017			June 30, 2017			September 30, 2017			December 31, 2017		
	Prior to Revision (1)	Revisions (2)	As Revised	Prior to Revision (1)	Revisions (2)	As Revised	As Previously Reported	Revisions (2)	As Revised	As Previously Reported	Revisions (2)	As Revised
	(in millions, except per share data)											
Total revenues	\$ 14,925	\$ 39	\$ 14,964	\$ 15,286	\$ 47	\$ 15,333	\$ 16,104	\$ 67	\$ 16,171	\$ 15,754	\$ 86	\$ 15,840
Total expenses	\$ 13,921	\$ (29)	\$ 13,892	\$ 14,309	\$ 6	\$ 14,315	\$ 15,603	\$ 83	\$ 15,686	\$ 14,879	\$ —	\$ 14,879
Income (loss) from continuing operations, net of income tax	\$ 908	\$ 44	\$ 952	\$ 829	\$ 27	\$ 856	\$ 893	\$ (10)	\$ 883	\$ 2,134	\$ 181	\$ 2,315
Income (loss) from discontinued operations, net of income tax	\$ (79)	\$ 3	\$ (76)	\$ 58	\$ —	\$ 58	\$ (968)	\$ —	\$ (968)	\$ —	\$ —	\$ —
Net income (loss)	\$ 829	\$ 47	\$ 876	\$ 887	\$ 27	\$ 914	\$ (75)	\$ (10)	\$ (85)	\$ 2,134	\$ 181	\$ 2,315
Less: Net income (loss) attributable to noncontrolling interests	\$ 3	\$ —	\$ 3	\$ 3	\$ —	\$ 3	\$ 6	\$ —	\$ 6	\$ (2)	\$ —	\$ (2)
Net income (loss) attributable to MetLife, Inc.	\$ 826	\$ 47	\$ 873	\$ 884	\$ 27	\$ 911	\$ (81)	\$ (10)	\$ (91)	\$ 2,136	\$ 181	\$ 2,317
Less: Preferred stock dividends	\$ 6	\$ —	\$ 6	\$ 46	\$ —	\$ 46	\$ 6	\$ —	\$ 6	\$ 45	\$ —	\$ 45
Net income (loss) available to MetLife, Inc.'s common shareholders	\$ 820	\$ 47	\$ 867	\$ 838	\$ 27	\$ 865	\$ (87)	\$ (10)	\$ (97)	\$ 2,091	\$ 181	\$ 2,272
Basic earnings per common share												
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders	\$ 0.82	\$ 0.05	\$ 0.87	\$ 0.73	\$ 0.03	\$ 0.76	\$ 0.83	\$ (0.01)	\$ 0.82	\$ 1.99	\$ 0.17	\$ 2.16
Income (loss) from discontinued operations, net of income tax, attributable to MetLife, Inc.	\$ (0.07)	\$ —	\$ (0.07)	\$ 0.05	\$ —	\$ 0.05	\$ (0.91)	\$ —	\$ (0.91)	\$ —	\$ —	\$ —
Net income (loss) attributable to MetLife, Inc.	\$ 0.76	\$ 0.04	\$ 0.80	\$ 0.82	\$ 0.04	\$ 0.86	\$ (0.08)	\$ (0.01)	\$ (0.09)	\$ 2.03	\$ 0.17	\$ 2.20
Net income (loss) available to MetLife, Inc.'s common shareholders	\$ 0.75	\$ 0.05	\$ 0.80	\$ 0.78	\$ 0.03	\$ 0.81	\$ (0.08)	\$ (0.01)	\$ (0.09)	\$ 1.99	\$ 0.17	\$ 2.16
Diluted earnings per common share												
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders	\$ 0.82	\$ 0.04	\$ 0.86	\$ 0.72	\$ 0.03	\$ 0.75	\$ 0.82	\$ (0.01)	\$ 0.81	\$ 1.97	\$ 0.17	\$ 2.14
Income (loss) from discontinued operations, net of income tax, attributable to MetLife, Inc.	\$ (0.07)	\$ —	\$ (0.07)	\$ 0.05	\$ —	\$ 0.05	\$ (0.90)	\$ —	\$ (0.90)	\$ —	\$ —	\$ —
Net income (loss) attributable to MetLife, Inc.	\$ 0.75	\$ 0.04	\$ 0.79	\$ 0.82	\$ 0.03	\$ 0.85	\$ (0.08)	\$ —	\$ (0.08)	\$ 2.01	\$ 0.17	\$ 2.18
Net income (loss) available to MetLife, Inc.'s common shareholders	\$ 0.75	\$ 0.04	\$ 0.79	\$ 0.77	\$ 0.03	\$ 0.80	\$ (0.08)	\$ (0.01)	\$ (0.09)	\$ 1.97	\$ 0.17	\$ 2.14

MetLife, Inc.
Notes to the Consolidated Financial Statements — (continued)
21. Quarterly Results of Operations (Unaudited) (continued)

	Three Months Ended											
	March 31, 2016			June 30, 2016			September 30, 2016			December 31, 2016		
	As Previously Reported	Revisions (2)	As Revised	As Previously Reported	Revisions (2)	As Revised	As Previously Reported	Revisions (2)	As Revised	As Previously Reported	Revisions (2)	As Revised
	(in millions, except per share data)											
Total revenues	\$ 16,097	\$ 148	\$ 16,245	\$ 16,025	\$ 324	\$ 16,349	\$ 15,833	\$ (27)	\$ 15,806	\$ 12,635	\$ (248)	\$ 12,387
Total expenses	\$ 13,780	\$ (28)	\$ 13,752	\$ 13,979	\$ —	\$ 13,979	\$ 14,674	\$ 43	\$ 14,717	\$ 14,017	\$ 41	\$ 14,058
Income (loss) from continuing operations, net of income tax	\$ 1,770	\$ 130	\$ 1,900	\$ 1,475	\$ 211	\$ 1,686	\$ 1,024	\$ (51)	\$ 973	\$ (795)	\$ (176)	\$ (971)
Income (loss) from discontinued operations, net of income tax	\$ 433	\$ (1)	\$ 432	\$ (1,361)	\$ —	\$ (1,361)	\$ (451)	\$ 16	\$ (435)	\$ (1,291)	\$ (79)	\$ (1,370)
Net income (loss)	\$ 2,203	\$ 129	\$ 2,332	\$ 114	\$ 211	\$ 325	\$ 573	\$ (35)	\$ 538	\$ (2,086)	\$ (255)	\$ (2,341)
Less: Net income (loss) attributable to noncontrolling interests	\$ 2	\$ —	\$ 2	\$ 4	\$ —	\$ 4	\$ (4)	\$ —	\$ (4)	\$ 2	\$ —	\$ 2
Net income (loss) attributable to MetLife, Inc.	\$ 2,201	\$ 129	\$ 2,330	\$ 110	\$ 211	\$ 321	\$ 577	\$ (35)	\$ 542	\$ (2,088)	\$ (255)	\$ (2,343)
Less: Preferred stock dividends	\$ 6	\$ —	\$ 6	\$ 46	\$ —	\$ 46	\$ 6	\$ —	\$ 6	\$ 45	\$ —	\$ 45
Net income (loss) available to MetLife, Inc.'s common shareholders	\$ 2,195	\$ 129	\$ 2,324	\$ 64	\$ 211	\$ 275	\$ 571	\$ (35)	\$ 536	\$ (2,133)	\$ (255)	\$ (2,388)
Basic earnings per common share												
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders	\$ 1.60	\$ 0.12	\$ 1.72	\$ 1.30	\$ 0.19	\$ 1.49	\$ 0.93	\$ (0.05)	\$ 0.88	\$ (0.77)	\$ (0.15)	\$ (0.92)
Income (loss) from discontinued operations, net of income tax, attributable to MetLife, Inc.	\$ 0.39	\$ —	\$ 0.39	\$ (1.24)	\$ —	\$ (1.24)	\$ (0.41)	\$ 0.02	\$ (0.39)	\$ (1.17)	\$ (0.08)	\$ (1.25)
Net income (loss) attributable to MetLife, Inc.	\$ 2.00	\$ 0.12	\$ 2.12	\$ 0.10	\$ 0.19	\$ 0.29	\$ 0.52	\$ (0.03)	\$ 0.49	\$ (1.90)	\$ (0.23)	\$ (2.13)
Net income (loss) available to MetLife, Inc.'s common shareholders	\$ 1.99	\$ 0.12	\$ 2.11	\$ 0.06	\$ 0.19	\$ 0.25	\$ 0.52	\$ (0.03)	\$ 0.49	\$ (1.94)	\$ (0.23)	\$ (2.17)
Diluted earnings per common share (3)												
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders	\$ 1.59	\$ 0.12	\$ 1.71	\$ 1.29	\$ 0.19	\$ 1.48	\$ 0.92	\$ (0.05)	\$ 0.87	\$ (0.77)	\$ (0.15)	\$ (0.92)
Income (loss) from discontinued operations, net of income tax, attributable to MetLife, Inc.	\$ 0.39	\$ —	\$ 0.39	\$ (1.23)	\$ —	\$ (1.23)	\$ (0.41)	\$ 0.02	\$ (0.39)	\$ (1.17)	\$ (0.08)	\$ (1.25)
Net income (loss) attributable to MetLife, Inc.	\$ 1.99	\$ 0.11	\$ 2.10	\$ 0.10	\$ 0.19	\$ 0.29	\$ 0.52	\$ (0.03)	\$ 0.49	\$ (1.90)	\$ (0.23)	\$ (2.13)
Net income (loss) available to MetLife, Inc.'s common shareholders	\$ 1.98	\$ 0.12	\$ 2.10	\$ 0.06	\$ 0.19	\$ 0.25	\$ 0.51	\$ (0.03)	\$ 0.48	\$ (1.94)	\$ (0.23)	\$ (2.17)

- (1) Results of operations were revised to reflect Brighthouse as discontinued operations. See Note 3.
- (2) See Note 1 information on prior period revisions.
- (3) For the three months ended December 31, 2016, 9.2 million shares related to the assumed exercise or issuance of stock-based awards have been excluded from the weighted average common shares outstanding - diluted, as to include these assumed shares would be anti-dilutive to net income (loss) available to common shareholders per common share - diluted.

MetLife, Inc.

Notes to the Consolidated Financial Statements — (continued)

22. Subsequent Events

Common Stock Repurchases

In 2018, through February 16, 2018, MetLife, Inc. repurchased 7,499,116 shares of its common stock in the open market for \$392 million.

Disposition

See Note 3 for additional information related to the disposition of MetLife Afore.

Dividends

Preferred Stock

On February 16, 2018, MetLife, Inc. announced a first quarter 2018 dividend of \$0.25 per share, for a total of \$6 million, on its Series A preferred stock, subject to the final confirmation that it has met the financial tests specified in the certificate of designation for the Series A preferred stock, which the Company anticipates will be made and announced on or about March 5, 2018. The dividend will be payable on March 15, 2018 to shareholders of record as of February 28, 2018.

Common Stock

On January 5, 2018, the MetLife, Inc. Board of Directors declared a first quarter 2018 common stock dividend of \$0.40 per share payable on March 13, 2018 to shareholders of record as of February 5, 2018. The Company estimates that the aggregate dividend payment will be \$416 million.

MetLife, Inc.

Schedule I

**Consolidated Summary of Investments —
Other Than Investments in Related Parties
December 31, 2017**

(In millions)

Types of Investments	Cost or Amortized Cost (1)	Estimated Fair Value	Amount at Which Shown on Balance Sheet
Fixed maturity securities:			
Bonds:			
Foreign government securities	\$ 55,351	\$ 61,534	\$ 61,534
U.S. government and agency securities	43,446	47,394	47,394
Public utilities	12,087	13,581	13,581
State and political subdivision securities	10,752	12,455	12,455
All other corporate bonds	115,238	123,445	123,445
Total bonds	236,874	258,409	258,409
Mortgage-backed and asset-backed securities	48,106	49,318	49,318
Redeemable preferred stock	1,089	1,204	1,204
Total fixed maturity securities	286,069	308,931	308,931
FVO securities	14,656	16,745	16,745
Equity securities:			
Common stock:			
Industrial, miscellaneous and all other	1,538	1,807	1,807
Banks, trust and insurance companies	83	154	154
Public utilities	66	74	74
Non-redeemable preferred stock	453	478	478
Total equity securities	2,140	2,513	2,513
Mortgage loans	68,731		68,731
Policy loans	9,669		9,669
Real estate and real estate joint ventures	9,589		9,589
Real estate acquired in satisfaction of debt	48		48
Other limited partnership interests	5,708		5,708
Short-term investments	4,870		4,870
Other invested assets	17,263		17,263
Total investments	\$ 418,743		\$ 444,067

- (1) The FVO securities portfolio is mainly comprised of fixed maturity and equity securities, including mutual funds and, to a lesser extent, short-term investments and cash and cash equivalents. Cost or amortized cost for fixed maturity securities and mortgage loans represents original cost reduced by repayments, valuation allowances and impairments from other-than-temporary declines in estimated fair value that are charged to earnings and adjusted for amortization of premiums or accretion of discounts; for equity securities, cost represents original cost reduced by impairments from other-than-temporary declines in estimated fair value; for real estate, cost represents original cost reduced by impairments and depreciation; for real estate joint ventures and other limited partnership interests, cost represents original cost reduced for impairments or original cost adjusted for equity in earnings and distributions.

MetLife, Inc.

Schedule II

**Condensed Financial Information
(Parent Company Only)
December 31, 2017 and 2016**

(In millions, except share and per share data)

	<u>2017</u>	<u>2016</u>
Condensed Balance Sheets		
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: \$4,520 and \$3,900, respectively)	\$ 4,510	\$ 3,894
Fair value option securities, at estimated fair value	1,357	—
Short-term investments, principally at estimated fair value	30	148
Other invested assets, at estimated fair value	127	499
Total investments	<u>6,024</u>	<u>4,541</u>
Cash and cash equivalents	516	334
Accrued investment income	24	74
Investment in subsidiaries	73,274	85,429
Loans to subsidiaries	100	1,200
Other assets	1,153	1,529
Total assets	<u>\$ 81,091</u>	<u>\$ 93,107</u>
Liabilities and Stockholders' Equity		
Liabilities		
Payables for collateral under derivatives transactions	\$ 36	\$ 147
Long-term debt — unaffiliated	14,599	15,505
Long-term debt — affiliated	2,000	3,100
Collateral financing arrangement	—	2,797
Junior subordinated debt securities	2,454	1,734
Other liabilities	3,326	2,294
Total liabilities	<u>22,415</u>	<u>25,577</u>
Stockholders' Equity		
Preferred stock, par value \$0.01 per share; \$2,100 aggregate liquidation preference	—	—
Common stock, par value \$0.01 per share; 3,000,000,000 shares authorized; 1,168,710,101 and 1,164,029,985 shares issued, respectively; 1,043,588,396 and 1,095,519,005 shares outstanding, respectively	12	12
Additional paid-in capital	31,111	30,944
Retained earnings	26,527	34,683
Treasury stock, at cost; 125,121,705 and 68,510,980 shares, respectively	(6,401)	(3,474)
Accumulated other comprehensive income (loss)	7,427	5,366
Total stockholders' equity	<u>58,676</u>	<u>67,531</u>
Total liabilities and stockholders' equity	<u>\$ 81,091</u>	<u>\$ 93,108</u>

See accompanying notes to the condensed financial information.

MetLife, Inc.

Schedule II

**Condensed Financial Information — (continued)
(Parent Company Only)
For the Years Ended December 31, 2017, 2016 and 2015**

(In millions)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Condensed Statements of Operations			
Revenues			
Equity in earnings of subsidiaries	\$ 7,162	\$ 1,833	\$ 6,048
Net investment income	101	129	170
Other revenues	59	151	124
Net investment gains (losses)	(1,142)	86	12
Net derivative gains (losses)	(186)	(68)	(7)
Total revenues	<u>5,994</u>	<u>2,131</u>	<u>6,347</u>
Expenses			
Interest expense	1,108	1,152	1,171
Goodwill impairment	—	147	—
Termination of financing arrangements	294	2	—
Other expenses	657	388	180
Total expenses	<u>2,059</u>	<u>1,689</u>	<u>1,351</u>
Income (loss) before provision for income tax	3,935	442	4,996
Provision for income tax expense (benefit)	(75)	(408)	(377)
Net income (loss)	4,010	850	5,373
Less: Preferred stock dividends	103	103	116
Preferred stock repurchase premium	—	—	42
Net income (loss) available to common shareholders	<u>\$ 3,907</u>	<u>\$ 747</u>	<u>\$ 5,215</u>
Comprehensive income (loss)	<u>\$ 7,391</u>	<u>\$ 1,449</u>	<u>\$ (574)</u>

See accompanying notes to the condensed financial information.

MetLife, Inc.
Schedule II

Condensed Financial Information — (continued)
(Parent Company Only)
For the Years Ended December 31, 2017, 2016 and 2015
(In millions)

	2017	2016	2015
Condensed Statements of Cash Flows			
Cash flows from operating activities			
Net income (loss)	\$ 4,010	\$ 850	\$ 5,373
Earnings of subsidiaries	(7,162)	(1,833)	(6,048)
Dividends from subsidiaries	6,745	4,470	2,335
(Gains) losses on investments and from sales of businesses, net	1,142	(86)	(12)
Goodwill impairment	—	147	—
Tax separation agreement charge	1,093	—	—
Other, net	634	199	(42)
Net cash provided by (used in) operating activities	<u>6,462</u>	<u>3,747</u>	<u>1,606</u>
Cash flows from investing activities			
Sales of fixed maturity securities	7,217	8,603	7,952
Purchases of fixed maturity securities	(7,733)	(7,409)	(7,957)
Cash received in connection with freestanding derivatives	452	311	930
Cash paid in connection with freestanding derivatives	(629)	(561)	(510)
Sales of businesses	—	291	—
Expense paid on behalf of subsidiaries	(42)	(68)	(40)
Receipts on loans to subsidiaries	—	140	761
Issuances of loans to subsidiaries	—	(140)	(300)
Returns of capital from subsidiaries	610	80	5
Capital contributions to subsidiaries	(339)	(1,733)	(667)
Net change in short-term investments	118	120	110
Other, net	(14)	(18)	2
Net cash provided by (used in) investing activities	<u>(360)</u>	<u>(384)</u>	<u>286</u>
Cash flows from financing activities			
Net change in payables for collateral under derivative transactions	(111)	(80)	(122)
Long-term debt issued	—	—	2,739
Long-term debt repaid	(1,000)	(1,250)	(1,000)
Fees paid for the termination of a committed facility related to Separation	(244)	(2)	—
Treasury stock acquired in connection with share repurchases	(2,927)	(372)	(1,930)
Preferred stock issued, net of issuance costs	—	—	1,483
Repurchase of preferred stock	—	—	(1,460)
Preferred stock repurchase premium	—	—	(42)
Dividends on preferred stock	(103)	(103)	(116)
Dividends on common stock	(1,717)	(1,736)	(1,653)
Other, net	182	93	187
Net cash provided by (used in) financing activities	<u>(5,920)</u>	<u>(3,450)</u>	<u>(1,914)</u>
Change in cash and cash equivalents	182	(87)	(22)
Cash and cash equivalents, beginning of year	334	421	443
Cash and cash equivalents, end of year	<u><u>\$ 516</u></u>	<u><u>\$ 334</u></u>	<u><u>\$ 421</u></u>

MetLife, Inc.

Schedule II

**Condensed Financial Information — (continued)
(Parent Company Only)
For the Years Ended December 31, 2017, 2016 and 2015**

(In millions)

	2017	2016	2015
Supplemental disclosures of cash flow information			
Net cash paid (received) for:			
Interest	\$ 1,096	\$ 1,146	\$ 1,133
Income tax:			
Amounts paid to (received from) subsidiaries, net	\$ (1,552)	\$ (569)	\$ (226)
Amounts paid to Brighthouse in accordance with the tax separation agreement	729	—	—
Income tax paid (received) by MetLife, Inc., net	(37)	136	55
Total income tax, net	\$ (860)	\$ (433)	\$ (171)
Non-cash transactions:			
Dividends from subsidiary	\$ —	\$ 2,652	\$ —
Returns of capital from subsidiaries	\$ 17,518	\$ 372	\$ 4,284
Capital contributions to subsidiaries	\$ 15,655	\$ 157	\$ 4,120
Distribution of Brighthouse	\$ 10,346	\$ —	\$ —
Payables to subsidiaries for future capital contributions	\$ —	\$ —	\$ 120
Allocation of interest expense to subsidiary	\$ 15	\$ 39	\$ 28
Allocation of interest income to subsidiary	\$ 4	\$ 54	\$ 57

MetLife, Inc.

Schedule II

**Notes to the Condensed Financial Information
(Parent Company Only)**

1. Basis of Presentation

The condensed financial information of MetLife, Inc. (the “Parent Company”) should be read in conjunction with the consolidated financial statements of MetLife, Inc. and its subsidiaries and the notes thereto (the “Consolidated Financial Statements”). These condensed unconsolidated financial statements reflect the results of operations, financial position and cash flows for MetLife, Inc. Investments in subsidiaries are accounted for using the equity method of accounting.

The preparation of these condensed unconsolidated financial statements in conformity with GAAP requires management to adopt accounting policies and make certain estimates and assumptions. The most important of these estimates and assumptions relate to the fair value measurements, the accounting for goodwill and identifiable intangible assets and the provision for potential losses that may arise from litigation and regulatory proceedings and tax audits, which may affect the amounts reported in the condensed unconsolidated financial statements and accompanying notes. Actual results could differ from these estimates.

See Note 1 of the Notes to the Consolidated Financial Statements for information on prior period revisions.

The impact of the revisions is shown in the tables below:

Condensed Balance Sheets	December 31, 2016		
	As Previously Reported	Revisions	As Revised
	(In millions)		
Assets			
Investment in subsidiaries	\$ 85,207	\$ 222	\$ 85,429
Total assets	\$ 92,885	\$ 222	\$ 93,107
Stockholders' Equity			
Retained earnings	\$ 34,480	\$ 203	\$ 34,683
Accumulated other comprehensive income (loss)	\$ 5,347	\$ 19	\$ 5,366
Total stockholders' equity	\$ 67,309	\$ 222	\$ 67,531
Total liabilities and stockholders' equity	\$ 92,886	\$ 222	\$ 93,108

Condensed Statements of Operations	For the Years Ended December 31,					
	2016			2015		
	As Previously Reported	Revisions	As Revised	As Previously Reported	Revisions	As Revised
	(In millions)					
Revenues						
Equity in earnings of subsidiaries	\$ 1,783	\$ 50	\$ 1,833	\$ 5,985	\$ 63	\$ 6,048
Total revenues	\$ 2,081	\$ 50	\$ 2,131	\$ 6,284	\$ 63	\$ 6,347
Income (loss) before provision for income tax	\$ 392	\$ 50	\$ 442	\$ 4,933	\$ 63	\$ 4,996
Net income (loss)	\$ 800	\$ 50	\$ 850	\$ 5,310	\$ 63	\$ 5,373
Net income (loss) available to common shareholders	\$ 697	\$ 50	\$ 747	\$ 5,152	\$ 63	\$ 5,215
Comprehensive income (loss)	\$ 1,376	\$ 73	\$ 1,449	\$ (568)	\$ (6)	\$ (574)

MetLife, Inc.

Schedule II

Notes to the Condensed Financial Information — (continued)

(Parent Company Only)

Condensed Statements of Cash Flows	For the Years Ended December 31,					
	2016			2015		
	As Previously Reported	Revisions	As Revised	As Previously Reported	Revisions	As Revised
	(In millions)					
Cash flows from operating activities						
Net income (loss)	\$ 800	\$ 50	\$ 850	\$ 5,310	\$ 63	\$ 5,373
Earnings of subsidiaries	\$ (1,783)	\$ (50)	\$ (1,833)	\$ (5,985)	\$ (63)	\$ (6,048)

2. Investment in Subsidiaries

On August 3, 2017, Brighthouse Financial, Inc. paid a cash dividend to MetLife, Inc. of \$1.8 billion in connection with the Separation.

In December 2016, MLIC transferred the issued and outstanding shares of the common stock of each of NELICO and GALIC to MetLife, Inc. in the form of a non-cash extraordinary dividend of \$2.7 billion.

In February 2016, MetLife, Inc. paid a cash capital contribution of \$1.5 billion to Brighthouse Insurance in connection with the Separation.

In December 2015, MetLife, Inc. accrued \$50 million, \$45 million and \$25 million in capital contributions payable to the following captive reinsurers: MRV, MRD and MRSC, respectively, which were included in payables to subsidiaries at December 31, 2015. The payables were settled for cash in February 2016.

In December 2014, MetLife, Inc. accrued \$350 million and \$95 million in capital contributions payable to MRV and MRD, respectively, which were included in payables to subsidiaries at December 31, 2014. The payables were settled for cash in February 2015.

3. Loans to Subsidiaries

MetLife, Inc. lends funds as necessary to its subsidiaries, some of which are regulated, to meet their capital requirements. Payments of interest and principal on surplus notes of regulated subsidiaries, which are subordinate to all other obligations of the issuing company, may be made only with the prior approval of the insurance department of the state of domicile.

In April 2017, in connection with the Separation, MetLife, Inc. repaid \$750 million and \$350 million senior notes to MRD due September 2032 and December 2033, respectively, in an exchange transaction. The \$750 million senior note bore interest at a fixed rate of 4.21% and the \$350 million senior note bore interest at a fixed rate of 5.10%. Simultaneously, MRD repaid \$750 million and \$350 million surplus notes to MetLife, Inc. The \$750 million surplus note bore interest at a fixed rate of 5.13% and the \$350 million surplus note bore interest at a fixed rate of 6.00% (the “MRD Notes Exchange”).

In April 2016, American Life issued a \$140 million short-term note to MetLife, Inc. which was repaid in July 2016. The short-term note bore interest at six-month LIBOR plus 1.00%.

In May 2015, American Life issued a \$150 million short-term note to MetLife, Inc. which was repaid in June 2015. The short-term note bore interest at six-month LIBOR plus 1.00%.

In April 2015, American Life issued a \$150 million short-term note to MetLife, Inc. which was repaid in May 2015. The short-term note bore interest at six-month LIBOR plus 0.875%.

In July 2013, MetLife Ireland Treasury d.a.c. (formerly known as MetLife Ireland Treasury Limited) (“MIT”) borrowed the Chilean peso equivalent of \$1.5 billion from MetLife, Inc., which was due in July 2023. The loan bore interest at a fixed rate of 8.5%, payable annually. In December, September and June 2015, MIT made loan payments of the Chilean peso equivalent of \$77 million, \$153 million and \$231 million, respectively. At December 31, 2015, the loan was fully paid.

Interest income earned on loans to subsidiaries of \$44 million, \$64 million and \$91 million for the years ended December 31, 2017, 2016 and 2015, respectively, is included in net investment income.

MetLife, Inc.

Schedule II

Notes to the Condensed Financial Information — (continued)

4. Long-term Debt

Long-term debt outstanding was as follows:

	Interest Rates (1)			December 31,	
	Range	Weighted Average	Maturity	2017	2016
(Dollars in millions)					
Senior notes — unaffiliated (2)	3.00% - 7.72%	4.84%	2018 - 2046	\$ 14,599	\$ 15,505
Senior notes — affiliated	3.03% - 5.86%	4.58%	2019 - 2021	2,000	3,100
Total				<u>\$ 16,599</u>	<u>\$ 18,605</u>

- (1) Range of interest rates and weighted average interest rates are for the year ended December 31, 2017.
- (2) Net of \$86 million and \$92 million of unamortized issuance costs and net premiums and discounts at December 31, 2017 and 2016, respectively.

See Note 12 of the Notes to the Consolidated Financial Statements.

The aggregate maturities of long-term debt at December 31, 2017 for the next five years and thereafter are \$1.0 billion in 2018, \$1.8 billion in 2019, \$789 million in 2020, \$2.0 billion in 2021, \$500 million in 2022 and \$10.5 billion thereafter.

Credit Facility – Affiliated

In June 2016, MetLife, Inc. entered into a five-year agreement with an indirect wholly-owned subsidiary, MIT, to borrow up to \$1.3 billion on a revolving basis, at interest rates based on the IRS safe harbor interest rate in effect at the time of the borrowing. MetLife, Inc. may borrow funds under the agreement at the lender’s discretion and subject to the availability of funds. There were no outstanding borrowings at December 31, 2017.

Long-term Debt – Affiliated

In June 2016, March 2016 and December 2015, MetLife, Inc. repaid \$204 million, \$10 million and \$286 million, respectively, of affiliated long-term debt to MetLife Exchange Trust I at maturity in exchange for a return of capital. The long-term notes bore interest at three-month LIBOR plus 0.7%.

Senior Notes – Affiliated

In September 2016, a \$250 million senior note issued to MLIC matured and, subsequently, in September 2016 MetLife, Inc. issued a new \$250 million senior note to MLIC. The senior note matures in September 2020 and bears interest at a rate per annum of 3.03%, payable semi-annually.

See Note 3 for information on the MRD Notes Exchange in 2017.

MetLife, Inc.
Schedule II
Notes to the Condensed Financial Information — (continued)
(Parent Company Only)
4. Long-term Debt (continued)
Interest Expense

Interest expense was comprised of the following:

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Long-term debt — unaffiliated	\$ 774	\$ 811	\$ 833
Long-term debt — affiliated	112	160	168
Collateral financing arrangements	27	47	36
Junior subordinated debt securities	195	134	134
Total	\$ 1,108	\$ 1,152	\$ 1,171

See Notes 13 and 14 of the Notes to the Consolidated Financial Statements for information about the collateral financing arrangement and junior subordinated debt securities. See also Note 3 of the Notes to the Consolidated Financial Statements regarding the termination of the MRSC collateral financing arrangement.

5. Junior Subordinated Debt Securities

In February 2017, in connection with the Separation, MetLife, Inc. exchanged \$750 million aggregate principal amount of its 9.250% Fixed-to-Floating Rate Junior Subordinated Debentures due 2068 for \$750 million aggregate liquidation preference of the 9.250% Fixed-to-Floating Rate Exchangeable Surplus Trust Securities of MetLife Capital Trust X (the “Trust”). As a result of the exchange, MetLife, Inc. is the sole beneficial owner of the Trust, a special purpose entity which issued the exchangeable surplus trust securities to investors, and is the beneficiary of \$750 million of 8.595% surplus notes held by the Trust that were issued by Brighthouse Insurance. In March 2017, MetLife, Inc. dissolved the Trust. In June 2017, MetLife, Inc. forgave Brighthouse Insurance’s obligation to pay the principal amount of \$750 million affiliated surplus notes held by MetLife, Inc.

6. Support Agreements

MetLife, Inc. is party to various capital support commitments and guarantees with certain of its subsidiaries. Under these arrangements, MetLife, Inc. has agreed to cause each such entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations.

MetLife, Inc. guarantees the obligations of its subsidiary, Delaware American Life Insurance Company (“DelAm”), under a stop loss reinsurance agreement with RGA Reinsurance (Barbados) Inc. (“RGARe”), pursuant to which RGARe retrocedes to DelAm a portion of the whole life medical insurance business that RGARe assumed from American Life on behalf of its Japan operations. Also, MetLife, Inc. guarantees the obligations of its subsidiary, Missouri Reinsurance, Inc. (“MoRe”), under a retrocession agreement with RGARe, pursuant to which MoRe retrocedes a portion of the closed block liabilities associated with industrial life and ordinary life insurance policies that it assumed from MLIC.

MetLife, Inc. guarantees the obligations of MetLife Reinsurance Company of Bermuda, Ltd. (“MrB”), a Bermuda insurance affiliate and an indirect, wholly-owned subsidiary of MetLife, Inc. under a reinsurance agreement with Mitsui Sumitomo Primary Life Insurance Co., Ltd. (“Mitsui”), a former affiliate that is now an unaffiliated third party, under which MrB reinsures certain variable annuity business written by Mitsui.

MetLife, Inc. guarantees the obligations of MrB in an aggregate amount up to \$1.0 billion, under a reinsurance agreement with MetLife Europe d.a.c. (“MEL”) (formerly known as MetLife Europe Limited), under which MrB reinsured the guaranteed living benefits and guaranteed death benefits associated with certain unit-linked annuity contracts issued by MEL.

MetLife, Inc.

Schedule II

Notes to the Condensed Financial Information — (continued)

(Parent Company Only)

6. Support Agreements (continued)

MetLife, Inc., in connection with MRV's reinsurance of certain universal life and term life insurance risks, committed to the Vermont Department of Banking, Insurance, Securities and Health Care Administration to take necessary action to cause the two protected cells of MRV to maintain total adjusted capital in an amount that is equal to or greater than 200% of each such protected cell's authorized control level RBC, as defined in Vermont state insurance statutes. See Note 12 of the Notes to the Consolidated Financial Statements.

MetLife, Inc., in connection with the collateral financing arrangement associated with MRC's reinsurance of a portion of the liabilities associated with the closed block, committed to the South Carolina Department of Insurance to make capital contributions, if necessary, to MRC so that MRC may at all times maintain its total adjusted capital in an amount that is equal to or greater than 200% of the Company Action Level RBC, as defined in South Carolina state insurance statutes as in effect on the date of determination or December 31, 2007, whichever calculation produces the greater capital requirement, or as otherwise required by the South Carolina Department of Insurance. See Note 13 of the Notes to the Consolidated Financial Statements.

MetLife, Inc. guarantees obligations arising from derivatives of the following subsidiaries: MrB, MetLife International Holdings, LLC and MetLife Worldwide Holdings, LLC. These subsidiaries are exposed to various risks relating to their ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. These subsidiaries use a variety of strategies to manage these risks, including the use of derivatives. Further, all of the subsidiaries' derivatives are subject to industry standard netting agreements and collateral agreements that limit the unsecured portion of any open derivative position. On a net counterparty basis at December 31, 2017 and 2016, derivative transactions with positive mark-to-market values (in-the-money) were \$515 million and \$495 million, respectively, and derivative transactions with negative mark-to-market values (out-of-the-money) were \$126 million and \$237 million, respectively. To secure the obligations represented by the out of-the-money transactions, the subsidiaries had provided collateral to their counterparties with an estimated fair value of \$114 million and \$233 million at December 31, 2017 and 2016, respectively. Accordingly, unsecured derivative liabilities guaranteed by MetLife, Inc. were \$12 million and \$4 million at December 31, 2017 and 2016, respectively.

MetLife, Inc. also guarantees the obligations of certain of its subsidiaries under committed facilities with third-party banks. See Note 12 of the Notes to the Consolidated Financial Statements.

MetLife, Inc.

Schedule III

**Consolidated Supplementary Insurance Information
December 31, 2017, 2016 and 2015**

(In millions)

Segment	DAC and VOBA	Future Policy Benefits, Other Policy-Related Balances and Policyholder Dividend Obligation	Policyholder Account Balances	Policyholder Dividends Payable	Unearned Premiums (1), (2)	Unearned Revenue (1)
2017						
U.S.	\$ 614	\$ 65,610	\$ 70,455	\$ —	\$ 1,907	\$ 24
Asia	9,261	39,702	59,702	80	2,378	916
Latin America	2,050	10,397	6,361	—	115	675
EMEA	1,673	5,768	13,811	7	24	454
MetLife Holdings	4,797	73,317	32,176	595	167	205
Corporate & Other	24	816	13	—	1	—
Total	<u>\$18,419</u>	<u>\$ 195,610</u>	<u>\$ 182,518</u>	<u>\$ 682</u>	<u>\$ 4,592</u>	<u>\$ 2,274</u>
2016						
U.S.	\$ 616	\$ 61,578	\$ 67,539	\$ —	\$ 1,843	\$ 30
Asia	8,707	36,308	53,114	95	2,167	912
Latin America	1,808	9,163	5,597	—	448	563
EMEA	1,472	5,439	12,636	6	64	372
MetLife Holdings	5,246	72,220	33,982	604	204	209
Corporate & Other	(259)	(2,739)	(382)	(9)	(2)	(27)
Total	<u>\$17,590</u>	<u>\$ 181,969</u>	<u>\$ 172,486</u>	<u>\$ 696</u>	<u>\$ 4,724</u>	<u>\$ 2,059</u>
2015						
U.S.	\$ 615	\$ 59,413	\$ 63,986	\$ —	\$ 1,820	\$ 33
Asia	8,386	34,397	49,094	88	1,859	974
Latin America	1,753	8,142	5,880	—	491	597
EMEA	1,532	5,837	13,172	7	60	336
MetLife Holdings	5,436	70,764	33,320	621	171	218
Corporate & Other	(292)	(2,345)	(322)	(7)	—	(23)
Total	<u>\$17,430</u>	<u>\$ 176,208</u>	<u>\$ 165,130</u>	<u>\$ 709</u>	<u>\$ 4,401</u>	<u>\$ 2,135</u>

(1) Amounts are included within the future policy benefits, other policy-related balances and policyholder dividend obligation column.

(2) Includes premiums received in advance.

MetLife, Inc.

Schedule III

Consolidated Supplementary Insurance Information — (continued)
December 31, 2017, 2016 and 2015

(In millions)

Segment	Premiums and Universal Life and Investment-Type Product Policy Fees	Net Investment Income	Policyholder Benefits and Claims and Interest Credited to Policyholder Account Balances	Amortization of DAC and VOBA Charged to Other Expenses	Other Expenses (1)
2017					
U.S.	\$ 24,644	\$ 6,201	\$ 25,103	\$ 459	\$ 3,235
Asia	8,352	3,299	6,799	1,310	1,802
Latin America	3,737	1,288	2,973	224	1,111
EMEA	2,492	1,157	2,012	356	966
MetLife Holdings	5,603	5,426	7,097	234	2,550
Corporate & Other	(326)	(8)	(64)	98	2,507
Total	<u>\$ 44,502</u>	<u>\$ 17,363</u>	<u>\$ 43,920</u>	<u>\$ 2,681</u>	<u>\$ 12,171</u>
2016					
U.S.	\$ 22,490	\$ 5,942	\$ 22,892	\$ 471	\$ 3,244
Asia	8,914	2,807	6,916	1,350	1,795
Latin America	3,554	1,133	2,770	184	1,007
EMEA	2,442	1,229	2,064	408	924
MetLife Holdings	6,034	5,670	7,521	424	3,392
Corporate & Other	(749)	9	(629)	(119)	1,892
Total	<u>\$ 42,685</u>	<u>\$ 16,790</u>	<u>\$ 41,534</u>	<u>\$ 2,718</u>	<u>\$ 12,254</u>
2015					
U.S.	\$ 21,804	\$ 6,020	\$ 22,100	\$ 471	\$ 3,197
Asia	8,491	2,859	6,808	1,262	1,619
Latin America	3,702	1,046	2,853	271	1,075
EMEA	2,455	347	1,109	492	998
MetLife Holdings	6,116	5,855	7,215	722	3,597
Corporate & Other	(595)	78	(526)	(34)	2,463
Total	<u>\$ 41,973</u>	<u>\$ 16,205</u>	<u>\$ 39,559</u>	<u>\$ 3,184</u>	<u>\$ 12,949</u>

(1) Includes other expenses and policyholder dividends, excluding amortization of DAC and VOBA charged to other expenses.

MetLife, Inc.
Schedule IV
Consolidated Reinsurance
December 31, 2017, 2016 and 2015
(Dollars in millions)

	<u>Gross Amount</u>	<u>Ceded</u>	<u>Assumed</u>	<u>Net Amount</u>	<u>% Amount Assumed to Net</u>
2017					
Life insurance in-force	\$ 4,594,523	\$ 513,091	\$ 581,246	\$ 4,662,678	12.5%
Insurance premium					
Life insurance (1)	\$ 22,379	\$ 1,863	\$ 1,531	\$ 22,047	6.9%
Accident & health insurance	13,593	442	223	13,374	1.7%
Property & casualty insurance	3,623	71	19	3,571	0.5%
Total insurance premium	<u>\$ 39,595</u>	<u>\$ 2,376</u>	<u>\$ 1,773</u>	<u>\$ 38,992</u>	4.5%
2016					
Life insurance in-force	\$ 4,098,780	\$ 481,028	\$ 613,693	\$ 4,231,445	14.5%
Insurance premium					
Life insurance (1)	\$ 20,857	\$ 1,614	\$ 1,089	\$ 20,332	5.4%
Accident & health insurance	13,551	447	257	13,361	1.9%
Property & casualty insurance	3,567	75	17	3,509	0.5%
Total insurance premium	<u>\$ 37,975</u>	<u>\$ 2,136</u>	<u>\$ 1,363</u>	<u>\$ 37,202</u>	3.7%
2015					
Life insurance in-force	\$ 4,080,869	\$ 546,122	\$ 593,722	\$ 4,128,469	14.4%
Insurance premium					
Life insurance (1)	\$ 20,854	\$ 1,570	\$ 1,150	\$ 20,434	5.6%
Accident & health insurance	12,677	377	219	12,519	1.7%
Property & casualty insurance	3,513	76	13	3,450	0.4%
Total insurance premium	<u>\$ 37,044</u>	<u>\$ 2,023</u>	<u>\$ 1,382</u>	<u>\$ 36,403</u>	3.8%

(1) Includes annuities with life contingencies.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Overview

Based on the Company's internal review, MetLife, Inc.'s Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") identified material weaknesses in the design and operation of its internal control over financial reporting. Management concluded that the Company has not maintained effective controls over (i) the administrative and accounting practices relating to certain Retirement and Income Solutions ("RIS") group annuity reserves and the timely communication and escalation of issues regarding those reserves throughout the Company, and (ii) controls over the calculation of reserves relating to variable annuity guarantees issued by a former operating joint venture in Japan and reinsured by the Company and included within MetLife Holdings. Management identified errors in reserve balances in connection with these material weaknesses. For more information on these reserve adjustments, see Note 1 of the Notes to the Consolidated Financial Statements.

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act that are designed to ensure that information required to be disclosed in the Company's reports filed under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules, and that such information is accumulated and communicated to Company management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Company management, including the CEO and CFO, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15(b) under the Exchange Act as of December 31, 2017, the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, the CEO and CFO concluded that the disclosure controls and procedures were not effective due to the material weaknesses in internal control over financial reporting described below.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control include providing management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of consolidated financial statements in conformity with GAAP.

Management evaluated the design and operating effectiveness of the Company's internal control over financial reporting based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO framework"). Solely because of the material weaknesses in internal control over financial reporting described below, in the opinion of management, MetLife, Inc. did not maintain effective internal control over financial reporting as of December 31, 2017.

A material weakness (as defined in Rule 12b-2 under the Exchange Act) is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Identification of the Material Weaknesses in Internal Control over Financial Reporting

The Company has identified the following deficiencies in the principles associated with both the control activities and information and communication components of the COSO framework:

RIS Group Annuity Reserves:

- Ineffective design and operating effectiveness of the controls related to processes and procedures for identifying unresponsive and missing group annuity annuitants and pension beneficiaries (Control Activities); and
- Ineffective design and operating effectiveness of the controls intended to ensure timely communication and escalation of the issue throughout the Company (Information & Communication).

Assumed Variable Annuity Guarantee Reserves:

- Ineffective design and operating effectiveness of the controls related to data validation and monitoring of reserves for variable annuity guarantees issued by a former operating joint venture in Japan and reinsured by the Company and included within MetLife Holdings (Control Activities).

These deficiencies, if not effectively remediated, could result in unprevented and undetected misstatements of accounts or disclosures related to liabilities for certain RIS group annuity contracts and MetLife Holdings assumed variable annuity guarantee reserves. Such misstatements could result in a material misstatement of the annual or interim consolidated financial statements.

The Company's independent registered public accounting firm, Deloitte & Touche LLP, has issued its report on its audit of the effectiveness of internal control over financial reporting, which is included on page 401.

Changes in Internal Control Over Financial Reporting

There were no changes to the Company's internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Remediation Steps to Address Material Weaknesses

Although the Company's remediation plan remains under development, the Company has begun remediation efforts and will continue initiatives to implement, document, and communicate policies, procedures, and internal controls. The Company's remediation of the identified material weaknesses and strengthening of its internal control environment will require a substantial effort in 2018.

The following remediation activities highlight the Company's commitment to remediating its identified material weaknesses.

RIS Group Annuity Reserves:

- The Company is implementing immediate changes to its administrative and accounting procedures and search practices to identify, contact, and record responses from "unresponsive and missing" plan annuitants and to otherwise locate missing annuitants.
- The Company is reviewing its practices regarding timely communication and escalation of issues throughout the Company.
- The Company will engage third party advisors to undertake a comprehensive examination and analysis of the facts and circumstances giving rise to the material weakness, under the supervision of MetLife, Inc.'s Chief Risk Officer.

Assumed Variable Annuity Guarantee Reserves:

- The Company is implementing immediate changes to how data for MetLife Holdings assumed variable annuity guarantee reserves is controlled and reviewed.
- The Company will engage third party advisors to undertake a comprehensive examination and analysis of the facts and circumstances giving rise to the material weakness.

The Company will make further changes and improve its internal control over financial reporting following management's review and development of the complete remediation plans for these material weaknesses that is responsive to the findings of the examinations.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of MetLife, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of MetLife, Inc. and subsidiaries (the "Company") as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of material weaknesses identified below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2017, of the Company and our report dated March 1, 2018, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment:

RIS Group Annuity Reserves:

- Ineffective design and operating effectiveness of the controls related to processes and procedures for identifying unresponsive and missing group annuity annuitants and pension beneficiaries; and
- Ineffective design and operating effectiveness of the controls intended to ensure timely communication and escalation of the issue throughout the Company

Assumed Variable Annuity Guarantee Reserves:

- Ineffective design and operating effectiveness of the controls related to data validation and monitoring of reserves for variable annuity guarantees issued by a former operating joint venture in Japan and reinsured by the Company and included within MetLife Holdings

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended December 31, 2017, of the Company, and this report does not affect our report on such consolidated financial statements.

/s/ DELOITTE & TOUCHE LLP
New York, New York
March 1, 2018

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information called for by this Item pertaining to Directors is incorporated herein by reference to the sections entitled “Proxy Summary — Director Nominees,” “Proposal 1 — Election of Directors For a One-Year Term Ending at the 2019 Annual Meeting of Shareholders — Director Nominees” and “Proposal 1 — Election of Directors For a One-Year Term Ending at the 2019 Annual Meeting of Shareholders — Corporate Governance — Information About the Board of Directors ” and “Other Information — Section 16(a) Beneficial Ownership Reporting Compliance” in MetLife, Inc.’s definitive proxy statement for the Annual Meeting of Shareholders to be held on June 12, 2018, to be filed by MetLife, Inc. with the SEC pursuant to Regulation 14A within 120 days after the year ended December 31, 2017 (the “2018 Proxy Statement”).

The information called for by this Item pertaining to Executive Officers appears in “Business — Executive Officers” in this Annual Report on Form 10-K and “Other Information — Section 16(a) Beneficial Ownership Reporting Compliance” in the 2018 Proxy Statement.

The Company has adopted the MetLife Financial Management Code of Professional Conduct (the “Financial Management Code”), a “code of ethics” as defined under the rules of the SEC, that applies to MetLife, Inc.’s Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and all professionals in finance and finance-related departments. In addition, the Company has adopted the Directors’ Code of Business Conduct and Ethics (the “Directors’ Code”) which applies to all members of MetLife, Inc.’s Board of Directors, including the Chief Executive Officer, and the Code of Conduct (together with the Financial Management Code and the Directors’ Code, collectively, the “Ethics Codes”), which applies to all employees of the Company, including MetLife, Inc.’s Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. The Ethics Codes are available on the Company’s website at <http://www.metlife.com/about/corporate-profile/corporate-governance/corporate-conduct/index.html>. The Company intends to satisfy its disclosure obligations under Item 5.05 of Form 8-K by posting information about amendments to, or waivers from a provision of, the Ethics Codes that apply to MetLife, Inc.’s Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer on the Company’s website at the address given above.

Item 11. Executive Compensation

The information called for by this Item is incorporated herein by reference to the sections entitled “Proposal 1 — Election of Directors for a One-Year Term Ending at the 2019 Annual Meeting of Shareholders — Corporate Governance — Information About the Board of Directors ,” “Proposal 1 — Election of Directors for a One-Year Term Ending at the 2019 Annual Meeting of Shareholders — Director Compensation in 2017,” and “Proposal 3 — Advisory Vote to Approve the Compensation Paid to the Company’s Named Executive Officers” in the 2018 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information called for by this Item pertaining to ownership of shares of MetLife, Inc.’s common stock (“Shares”) is incorporated herein by reference to the sections entitled “Other Information — Security Ownership of Directors and Executive Officers” and “Other Information — Security Ownership of Certain Beneficial Owners” in the 2018 Proxy Statement.

The following table provides information at December 31, 2017, regarding MetLife, Inc.’s equity compensation plans:

Equity Compensation Plan Information at December 31, 2017

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (1)	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights (2)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))(3)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	27,948,185	\$ 38.77	37,869,420
Equity compensation plans not approved by security holders	None	—	None
Total	27,948,185	\$ 38.77	37,869,420

(1) Column (a) reflects the following items outstanding as of December 31, 2017:

Stock Options	16,009,754
Restricted Stock Units	3,304,377
Performance Shares (assuming future payout at maximum performance factor)	7,059,080
Deferred Shares	1,574,974
Shares that will or may be issued	27,948,185

As of December 31, 2017:

- Stock Options under the MetLife, Inc. 2015 Stock and Incentive Compensation Plan (the “2015 Stock Plan”) and its predecessor plan, the MetLife, Inc. 2005 Stock and Incentive Compensation Plan (the “2005 Stock Plan) were outstanding;
- Restricted Stock Units and Performance Shares under the 2015 Stock Plan were outstanding; and
- Deferred Shares related to awards under the 2015 Stock Plan, MetLife, Inc. 2015 Non-Management Directors Stock Compensation Plan (the “2015 Director Stock Plan”), 2005 Stock Plan, MetLife, Inc. 2005 Non-Management Directors Stock Compensation Plan (the “2005 Director Stock Plan”), and earlier plans, were outstanding. Deferred Shares are Shares that are covered by awards that have become payable under any plan, but the issuance of which has been deferred.

The maximum performance factor for Performance Shares granted in 2015, 2016, and 2017 was 175%. The number of Performance Shares outstanding as of December 31, 2017 at target (100%) performance factor was 4,033,760.

MetLife, Inc. may issue Shares pursuant to awards (including Stock Option exercises, if any) under any plan using Shares held in treasury by MetLife, Inc. or by issuing new Shares.

For a general description of how the number of Shares paid out on account of Performance Shares and Restricted Stock Units is determined, and the vesting periods applicable to Performance Shares and Restricted Stock Units, see Note 15 of the Notes to the Consolidated Financial Statements.

(2) Column (b) reflects the weighted average exercise price of all Stock Options under any plan that, as of December 31, 2017, had been granted but not forfeited, expired, or exercised. Performance Shares, Restricted Stock Units, and Deferred Shares are not included in determining the weighted average in column (b) because they have no exercise price.

(3) Column (c) reflects the following items outstanding as of December 31, 2017:

	Number of Shares
At January 15, 2015, the effective date of the 2015 Stock Plan and 2015 Director Stock Plan:	
Shares newly authorized for issuance under the 2015 Stock Plan	11,750,000
Shares remaining authorized for issuance under the 2005 Stock Plan or other plans that were not covered by awards (i)	18,023,959
Shares authorized for issuance under the 2015 Director Stock Plan (ii)	1,642,208
Total Shares authorized for issuance at January 1, 2015	31,416,167
Additional Shares recovered for issuance (iii) in:	
2015	4,475,737
2016	6,344,455
2017	6,636,193
Total Shares recovered for issuance since January 1, 2015	17,456,385
Less: Shares covered by new awards and new imputed reinvested dividends on Deferred Shares (iv) in:	
2015	4,413,785
2016	6,036,177
2017	4,532,897
Total Shares covered by new awards and new imputed reinvested dividends on Deferred Shares since January 1, 2015	14,982,859
Net shares added to the 2015 Stock Plan and 2015 Director Plan authorizations in light of the Separation (v)	3,979,727
Shares remaining available for future issuance under the 2015 Stock Plan and 2015 Director Stock Plan	37,869,420

- (i) Consisting of Shares that were not covered by awards, including Shares previously covered by awards but recovered due to forfeiture of awards or other reasons and once again available for issuance.
- (ii) Consists of Shares remaining authorized for issuance under the predecessor plan, the 2005 Director Stock Plan, that were not covered by awards, including Shares previously covered by awards but recovered due to forfeiture of awards or other reasons and once again available.
- (iii) Consists of Shares utilized under the 2005 Stock Plan or 2015 Stock Plan that were recovered during each of the indicated calendar years, and therefore once again available for issuance, due to: (i) termination of the award by expiration, forfeiture, cancellation, lapse, or otherwise without issuing Shares; (ii) settlement of the award in cash either in lieu of Shares or otherwise; (iii) exchange of the award for awards not involving Shares; (iv) payment of the exercise price of a Stock Option, or the tax withholding requirements with respect to an award, satisfied by tendering Shares to MetLife, Inc. (by either actual delivery or by attestation); (v) satisfaction of tax withholding requirements with respect to an award satisfied by MetLife, Inc. withholding Shares otherwise issuable; and (vi) the payout of Performance Shares at any performance factor less than the maximum performance factor.
- (iv) Consists of Shares covered by awards granted under the 2015 Stock Plan (including Performance Shares assuming future payout at maximum performance factor). Shares covered by awards granted under the 2015 Directors Stock Plan and Shares covered by imputed reinvested dividends credited on Deferred Shares owed to directors, employees or agents, in each case during each of the indicated calendar years.
- (v) In light of the Separation, and in order to maintain the Share authorizations under each plan at the levels that shareholders had approved, MetLife, Inc. increased the number of Shares authorized for issuance under the 2015 Stock Plan and 2015 Director Plan as of August 4, 2017, excluding those Shares from the authorizations that had already been issued, by the Adjustment Ratio. MetLife, Inc. also increased the number of Shares covered by outstanding Stock Options, Performance Shares, Restricted Stock Units, and Deferred Shares on that date by the Adjustment Ratio, in order to maintain the intrinsic value of those awards and Deferred Shares, which decreased the number of Shares available for issuance under both plans. The amount in this row is the net increase in the Share authorization under both the 2015 Stock Plan and 2015 Director Plan as a result of these adjustments. For a description of the adjustment to Stock Options, Performance Shares, Restricted Stock Units, and Deferred Shares, see Note 15 of the Notes to the Consolidated Financial Statements.

Each Share MetLife, Inc. issues in connection with awards granted under the MetLife, Inc. 2005 Stock Plan other than Stock Options or Stock Appreciation Rights (such as Shares payable on account of Performance Shares or Restricted Stock Units under that plan, including any Deferred Shares resulting from such awards) reduces the number of Shares remaining for issuance by 1.179 (“2005 Stock Plan Share Award Ratio”). Each Share MetLife, Inc. issues in connection with a Stock Option or Stock Appreciation Right granted under the 2005 Stock Plan, or in connection with any award under any other plan for employees and agents (including any Deferred Shares resulting from such awards), reduces the number of Shares remaining for issuance by 1.0. (“Standard Award Ratio”). Shares related to awards that are recovered, and therefore authorized for issuance under the 2015 Stock Plan, are recovered with consideration of the 2005 Stock Plan Share Award Ratio and Standard Award Ratio, as applicable. Each Share MetLife, Inc. issues under the 2005 Director Stock Plan or 2015 Director Stock Plan (including any Deferred Shares resulting from such awards) reduces the number of Shares remaining for issuance under that plan by one. Shares related to awards that are recovered, and therefore authorized for issuance under the 2015 Director Stock Plan are recovered with consideration of this ratio. If MetLife, Inc. was to grant a Share-settled Stock Appreciation Right under the 2015 Stock Plan and the award holder exercised it, only the number of Shares MetLife, Inc. issued, net of the Shares tendered, if any, would be deemed delivered for purposes of determining the maximum number of Shares MetLife, Inc. may issue under the 2015 Stock Plan.

Any Shares covered by awards under the 2015 Director Stock Plan that were to be recovered due to (i) termination of the award by expiration, forfeiture, cancellation, lapse, or otherwise without issuing Shares; (ii) settlement of the award in cash either in lieu of Shares or otherwise; (iii) exchange of the award for awards not involving Shares; and (iv) payment of the exercise price of a Stock Option, or the tax withholding requirements with respect to an award, satisfied by tendering Shares to MetLife, Inc. (by either actual delivery or by attestation) would be available to be issued under the 2015 Director Stock Plan. In addition, if MetLife, Inc. was to grant a Share-settled Stock Appreciation Right under the 2015 Director Stock Plan, only the number of Shares issued, net of the Shares tendered, if any, would be deemed delivered for purposes of determining the maximum number of Shares available for issuance under the 2015 Director Stock Plan.

Under both the 2015 Stock Plan and the 2015 Director Stock Plan, in the event of a corporate event or transaction (including, but not limited to, a change in the Shares or the capitalization of MetLife) such as a merger, consolidation, reorganization, recapitalization, separation, stock dividend, extraordinary dividend, stock split, reverse stock split, split up, spin-off, or other distribution of stock or property of MetLife, combination of securities, exchange of securities, dividend in kind, or other like change in capital structure or distribution (other than normal cash dividends) to shareholders of MetLife, or any similar corporate event or transaction, the appropriate committee of the Board of Directors of MetLife, in order to prevent dilution or enlargement of participants’ rights under the applicable plan, shall substitute or adjust, as applicable, the number and kind of Shares that may be issued under that plan and shall adjust the number and kind of Shares subject to outstanding awards. Any Shares related to awards under either plan which: (i) terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of Shares; (ii) are settled in cash either in lieu of Shares or otherwise; or (iii) are exchanged with the appropriate committee’s permission for awards not involving Shares, are available again for grant under the applicable plan. If the option price of any Stock Option granted under either plan or the tax withholding requirements with respect to any award granted under either plan is satisfied by tendering Shares to MetLife (by either actual delivery or by attestation), or if a Stock Appreciation Right is exercised, only the number of Shares issued, net of the Shares tendered, if any, will be deemed delivered for purposes of determining the maximum number of Shares available for issuance under that plan. The maximum number of Shares available for issuance under either plan shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional Shares or credited as additional Restricted Stock or Restricted Stock Units.

For a description of the kinds of awards that have been or may be made under the 2015 Stock Plan and 2015 Director Stock Plan and awards that remained outstanding under the 2005 Stock Plan, see Note 15 of the Notes to the Consolidated Financial Statements.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information called for by this Item is incorporated herein by reference to the sections entitled “Proposal 1 — Election of Directors for a One-Year Term Ending at the 2019 Annual Meeting of Shareholders — Corporate Governance — Procedures for Reviewing Related Person Transactions,” “Proposal 1 — Election of Directors for a One-Year Term Ending at the 2019 Annual Meeting of Shareholders — Corporate Governance — Related Person Transactions” and “Proposal 1 — Election of Directors for a One-Year Term Ending at the 2019 Annual Meeting of Shareholders — Corporate Governance — Information About the Board of Directors — Composition and Independence of the Board of Directors” in the 2018 Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information called for by this item is incorporated herein by reference to the section entitled “Proposal 2 — Ratification of Appointment of the Independent Auditor” in the 2018 Proxy Statement.

Part IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this report:

1. Financial Statements

The financial statements are listed in the Index to Consolidated Financial Statements, Notes and Schedules on page 200.

2. Financial Statement Schedules

The financial statement schedules are listed in the Index to Consolidated Financial Statements, Notes and Schedules on page 200.

3. Exhibits

The exhibits are listed in the Exhibit Index which begins on page 407.

Item 16. Form 10-K Summary

None.

Exhibit Index

(Note Regarding Reliance on Statements in Our Contracts: In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, please remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about MetLife, Inc., its subsidiaries or affiliates, 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 (i) 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; (ii) 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; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (iv) 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., its subsidiaries and affiliates may be found elsewhere in this Annual Report on Form 10-K and MetLife, Inc.'s other public filings, which are available without charge through the U.S. Securities and Exchange Commission website at www.sec.gov.)

Exhibit No.	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File Number	Exhibit	Filing Date	
2.1	Plan of Reorganization.	S-1	333-91517	2.1	November 23, 1999	
2.2	Amendment to Plan of Reorganization, dated as of March 9, 2000.	S-1/A	333-91517	2.2	March 29, 2000	
2.3	Master Separation Agreement, dated August 4, 2017, between MetLife, Inc. and Brighthouse Financial, Inc.	8-K	001-15787	2.1	August 7, 2017	
3.1	Amended and Restated Certificate of Incorporation of MetLife, Inc.	10-K	001-15787	3.1	March 1, 2017	
3.2	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of MetLife, Inc., filed with the Secretary of State of Delaware on April 7, 2000.	10-K	001-15787	3.2	March 1, 2017	

[Table of Contents](#)

Exhibit No.	Description	Incorporated By Reference				Filed or Furnished Herewith
		Form	File Number	Exhibit	Filing Date	
3.3	Certificate of Designations of Floating Rate Non-Cumulative Preferred Stock, Series A, of MetLife, Inc., filed with the Secretary of State of Delaware on June 10, 2005.	10-K	001-15787	3.3	March 1, 2017	
3.4	Certificate of Amendment of Amended and Restated Certificate of Incorporation of MetLife, Inc., dated April 29, 2011.	10-K	001-15787	3.4	March 1, 2017	
3.5	Certificate of Retirement of Series B Contingent Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock of MetLife, Inc., filed with the Secretary of State of Delaware on November 5, 2013.	10-Q	001-15787	3.6	November 7, 2013	
3.6	Certificate of Amendment of Amended and Restated Certificate of Incorporation of MetLife, Inc., dated April 29, 2015.	8-K	001-15787	3.1	April 30, 2015	
3.7	Certificate of Designations of 5.250% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C, of MetLife, Inc., filed with the Secretary of State of Delaware on May 28, 2015.	8-K	001-15787	3.1	May 28, 2015	
3.8	Certificate of Elimination of 6.500% Non-Cumulative Preferred Stock, Series B, of MetLife, Inc., filed with the Secretary of State of Delaware on November 3, 2015.	10-Q	001-15787	3.7	November 5, 2015	
3.9	Certificate of Amendment of Amended and Restated Certificate of Incorporation of MetLife, Inc., dated October 23, 2017	8-K	001-15787	3.1	October 24, 2017	
3.10	Amended and Restated By-Laws of MetLife, Inc., effective September 27, 2016.	8-K	001-15787	3.2	September 29, 2016	
4.1	Form of Certificate for Common Stock, par value \$0.01 per share.	S-1/A	333-91517	4.1	March 9, 2000	
4.2	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of MetLife, Inc., filed with the Secretary of State of Delaware on April 7, 2000 (See Exhibit 3.2 above).					
4.3	Certificate of Designations of Floating Rate Non-Cumulative Preferred Stock, Series A, of MetLife, Inc., filed with the Secretary of State of Delaware on June 10, 2005. (See Exhibit 3.3 above).					
4.4	Form of Stock Certificate, Floating Rate Non-Cumulative Preferred Stock, Series A, of MetLife, Inc.	8-A	001-15787	99.6	June 10, 2005	
4.5	Certificate of Designations of 5.250% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C, of MetLife, Inc., filed with the Secretary of State of Delaware on May 28, 2015. (See Exhibit 3.7 above).					
4.6	Form of Stock Certificate, 5.250% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C, of MetLife, Inc.	8-K	001-15787	4.2	May 28, 2015	
4.7	Certificate of Amendment of Amended and Restated Certificate of Incorporation of MetLife, Inc., dated October 23, 2017 (See Exhibit 3.9 above). Certain instruments defining the rights of holders of long-term debt of MetLife, Inc. and its consolidated subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. MetLife, Inc. hereby agrees to furnish to the Securities and Exchange Commission, upon request, copies of such instruments.					
10.1	MetLife Executive Severance Plan (as amended and restated, effective June 14, 2010).*	10-K	001-15787	10.1	February 27, 2015	
10.2	Offer Letter, dated March 25, 2009, between American Life Insurance Company and Michel Khalaf.*	10-K	001-15787	10.2	March 1, 2017	
10.3	Adjustment of certain compensation items for Michel Khalaf, effective July 1, 2012.*	10-Q	001-15787	10.2	November 7, 2012	

[Table of Contents](#)

Exhibit No.	Description	Form	Incorporated By Reference			Filed or Furnished Herewith
			File Number	Exhibit	Filing Date	
10.4	Employment Agreement between Christopher G. Townsend and MetLife Asia Pacific Limited, dated May 11, 2012.*	8-K	001-15787	10.1	May 16, 2012	
10.5	Letter Agreement dated June 11, 2015 between MetLife, Inc. and Christopher Townsend.*	8-K	001-15787	10.1	June 15, 2015	
10.6	Tax Equalization Agreement dated June 10, 2015 between MetLife, Inc. and Michel Khalaf.*	10-Q	001-15787	10.1	August 6, 2015	
10.7	Separation Agreement, Waiver and General Release, dated July 30, 2015, between MetLife Group, Inc. and William J. Wheeler.*	10-Q	001-15787	10.1	November 5, 2015	
10.8	Agreement to Protect Corporate Property executed by William J. Wheeler on June 21, 2001.*	10-Q	001-15787	10.2	November 5, 2015	
10.9	Agreement to Protect Corporate Property, dated January 1, 2015, executed by Esther S. Lee.*	10-K	001-15787	10.13	February 25, 2016	
10.10	Form of Agreement to Protect Corporate Property executed by Steven A. Kandarian, Steven J. Goulart, and Maria M. Morris.*	10-K	001-15787	10.14	February 25, 2016	
10.11	Form of Agreement to Protect Corporate Property executed by Ricardo A. Anzaldua, John C. R. Hele, Frans Hijkoop, and Esther Lee on May 25, 2016; Steven A. Kandarian on May 31, 2016; Steven J. Goulart on June 2, 2016; Maria M. Morris on June 8, 2016 and Martin J. Lippert on July 6, 2016.*	10-Q	001-15787	10.1	August 5, 2016	
10.12	MetLife, Inc. 2005 Stock and Incentive Compensation Plan, effective April 15, 2005 (the "2005 SIC Plan").*	10-K	001-15787	10.24	February 27, 2015	
10.13	Form of Management Stock Option Agreement under the 2005 SIC Plan (effective as of April 25, 2007).*	10-K	001-15787	10.24	February 27, 2013	
10.14	Amendment to Stock Option Agreements under the 2005 SIC Plan (effective as of April 25, 2007).*	10-K	001-15787	10.25	February 27, 2013	
10.15	Form of Management Stock Option Agreement under the 2005 SIC Plan (effective December 15, 2009).*	10-K	001-15787	10.28	February 27, 2015	
10.16	Form of Management Stock Option Agreement under the 2005 SIC Plan.*	10-K	001-15787	10.29	February 27, 2015	
10.17	Form of Stock Option Agreement under the 2005 SIC Plan (effective February 11, 2013).*	8-K	001-15787	10.9	February 15, 2013	
10.18	Form of Stock Option Agreement (Three-Year "Cliff" Exercisability) under the 2005 SIC Plan (effective February 11, 2013).*	8-K	001-15787	10.10	February 15, 2013	
10.19	Form of Restricted Stock Unit Agreement (effective February 11, 2013).*	8-K	001-15787	10.4	February 15, 2013	
10.20	Form of Restricted Stock Unit Agreement (Three-Year "Cliff" Period of Restriction; No Code 162(m) Goals) (effective February 11, 2013).*	8-K	001-15787	10.5	February 15, 2013	
10.21	Form of Performance Share Agreement (effective February 11, 2013).*	8-K	001-15787	10.1	February 15, 2013	
10.22	MetLife International Performance Unit Incentive Plan (as amended and restated effective February 11, 2013).*	8-K	001-15787	10.2	February 15, 2013	
10.23	Form of Performance Unit Agreement (effective February 11, 2013).*	8-K	001-15787	10.3	February 15, 2013	
10.24	MetLife International Unit Option Incentive Plan, dated July 21, 2011 (as amended and restated effective February 23, 2011).*	10-K	001-15787	10.24	March 1, 2017	
10.25	Form of Unit Option Agreement under the MetLife International Unit Option Incentive Plan (effective February 23, 2011).*	10-K	001-15787	10.25	March 1, 2017	
10.26	MetLife International Unit Option Incentive Plan (as amended and restated December 3, 2012).*	8-K	001-15787	10.11	February 15, 2013	

[Table of Contents](#)

Exhibit No.	Description	Form	Incorporated By Reference			Filed or Furnished Herewith
			File Number	Exhibit	Filing Date	
10.27	Form of Unit Option Agreement (effective February 11, 2013).*	8-K	001-15787	10.12	February 15, 2013	
10.28	Form of Unit Option Agreement (Three-Year “Cliff” Exercisability) (effective February 11, 2013).*	8-K	001-15787	10.13	February 15, 2013	
10.29	MetLife International Restricted Unit Incentive Plan (as amended and restated effective February 11, 2013).*	8-K	001-15787	10.6	February 15, 2013	
10.30	Form of Restricted Unit Agreement (effective February 11, 2013).*	8-K	001-15787	10.7	February 15, 2013	
10.31	Form of Restricted Unit Agreement (Three-Year “Cliff” Period of Restriction; No Code 162(m) Goals) (effective February 11, 2013).*	8-K	001-15787	10.8	February 15, 2013	
10.32	MetLife Policyholder Trust Agreement.	S-1	333-91517	10.12	November 23, 1999	
10.33	Amendment to MetLife Policyholder Trust Agreement.	10-K	001-15787	10.62	February 27, 2013	
10.34	Five-Year Credit Agreement, dated as of May 30, 2014, among MetLife, Inc. and MetLife Funding, Inc., as borrowers, and the other parties signatory thereto, amending and restating (i) the Five-Year Credit Agreement, dated as of August 12, 2011, among MetLife, Inc. and MetLife Funding, Inc., as borrowers, and the other parties signatory thereto and (ii) the Five-Year Credit Agreement dated as of September 13, 2012 among MetLife, Inc. and MetLife Funding, Inc., as borrowers, and the other parties signatory thereto.	8-K	001-15787	10.1	June 4, 2014	
10.35	First Amendment dated as of November 20, 2015 to the Five-Year Credit Agreement dated as of May 30, 2014, among MetLife, Inc. and MetLife Funding, Inc., as Borrowers, Bank of America, N.A., as Administrative Agent, Fronting L/C Issuer, Several L/C Agent and a Limited Fronting Lender, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, National Association, as Fronting L/C Issuers and Limited Fronting Lenders, and the other Lenders party thereto.	8-K	001-15787	10.1	November 24, 2015	
10.36	Second Amendment dated December 20, 2016 to the Five-Year Credit Agreement, dated as of May 30, 2014, among MetLife, Inc. and MetLife Funding, Inc., as borrowers, and the other parties signatory thereto, providing for the amendment and restatement of such Credit Agreement.	8-K	001-15787	10.1	December 21, 2016	
10.37	Metropolitan Life Auxiliary Savings and Investment Plan (as amended and restated, effective January 1, 2008).*	10-K	001-15787	10.72	February 27, 2013	
10.38	Amendment 1 to the Metropolitan Life Auxiliary Savings and Investment Plan (as amended and restated, effective January 1, 2008).*	10-K	001-15787	10.74	February 27, 2015	
10.39	Amendment Number 2 to the Metropolitan Life Auxiliary Savings and Investment Plan (Amended and Restated Effective January 1, 2008).*	10-K	001-15787	10.48	February 25, 2016	
10.40	Amendment Number 3 to the Metropolitan Life Auxiliary Savings and Investment Plan (Amended and Restated Effective January 1, 2008).*	10-K	001-15787	10.75	February 27, 2013	
10.41	Amendment Number 4 to the Metropolitan Life Auxiliary Savings and Investment Plan (Amended and Restated Effective January 1, 2008).*	10-K	001-15787	10.77	February 27, 2014	
10.42	MetLife Deferred Compensation Plan for Officers, as amended and restated, effective November 1, 2003.*	10-K	001-15787	10.78	February 27, 2014	
10.43	Amendment Number One to the MetLife Deferred Compensation Plan for Officers (as amended and restated as of November 1, 2003), dated May 4, 2005.*	10-K	001-15787	10.52	February 25, 2016	

[Table of Contents](#)

Exhibit No.	Description	Form	Incorporated By Reference			Filed or Furnished Herewith
			File Number	Exhibit	Filing Date	
10.44	Amendment Number Two to the MetLife Deferred Compensation Plan for Officers (as amended and restated as of November 1, 2003, effective December 14, 2005).*	10-K	001-15787	10.53	February 25, 2016	
10.45	Amendment Number Three to the MetLife Deferred Compensation Plan for Officers (as amended and restated as of November 1, 2003, effective February 26, 2007).*	10-K	001-15787	10.45	March 1, 2017	
10.46	MetLife Leadership Deferred Compensation Plan, dated November 2, 2006 (as amended and restated, effective with respect to salary and cash incentive compensation, January 1, 2005, and with respect to stock compensation, April 15, 2005).*	10-K	001-15787	10.46	March 1, 2017	
10.47	Amendment Number One to the MetLife Leadership Deferred Compensation Plan, dated December 13, 2007 (effective as of December 31, 2007).*	10-K	001-15787	10.81	February 27, 2013	
10.48	Amendment Number Two to the MetLife Leadership Deferred Compensation Plan, dated December 11, 2008 (effective December 31, 2008).*	10-K	001-15787	10.84	February 27, 2014	
10.49	Amendment Number Three to the MetLife Leadership Deferred Compensation Plan, dated December 11, 2009 (effective January 1, 2010).*	10-K	001-15787	10.85	February 27, 2015	
10.50	Amendment Number Four to the MetLife Leadership Deferred Compensation Plan, dated December 11, 2009 (effective December 31, 2009).*	10-K	001-15787	10.86	February 27, 2015	
10.51	Amendment Number Five to the MetLife Leadership Deferred Compensation Plan, dated December 11, 2009 (effective January 1, 2011).*	10-K	001-15787	10.60	February 25, 2016	
10.52	Amendment Number Six to the MetLife Leadership Deferred Compensation Plan, dated December 27, 2011 (effective January 1, 2011).*	10-K	001-15787	10.52	March 1, 2017	
10.53	Amendment Number Seven to the MetLife Leadership Deferred Compensation Plan, dated December 26, 2012 (effective January 1, 2013).*	10-K	001-15787	10.53	March 1, 2017	
10.54	Amendment Number Eight to the MetLife Leadership Deferred Compensation Plan, dated December 17, 2013 (effective January 1, 2014).*	10-K	001-15787	10.54	March 1, 2017	
10.55	Amendment Number Nine to the MetLife Leadership Deferred Compensation Plan, dated December 30, 2014 (effective January 1, 2015).*	10-K	001-15787	10.88	February 27, 2015	
10.56	Amendment Number Ten to the MetLife Leadership Deferred Compensation Plan, dated September 30, 2016 (effective October 1, 2016).*	10-K	001-15787	10.56	March 1, 2017	
10.57	Amendment Number Eleven to the MetLife Leadership Deferred Compensation Plan, dated September 30, 2016 (effective October 1, 2016).*	10-K	001-15787	10.57	March 1, 2017	
10.58	MetLife Non-Management Director Deferred Compensation Plan (as amended and restated, effective January 1, 2005).*	S-8	333-214710	4.1	November 18, 2016	
10.59	MetLife, Inc. Director Indemnity Plan (dated and effective July 22, 2008).*	10-K	001-15787	10.94	February 27, 2014	
10.60	MetLife Auxiliary Pension Plan, dated August 7, 2006 (as amended and restated, effective June 30, 2006).*	10-K	001-15787	10.60	March 1, 2017	
10.61	MetLife Auxiliary Pension Plan, dated December 21, 2006 (amending and restating Part I thereof, effective January 1, 2007).*	10-K	001-15787	10.61	March 1, 2017	

[Table of Contents](#)

Exhibit No.	Description	Form	Incorporated By Reference			Filed or Furnished Herewith
			File Number	Exhibit	Filing Date	
10.62	MetLife Auxiliary Pension Plan, dated December 21, 2007 (amending and restating Part I thereof, effective January 1, 2008).*	10-K	001-15787	10.95	February 27, 2013	
10.63	Amendment #1 to the MetLife Auxiliary Pension Plan (as amended and restated, effective January 1, 2008), dated October 24, 2008 (effective October 1, 2008).*	10-K	001-15787	10.98	February 27, 2014	
10.64	Amendment Number Two to the MetLife Auxiliary Pension Plan (as amended and restated, effective January 1, 2008), dated December 12, 2008 (effective December 31, 2008).*	10-K	001-15787	10.99	February 27, 2014	
10.65	Amendment Number Three to the MetLife Auxiliary Pension Plan (as amended and restated, effective January 1, 2008) dated March 25, 2009 (effective January 1, 2009).*	10-K	001-15787	10.71	February 25, 2016	
10.66	Amendment Number Four to the MetLife Auxiliary Pension Plan (as amended and restated, effective January 1, 2008), dated December 16, 2009 (effective January 1, 2010).*	10-K	001-15787	10.102	February 27, 2015	
10.67	Amendment Number Five to the MetLife Auxiliary Pension Plan (as amended and restated, effective January 1, 2008) dated December 21, 2010 (effective January 1, 2010).*	10-K	001-15787	10.73	February 25, 2016	
10.68	Amendment Number Six to the MetLife Auxiliary Pension Plan (as amended and restated, effective January 1, 2008) dated December 20, 2012 (effective January 1, 2012).*	10-K	001-15787	10.101	February 27, 2013	
10.69	Amendment Number Seven to the MetLife Auxiliary Pension Plan (as amended and restated, effective January 1, 2008) dated December 27, 2013 (effective December 10, 2013).*	10-K	001-15787	10.69	March 1, 2017	
10.70	Alico Overseas Pension Plan, dated January 2009.*	10-K	001-15787	10.70	March 1, 2017	
10.71	Amendment Number One to the Alico Overseas Pension Plan (effective November 1, 2010), dated December 20, 2010.*	10-K	001-15787	10.71	March 1, 2017	
10.72	Amendment Number Two to the Alico Overseas Pension Plan (effective as of November 1, 2011), dated December 13, 2011.*	10-K	001-15787	10.72	March 1, 2017	
10.73	Amendment Number Three to the Alico Overseas Pension Plan, dated May 1, 2012 (effective January 1, 2012).*	8-K	001-15787	10.1	May 4, 2012	
10.74	Member's Explanatory Handbook for the Metropolitan Life Insurance Company of Hong Kong Limited Healthcare Plan (2014).*	10-K	001-15787	10.79	February 25, 2016	
10.75	MetLife Plan for Transition Assistance for Officers, dated April 21, 2014 (as amended and restated, effective April 1, 2014 (the "MPTA")).*	10-Q	001-15787	10.2	August 8, 2014	
10.76	Amendment Number One to the MPTA, dated December 30, 2014 (effective January 1, 2015).*	10-K	001-15787	10.111	February 27, 2015	
10.77	Amendment Number Two to the MPTA, dated March 30, 2016 (effective April 1, 2016).*	10-K	001-15787	10.77	March 1, 2017	
10.78	Amendment Number Three to the MPTA, dated June 30, 2016 (effective June 30, 2016).*	10-K	001-15787	10.78	March 1, 2017	
10.79	Amendment Number Four to the MPTA, dated October 24, 2016 (effective October 31, 2016).*	10-K	001-15787	10.79	March 1, 2017	

Exhibit No.	Description	Form	Incorporated By Reference			Filed or Furnished Herewith
			File Number	Exhibit	Filing Date	
10.80	Amendment Number Five to the MPTA, dated November 3, 2016 (effective October 1, 2016).*	10-K	001-15787	10.80	March 1, 2017	
10.81	MetLife, Inc. 2015 Non-Management Director Stock Compensation Plan, effective January 1, 2015.*	S-8	333-198141	4.1	August 14, 2014	
10.82	MetLife, Inc. 2015 Stock and Incentive Plan, effective January 1, 2015 (the "2015 SIC Plan").*	S-8	333-198145	4.1	August 14, 2014	
10.83	Form of Performance Share Agreement under the 2015 SIC Plan.*	8-K	001-15787	10.1	December 11, 2014	
10.84	Form of Performance Unit Agreement under the 2015 SIC Plan.*	8-K	001-15787	10.2	December 11, 2014	
10.85	Form of Restricted Stock Unit Agreement (Ratable Period of Restriction Ends in Thirds; Code Section 162(m) Goals) under the 2015 SIC Plan.*	8-K	001-15787	10.3	December 11, 2014	
10.86	Form of Restricted Stock Unit Agreement (Three-Year "Cliff" Period of Restriction; No Code Section 162(m) Goals).*	8-K	001-15787	10.4	December 11, 2014	
10.87	Form of Restricted Unit Agreement (Ratable Period of Restriction Ends in Thirds; Code Section 162(m) Goals).*	8-K	001-15787	10.5	December 11, 2014	
10.88	Form of Restricted Unit Agreement (Three-Year "Cliff" Period of Restriction; No Code Section 162(m) Goals).*	8-K	001-15787	10.6	December 11, 2014	
10.89	Form of Stock Option Agreement (Ratable Exercisability in Thirds).*	8-K	001-15787	10.7	December 11, 2014	
10.90	Form of Stock Option Agreement (Three-Year "Cliff" Exercisability).*	8-K	001-15787	10.8	December 11, 2014	
10.91	Form of Unit Option Agreement (Ratable Exercisability in Thirds).*	8-K	001-15787	10.9	December 11, 2014	
10.92	Form of Unit Option Agreement (Three-Year "Cliff" Exercisability).*	8-K	001-15787	10.10	December 11, 2014	
10.93	MetLife Annual Variable Incentive Plan (effective as amended and restated January 1, 2015).*	8-K	001-15787	10.11	December 11, 2014	
10.94	Form of Performance Share Agreement under the 2015 SIC Plan, effective January 1, 2016.*	10-K	001-15787	10.95	February 25, 2016	
10.95	Form of Performance Unit Agreement under the 2015 SIC Plan, effective January 1, 2016.*	10-K	001-15787	10.96	February 25, 2016	
10.96	Form of Restricted Stock Unit Agreement (Ratable Period of Restriction Ends in Thirds; Code Section 162(m) Goals) under the 2015 SIC Plan, effective January 1, 2016.*	10-K	001-15787	10.97	February 25, 2016	
10.97	Form of Restricted Stock Unit Agreement (Three-Year "Cliff" Period of Restriction; No Code Section 162(m) Goals), effective January 1, 2016.*	10-K	001-15787	10.98	February 25, 2016	
10.98	Form of Restricted Unit Agreement (Ratable Period of Restriction Ends in Thirds; Code Section 162(m) Goals), effective January 1, 2016.*	10-K	001-15787	10.99	February 25, 2016	
10.99	Form of Restricted Unit Agreement (Three-Year "Cliff" Period of Restriction; No Code Section 162(m) Goals), effective January 1, 2016.*	10-K	001-15787	10.100	February 25, 2016	
10.100	Form of Stock Option Agreement (Ratable Exercisability in Thirds), effective January 1, 2016.*	10-K	001-15787	10.101	February 25, 2016	

[Table of Contents](#)

Exhibit No.	Description	Form	Incorporated By Reference			Filed or Furnished Herewith
			File Number	Exhibit	Filing Date	
10.101	Form of Stock Option Agreement (Three-Year “Cliff” Exercisability), effective January 1, 2016.*	10-K	001-15787	10.102	February 25, 2016	
10.102	Form of Unit Option Agreement (Ratable Exercisability in Thirds), effective January 1, 2016.*	10-K	001-15787	10.103	February 25, 2016	
10.103	Form of Unit Option Agreement (Three-Year “Cliff” Exercisability), effective January 1, 2016.*	10-K	001-15787	10.104	February 25, 2016	
10.104	Award Agreement Supplement, effective January 1, 2016.*	10-K	001-15787	10.105	February 25, 2016	
10.105	MetLife Individual Distribution Sales Deferred Compensation Plan, effective January 1, 2010.*	S-8	333-198143	4.1	August 14, 2014	
10.106	Amendment Number One to the MetLife Individual Distribution Sales Deferred Compensation Plan, effective January 1, 2010.*	S-8	333-198143	4.2	August 14, 2014	
10.107	Amendment Number Two to the MetLife Individual Distribution Sales Deferred Compensation Plan, effective January 1, 2010.*	S-8	333-198143	4.3	August 14, 2014	
10.108	Amendment Number Three to the MetLife Individual Distribution Sales Deferred Compensation Plan, effective January 1, 2013.*	S-8	333-198143	4.4	August 14, 2014	
10.109	Amendment Number Four to the MetLife Individual Distribution Sales Deferred Compensation Plan, effective January 1, 2014.*	S-8	333-198143	4.5	August 14, 2014	
10.110	Amendment Number Five to the MetLife Individual Distribution Sales Deferred Compensation Plan, effective June 1, 2014.*	S-8	333-198143	4.6	August 14, 2014	
10.111	Purchase Agreement by and among MetLife, Inc. and Massachusetts Mutual Life Insurance Company, dated as of February 28, 2016.	10-Q	001-15787	10.1	May 6, 2016	
10.112	Sign-on Payments Letter, dated May 24, 2017, effective July 10, 2017, between MetLife Group, Inc. and Susan Podlogar.*	10-Q	001-15787	10.1	November 6, 2017	
10.113	Sign-on Payments Letter, dated June 14, 2017, effective September 11, 2017, between MetLife Group, Inc. and Ramy Tadros.*	10-Q	001-15787	10.2	November 6, 2017	
10.114	Letter of Understanding, dated June 15, 2017, effective July 1, 2017, with Michel Khalaf.*	10-Q	001-15787	10.3	November 6, 2017	
10.115	MetLife Deferred Compensation Plan For Globally Mobile Employees, effective July 31, 2014, for which Michel Khalaf became eligible July 1, 2017.*	10-Q	001-15787	10.4	November 6, 2017	
10.116	MetLife, Inc. and Metropolitan Life Insurance Company Compensation Committee and Board of Directors Resolutions of June 13, 2017 approving Michel Khalaf’s eligibility to participate in the MetLife Deferred Compensation Plan For Globally Mobile Employees.*	10-Q	001-15787	10.5	November 6, 2017	
10.117	Amendment Number Four to the Alico Overseas Pension Plan, dated June 19, 2017, effective July 1, 2017.*	10-Q	001-15787	10.6	November 6, 2017	
10.118	Form of Agreement to Protect Corporate Property executed by Susan Podlogar, effective July 10, 2017, and executed by Ramy Tadros, effective September 11, 2017.*	10-Q	001-15787	10.1	August 5, 2016	
10.119	Form of Agreement to Protect Corporate Property executed by Michel Khalaf, effective April 9, 2012.*	10-Q	001-15787	10.15	February 25, 2016	

[Table of Contents](#)

Exhibit No.	Description	Incorporated By Reference				Filed or Furnished Herewith
		Form	File Number	Exhibit	Filing Date	
10.120	Tax Separation Agreement, dated as of July 27, 2017, by and among MetLife, Inc. and its affiliates and Brighthouse Financial, Inc. and its affiliates.	8-K	001-15787	10.1	August 7, 2017	
10.121	MetLife Performance-Based Compensation Recoupment Policy (effective as amended and restated November 1, 2017).*	8-K	001-15787	10.1	November 6, 2017	
10.122	Letter Agreement entered December 15, 2017 between MetLife, Inc. and Christopher Townsend.*	8-K	001-15787	10.1	November 21, 2017	
10.123	Separation Agreement, Waiver, And General Release, effective October 4, 2017, between MetLife Group, Inc. and Maria Morris*					X
10.124	Form of Performance Share Agreement, effective February 27, 2018.*	8-K	001-15787	10.1	February 20, 2018	
10.125	Form of Performance Unit Agreement, effective February 27, 2018.*	8-K	001-15787	10.2	February 20, 2018	
10.126	Form of Restricted Stock Unit Agreement (Ratable Period of Restriction Ends in Thirds), effective February 27, 2018.*	8-K	001-15787	10.3	February 20, 2018	
10.127	Form of Restricted Stock Unit Agreement (Three-Year “Cliff” Period of Restriction), effective February 27, 2018.*	8-K	001-15787	10.4	February 20, 2018	
10.128	Form of Restricted Unit Agreement (Ratable Period of Restriction Ends in Thirds), effective February 27, 2018.*	8-K	001-15787	10.5	February 20, 2018	
10.129	Form of Restricted Unit Agreement (Three-Year “Cliff” Period of Restriction), effective February 27, 2018.*	8-K	001-15787	10.6	February 20, 2018	
10.130	Award Agreement Supplement, effective February 27, 2018.*	8-K	001-15787	10.7	February 20, 2018	
12.1	Statement re: Computation of Ratios of Earnings to Fixed Charges					X
21.1	Subsidiaries of the Registrant.					X
23.1	Consent of Deloitte & Touche LLP.					X
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X

* Indicates management contracts or compensatory plans or arrangements.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 1, 2018

METLIFE, INC.

By /s/ Steven A. Kandarian

Name: Steven A. Kandarian

Title: Chairman of the Board, President
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Cheryl W. Gris�</u> Cheryl W. Gris�	Director	March 1, 2018
<u>/s/ Carlos M. Gutierrez</u> Carlos M. Gutierrez	Director	March 1, 2018
<u>Gerald L. Hassell</u>	Director	
<u>/s/ David L. Herzog</u> David L. Herzog	Director	March 1, 2018
<u>/s/ R. Glenn Hubbard</u> R. Glenn Hubbard	Director	March 1, 2018
<u>/s/ Alfred F. Kelly, Jr.</u> Alfred F. Kelly, Jr.	Director	March 1, 2018
<u>/s/ Edward J. Kelly, III</u> Edward J. Kelly, III	Director	March 1, 2018
<u>/s/ William E. Kennard</u> William E. Kennard	Director	March 1, 2018
<u>/s/ James M. Kilts</u> James M. Kilts	Director	March 1, 2018
<u>/s/ Catherine R. Kinney</u> Catherine R. Kinney	Director	March 1, 2018
<u>/s/ Denise M. Morrison</u> Denise M. Morrison	Director	March 1, 2018

Signature	Title	Date
<hr/> <i>/s/ Steven A. Kandarian</i> Steven A. Kandarian	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	March 1, 2018
<hr/> <i>/s/ John C. R. Hele</i> John C. R. Hele	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 1, 2018
<hr/> <i>/s/ William O'Donnell</i> William O'Donnell	Executive Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 1, 2018

