METLIFE INC
Form 10-K
February 22, 2019

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

Form 10-K
(Mark One)
þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number: 001-15787
MetLife, Inc.
(Exact name of registrant as specified in its charter)

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

(212) 578-9500
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01	New York Stock Exchange
Floating Rate Non-Cumulative Preferred Stock, Series A, par value $0.01	New York Stock Exchange
Depositary Shares each representing a 1/1,000th interest in a share of 5.625% Non-Cumulative Preferred Stock, Series E	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C, par value $0.01
Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series D, 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 þ 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 þ
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes þ 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. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 þ	Accelerated filer ¨
Non-accelerated filer ¨	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 þ

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant at June 30, 2018 was approximately $43.6 billion.

At February 14, 2019, 957,270,842 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 18, 2019, 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, 2018.

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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 and terms such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "will," and other words and terms of similar meaning, or are tied to future peri in connection with a discussion of future 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. Many factors will be important in determining the results of MetLife, Inc., its subsidiaries and affiliates. Forward-looking statements are based on our assumptions and current expectations, which may be inaccurate, and on the current economic environment, which may change. These statements are not guarantees of future performance. They involve a number of risks and uncertainties that are difficult to predict. Results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife, Inc.'s filings with the U.S. Securities and Exchange Commission. These factors include: (1) difficult economic conditions, including risks relating to interest rates, credit spreads, equity, real estate, obligors and counterparties, currency exchange rates, derivatives, and terrorism and security; (2) adverse global capital and credit market conditions, which may affect our ability to meet liquidity needs and access capital, including through our credit facilities; (3) downgrades in our claims paying ability, financial strength or credit ratings; (4) availability and effectiveness of reinsurance, hedging or indemnification arrangements; (5) increasing cost and limited market capacity for statutory life insurance reserve financings; (6) the impact on us of changes to and implementation of the wide variety of laws and regulations to which we are subject; (7) regulatory, legislative or tax changes relating to our operations that may affect the cost of, or demand for, our products or services; (8) adverse results or other consequences from litigation, arbitration or regulatory investigations; (9) legal, regulatory and other restrictions affecting MetLife, Inc.'s ability to pay dividends and repurchase common stock; (10) MetLife, Inc.'s primary reliance, as a holding company, 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; (11) investment losses, defaults and volatility; (12) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; (13) changes to investment valuations, allowances and impairments taken on investments, and methodologies, estimates and assumptions; (14) differences between actual claims experience and underwriting and reserving assumptions; (15) political, legal, operational, economic and other risks relating to our global operations; (16) competitive pressures, 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; (17) the impact of technological changes on our businesses; (18) catastrophe losses; (19) a deterioration in the experience of the closed block established in connection with the reorganization of Metropolitan Life Insurance Company; (20) impairment of goodwill or other long-lived assets, or the establishment of a valuation allowance against our deferred income tax asset; (21) changes in assumptions related to deferred policy acquisition costs, deferred sales inducements or value of business acquired; (22) exposure to losses related to guarantees in certain products; (23) ineffectiveness of risk management policies and procedures or models; (24) a failure in our cybersecurity systems or other information security systems or our disaster recovery plans; (25) any failure to protect the confidentiality of client information; (26) changes in accounting standards; (27) our associates taking excessive risks; (28) difficulties in marketing and distributing products through our distribution channels; (29) increased expenses relating to pension and other postretirement benefit plans; (30) inability to protect our intellectual property rights or claims of infringement of others' intellectual property rights; (31) difficulties, unforeseen liabilities, asset impairments, or rating agency actions arising from business acquisitions and dispositions, joint ventures, or other legal entity reorganizations; (32) unanticipated or adverse developments that could adversely affect our expected operational or other benefits from the separation of Brighthouse Financial, Inc. and its subsidiaries; (33) 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; (34) provisions of laws and our incorporation documents that may delay, deter or prevent takeovers and corporate combinations involving MetLife; and (35) other risks and uncertainties described from time to time in MetLife, Inc.'s filings with the U.S. Securities and Exchange Commission.

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

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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.

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Part I

Item 1. Business

Index to Business

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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 $452.0 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, 2018.

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. We continue to 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

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- 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.

In the United States, we provide a variety of insurance and financial services products, including life, dental, disability, property and 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 FedEx Corporation were $6.0 billion for the year ended December 31, 2018, which represented 12% of consolidated premiums, universal life and investment-type product policy fees and other revenues. The revenue was from a single premium received for a pension risk transfer. Revenues derived from any other 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, 2018, 2017 and 2016.

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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 ("RIS") 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 ("LTD"), 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

Term Life Insurance	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.
Variable Life Insurance	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.
Universal Life Insurance	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.
Dental Insurance	Provides insurance and ASO arrangements that assist employees, retirees and their families in maintaining oral health while reducing out-of-pocket expenses.
Disability	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.
Accident & Health Insurance	Provides accident, critical illness or hospital indemnity coverage to the insured.

Retirement and Income Solutions
Our RIS 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.

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Major Products	
Stable Value Products	• General account guaranteed interest contracts (“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. • Separate account GICs 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. • Private floating rate funding agreements 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.
Pension Risk Transfers	General account and separate account annuities are offered in connection with defined benefit pension plans which include single premium buyouts allowing for full or partial transfers of pension liabilities. • General account annuities include nonparticipating group contract benefits purchased for retired employees or active employees covered under terminating or ongoing pension plans. • Separate account annuities 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 accounting principles generally accepted in the United States of America (“GAAP”), these annuity contracts are treated as general account products.
Institutional Income Annuities	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.
Tort Settlements	• Structured settlement annuities are customized annuities designed to serve as an alternative to a lump sum payment in a lawsuit initiated because of personal injury, wrongful death, or a workers’ compensation claim or other claim for damages. Surrenders are generally not allowed, although commutations are permitted in certain circumstances. Guaranteed payments consist of life contingent annuities, term certain annuities and lump sums.
Capital Markets Investment Products	• Funding agreement-backed notes are part of a medium term note program, under which funding agreements are issued to a special-purpose trust that issues marketable notes in U.S. dollars or foreign currencies. The proceeds of 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. • Funding agreement-backed commercial paper is issued by a special purpose limited liability company which deposits the proceeds under a master funding agreement issued to it by 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 funding agreements to their respective FHLBs.

	Through the Federal Agricultural Mortgage Corporation (“Farmer Mac”) program, MLIC has issued funding agreements to a subsidiary of Farmer Mac.
Other Products and Services	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.

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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

Personal Auto Insurance	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.
Homeowners' Insurance	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.
Commercial Multi-Peril and Commercial Auto Insurance	Provides a broad package of property and liability coverages for small and medium sized apartment buildings, offices, and retail stores, as well as for coverage for motor vehicles owned by a business engaged in commerce that protects the insured against financial loss.

Operations

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Sales Distribution

In the U.S., we market our products and services through various distribution channels. Our Group Benefits and RIS products are sold via sales forces primarily comprised of MetLife employees. Personal lines property and casualty insurance products are directly marketed to employees at their employer's worksite. Personal and commercial lines property and casualty insurance products are also marketed and sold to individuals and small business owners by independent agents and property and 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 RIS 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 and casualty specialists and brokers.

We are a leading provider of personal lines property and casualty insurance products offered to employees at their employer's worksite. Marketing representatives market personal lines property and 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 sold primarily through our network of independent agents and group broker relationships.

Asia

Product Overview

Our Asia segment offers a broad range of products to both individuals and corporations, as well as to other institutions, and their respective employees.

Major Products

Life Insurance	Provides whole and term life, endowments, universal and variable life, as well as group life products.
Accident & Health Insurance	Provides a full range of accident & health products, including medical reimbursement, hospitalization, cancer, critical illness, disability, income protection, personal accident coverage and group health products.
Retirement and Savings	Provides both fixed and variable annuities, as well as regular savings products.

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Operations

We operate in 10 jurisdictions throughout Asia, with our largest operation in Japan. We also have 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 digitally-enabled multi-channel distribution, including career and independent agencies, bancassurance, direct marketing and e-commerce, brokers and other third-party distribution channels.

Digitally-enabled face-to-face channels continue to be core to our business in Japan, but other distribution channels, including bancassurance and direct marketing, are critical to Japan's overall distribution strategy. Our Japan operation's competitive position in bancassurance is based on robust distribution relationships with Japan's mega banks, trust banks and various regional banks. The direct marketing channel focuses on providing accident & health solutions to customers using traditional television and print media, as well as e-commerce.

Outside of Japan, our distribution strategies vary by market and leverage a combination of career and independent agencies, bancassurance 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 customer insights and improves lead management. In select markets, we use independent brokers and an employee sales force to sell group products.

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Latin America

Product Overview

Our Latin America segment offers a broad range of products to both individuals and corporations, as well as to other institutions, and their respective employees.

Major Products

Life Insurance	Provides universal, variable and term life products. For a description of these products, see "— U.S. — Product Overview — Group Benefits."
Retirement and Savings	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.
Accident & Health Insurance	Provides group and individual major medical, accidental, and supplemental health products, including AD&D, hospital indemnity, medical reimbursement, and medical coverage for serious medical conditions, as well as dental products.
Credit Insurance	Provides policies designed to fulfill certain loan obligations in the event of the policyholder's death.

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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.

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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

Life Insurance	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.
Accident & Health Insurance	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.
Retirement and Savings	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.
Credit Insurance	Provides policies designed to fulfill certain loan obligations in the event of the policyholder’s death.

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Operations
We operate in many 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.

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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, and long-term care insurance, as well as the assumed variable annuity guarantees from our former operating joint venture in Japan.

Major Products

Variable, Universal and Term Life Insurance	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."
Whole Life Insurance	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.
Variable Annuities	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.
Fixed and Indexed-Linked Annuities	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.
Long-term Care	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 and developing businesses (including the investment management business through which the Company, as a manager of assets such as global fixed income and real estate, provides differentiated investment solutions to institutional investors worldwide). Additionally, Corporate & Other includes run-off businesses. 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, investment expenses and intersegment loans, which bear interest rates commensurate with related borrowings. As a result of the separation of Brighthouse, for the year ended 2016, Corporate & Other includes corporate overhead costs previously allocated to the former Brighthouse Financial segment. See Note 3 of the Notes to the Consolidated Financial Statements.

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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.

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 — Insurance Regulation — Policy and Contract Reserve Adequacy Analysis."

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 returns, 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 RIS 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 and 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.

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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 a 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 and casualty losses, we purchase property catastrophe, casualty and property per risk excess of loss reinsurance protection.

For our RIS 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.

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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.

We may also reinsure certain risks with external reinsurers depending upon the nature of the risk and local regulatory requirements.

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. 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. 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.

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. For the U.S. and EMEA, we purchase catastrophe coverage to reinsure risks issued within territories that we believe are subject to the greatest catastrophic risks. For 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. Excess of 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.

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.

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Regulation

Overview

In the United States, our life insurance companies are regulated primarily at the state level by state insurance regulators, with some products and services also subject to federal regulation. 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").

Outside of the United States, our 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.

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

Insurance Regulation

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, including as developed through the National Association of Insurance Commissioners' ("NAIC") Solvency Modernization Initiative. See "— NAIC" for information regarding group-wide supervision.

Each of MetLife's insurance subsidiaries is licensed and regulated in each 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. Insurance laws, including state laws in the United States, 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 or local authorities 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 and amounts of investments.

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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.

Insurance and securities regulatory authorities and other 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.

U.S. 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 Businesses Are Highly Regulated, and Changes in Laws, Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability, Limit Our Growth, or Otherwise Adversely Affect Our Business, Results of Operations and Financial Condition.”

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 Board of Governors of the Federal Reserve System (“Federal Reserve Board”) and the Federal Reserve Bank of New York (collectively with the Federal Reserve Board, the “Federal Reserve”). We are not able to predict with certainty whether or what changes may be made to Dodd-Frank in the future or whether such changes would have a material effect on our business operations. As such, we 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 Businesses Are Highly Regulated, and Changes in Laws, Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability, Limit Our Growth, or Otherwise Adversely Affect Our Business, Results of Operations and Financial Condition.”

Dodd-Frank also established the Federal Insurance Office 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.

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.

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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 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 was 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. 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. See "Risk Factors — Regulatory and Legal Risks — Our Businesses Are Highly Regulated, and Changes in Laws, Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability, Limit Our Growth, or Otherwise Adversely Affect Our Business, Results of Operations and Financial Condition."

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.

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 RIS 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. These provisions may impact the likelihood or timing of corporate plan sponsors terminating their plans or engaging in transactions to transfer pension obligations to an insurance company. Such rules could thus affect our mix of business, resulting in fewer pension risk transfers and more non-guaranteed funding products.

Guaranty Associations and Similar Arrangements

Many jurisdictions in which our insurance subsidiaries are admitted to transact business require life, health and property and casualty insurers doing business within the jurisdiction to participate in guaranty associations or similar arrangements in order 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. 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, U.S. 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 below regarding the consent order and in Note 20 of the Notes to the Consolidated Financial Statements, during the years ended December 31, 2018, 2017 and 2016, MetLife did not receive any material adverse findings resulting from state insurance department examinations of its insurance subsidiaries. On October 15, 2018, MetLife received notice that insurance regulators for the states of Pennsylvania, California, Florida, North Dakota and New Hampshire have scheduled a multistate market conduct re-examination of MetLife and its affiliates relating to compliance with the Regulatory Settlement Agreement on unclaimed proceeds. On January 28, 2019, MetLife entered into a consent order with the New York State Department of Financial Services ("NYDFS") relating to the open quinquennial exam and agreed to pay a $19.75 million fine, an additional $1.5 million in customer restitution and submit remediation plans for approval within 60 days.

Regulatory authorities in a small number of states, the Financial Industry Regulatory Authority (“FINRA”) and, occasionally, the U.S. Securities and Exchange Commission (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”), which merged with and into Metropolitan Tower Life Insurance Company (“MTL”) on April 30, 2018, and MetLife Securities, Inc. (“MSI”), a broker-dealer which was part of the U.S. Retail Advisor Force Divestiture (as defined below). 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.

Insurance standard-setting and regulatory support organizations, including the NAIC, encourage insurance supervisors to establish Supervisory Colleges for U.S.-based insurance groups with international operations to facilitate cooperation and coordination among the insurance groups’ supervisors and to enhance the member regulators’ understanding of an insurance group’s risk profile. MetLife’s regulators, such as the NYDFS, regularly chair Supervisory College meetings that are attended by MetLife’s key U.S. and non-U.S. regulators.

Regulators supervise our non-U.S. insurance businesses using techniques such as periodic examinations of insurance company books and records, financial reporting requirements, market conduct examinations and policy filing requirements. 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 state regulators’ understanding of an insurance group’s risk profile.

On July 13, 2018, the Chilean insurance regulator requested information from us and other companies regarding sales practices related to our annuities business in Chile. We have provided the requested information. In addition, on February 1, 2017, the National Economic Prosecutor of Chile initiated an investigation of insurance companies in the Chilean market, including us, regarding fair competition in the insurance market, particularly bidding processes for mortgage insurance. We are cooperating with the investigation.

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.

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.

Many of our non-U.S. insurance operations are also required to conduct analyses of the adequacy of all statutory reserves. In most of those cases, a locally qualified actuary must submit an analysis of the likelihood that the reserves make adequate provision for the associated contractual obligations and related expenses of the insurer. Local regulatory and actuarial standards for this analysis vary widely.

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NAIC

The NAIC assists U.S. 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.

U.S. state insurance holding company laws and regulations are generally based on the Model Holding Company Act and Regulation. These 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.

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 act, which requires insurers to make an annual confidential filing regarding their corporate governance policies, has been adopted in twenty-seven states as of January 2019, 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. New York has enacted legislation which will allow principle-based reserving no later than January 1, 2020. New York's implementing regulation establishes that the reserving standard in New York will be consistent with the reserve standards, valuation methods and related requirements of the NAIC Valuation Manual (the “Valuation Manual”), while also authorizing the NYDFS to deviate from the Valuation Manual, by regulation, if it determines that an alternative requirement would be in the best interest of the policyholders of New York.

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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. Following several public exposures of the consultant's recommendations, the NAIC adopted a new variable annuity framework, which is designed to reduce the level and volatility of the non-economic aspect of reserve and risk-based capital ("RBC") requirements for variable annuity products. The NAIC is now preparing technical language to be included in various NAIC manuals and guidelines to implement the new framework. We cannot predict the impact of this framework on our business until such technical requirements of the framework are completed, and we cannot predict whether the NYDFS or other state insurance regulators will adopt standards different from the NAIC framework.

In August 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. The NAIC has adopted extensive changes to Statutory Annual Statement reporting, effective for year-end 2019, which it believes will improve liquidity risk monitoring.

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. In late 2016, the NAIC 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.

Surplus and Capital

Insurers are required to maintain their capital and surplus at or above minimum levels prescribed by the laws of their respective jurisdictions. Regulators generally have discretionary authority, in connection with the continued licensing of our 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.

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.

Our operations in non-U.S. jurisdictions may also be subject to restrictions on dividends and other distributions. For example, 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 Financial Services Agency ("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.
For developments that could affect our ratio of free cash flow to adjusted earnings results, and thus our surplus and capital, see “Risk Factors,” as amended or supplemented in our subsequently filed Quarterly Reports on Form 10-Q.

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Risk-Based Capital

Most of our U.S. insurance subsidiaries are subject to 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."

In December 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"). Following the reduction in the federal corporate income tax rate pursuant to U.S. Tax Reform, the NAIC adopted revisions to certain factors used to calculate Life RBC, which is the denominator of the RBC ratio. These revisions to the NAIC's Life RBC calculation have resulted in increases in RBC charges and reductions in the RBC ratios of our insurance subsidiaries. The NAIC is also studying RBC revisions for bonds, real estate, and longevity risk, but it is premature to project the impact of any potential regulatory changes resulting from such proposals.

The NAIC is continuing to develop a group capital calculation tool using an RBC aggregation methodology for all entities within the insurance holding company system, 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 expects to conduct field testing in the first half of 2019. 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 RBC 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, 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 such combined RBC ratios based on NAIC capital and reserving requirements ("NAIC-Based Combined RBC Ratios"). The NAIC-Based Combined RBC Ratio was in excess of 380% at December 31, 2018 and in excess of 400% at December 31, 2017. The changes due to U.S. Tax Reform discussed above were the primary driver of the reduction. With the exception of changes related to the NAIC's principle-based reserving framework, discussed above under "— NAIC," we are not aware of any upcoming NAIC adoptions or state insurance department regulation changes that would have a material impact on the NAIC-Based Combined RBC Ratios of our U.S. insurance subsidiaries.

Solvency Regimes

Our insurance business throughout the EEA is subject to the Solvency II Directive (2009/138/EC) and its implementing rules, which cover the capital adequacy, risk management and regulatory reporting for insurers and reinsurers. Solvency II codifies and harmonizes the European Union ("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.

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In Chile, the law implementing Solvency II-like regulation continues in the studies stage. The implementation date for the new solvency regime has not yet been set; however, it could be in force within four years after the final regulation is published. The Chilean insurance regulator had already issued two resolutions in 2011, 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. 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 second such report was submitted to the local regulator in June 2018.

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.

Japanese law provides that insurers in Japan must maintain specified solvency standards for the protection of policyholders and to support the financial strength of licensed insurers. As of December 31, 2018, 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. In addition, Japan is expected to introduce an economic value-based solvency regime within the next few years.

In China, the business of our joint venture (as well as the industry) has been implementing China Risk Oriented Solvency System (“C-ROSS”), a 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.

In Korea, the Financial Supervisory Service is planning to implement by 2022 a new solvency system mirroring the International Capital Standard but reflecting certain product portfolio and other features specific to the Korean market. Mark-to-market valuation is expected to be a key feature of the new system, which would generally increase capital requirements.

IAIS

The International Association of Insurance Supervisors (“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 and recommended that the IAIS continue development of an activities-based approach (“ABA”) to assessing and managing potential systemic risk in the insurance sector. In November 2018, the FSB decided not to designate any G-SIIs in 2018. The FSB explained that this decision was made in light of progress made by the IAIS to develop a holistic framework for sector-wide risk monitoring and management of systemic risk and policy tools to deal with the build-up of risk within insurers. The FSB announcement coincided with the release of an IAIS consultative document on a Holistic Framework for the Assessment and Mitigation of Systemic Risk in the Insurance Sector. The FSB noted that it will reassess suspension of G-SII designations in November 2022 after implementation of the holistic framework and decide whether to permanently discontinue or re-establish the G-SII identification process.

Current standards remain as drafted for entity-based designation and 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.

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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.

Investments Regulation

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, 2018. In addition, many of our non-U.S. insurance subsidiaries are subject to local investment laws and regulations.

As a global insurance company, we are also affected by the monetary policies of central banks around the world. Actions resulting from these policies, including with respect to interest rates, may have an impact on the pricing levels of risk-bearing investments, and may 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."

New York Insurance Regulation 210

Insurance Regulation 210 went 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. Examples of NGEs include cost of insurance for universal life insurance policies, as well as interest crediting rates for annuities and universal life insurance policies. The regulation requires insurers to notify policyholders at least 60 days in advance of any change in NGEs that is adverse to policyholders 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 changes adverse to policyholders made in the prior year. The regulation generally prohibits insurers from increasing profit margins for in-force policies or adjusting NGEs in order to recoup past losses.

Cybersecurity and Privacy 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 and other regulators.

New York's cybersecurity regulation for financial services institutions, including banking and insurance entities under its jurisdiction, requires these entities to establish and maintain a cybersecurity program designed to protect consumers' private data. The regulation specifically provides for: (i) controls relating to the governance framework for a cybersecurity program; (ii) risk-based minimum standards for technology systems for data protection; (iii) minimum standards for cyber breach responses, including 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. To date, the Cybersecurity Model Law has only been adopted by South Carolina. As adopted by South Carolina, and if adopted as state legislation elsewhere, the Cybersecurity Model Law would impose significant new regulatory burdens intended to protect the confidentiality, integrity and availability of information systems. However, a drafting note in the Cybersecurity Model Law states that a licensee's compliance with the New York cybersecurity regulation is intended to constitute compliance with the Cybersecurity Model Law.

The General Data Protection Regulation (“GDPR”), which is intended to establish uniform data privacy laws across the EU, became effective for all EU member states on May 25, 2018. GDPR is extraterritorial in that it applies to EU entities, as well as entities not established in the EU that offer goods or services to data subjects in the EU or monitor consumer behavior that takes place in the EU. Fines may be imposed for non-compliance with the requirements of the GDPR.

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The California Consumer Privacy Act of 2018 (the “CCPA”) grants all California residents the right to know what information a business has collected from them and the sourcing and sharing of that information, as well as a right to have a business delete their personal information (with some exceptions). Its definition of “personal information” is more expansive than those found in other privacy laws applicable to us in the United States. Failure to comply with the CCPA could result in regulatory fines, and the law grants a private right of action for any unauthorized disclosure of personal information as a result of failure to maintain reasonable security procedures. We expect that exceptions to the CCPA will apply to a significant portion of our business. The CCPA is expected to become operational on January 1, 2020, but California’s Attorney General is expected to delay enforcement actions until six months after a final regulation is promulgated or July 1, 2020, whichever is sooner.

ERISA, Fiduciary Considerations, and Other Pension and Retirement Regulation

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 that largely were applicable in 2017 that expanded the definition of “investment advice” and required an advisor to meet an impartial or “best interests” standard, but the regulations were formally vacated by the U.S. Court of Appeals for the Fifth Circuit in 2018. The Court of Appeals decision also vacated certain DOL amendments to prohibited transaction exemptions. The DOL has announced that it plans to issue revised fiduciary investment advice regulations in September 2019. At this time, we cannot predict what form those regulations may take or their potential impact on us.

Separately, on April 18, 2018, the SEC proposed and opened for public comment a package of the rule proposals and interpretations regarding Regulation Best Interest, which would require broker-dealers to act in the best interest of “retail” customers including participants in ERISA-covered plans and IRAs when making a recommendation of any securities transaction or investment strategy involving securities. The comment period for these proposals has closed. We cannot predict the timing of any final rules or interpretations.

On December 14, 2017, the DOL released its semiannual regulatory agenda, which proposed 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.

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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.

Several other regulatory organizations have also proposed various "best interest" standards. The NAIC has been discussing proposed revisions to the Suitability in Annuity Transactions Model Regulation throughout 2018. The revisions are intended to elevate the standard of care in existing suitability standards for the sale of annuities and to make consumers aware of any material conflicts of interest. A further updated draft of the Suitability in Annuity Transactions Model Regulation was exposed for public comment through mid-February 2019. The NAIC intends to finalize the revisions to the Suitability in Annuity Transactions Model Regulation in 2019. In addition, on December 27, 2017, the NYDFS proposed initial revisions to Insurance Regulation 187, which not only incorporate the "best interest" standard but also would expand the scope of the regulation beyond annuity transactions to include sales of life insurance policies to consumers. On July 22, 2018, the NYDFS issued the final version of revised Insurance Regulation 187, which takes effect on August 1, 2019.

On October 29, 2018, Chilean President Sebastien Piñera submitted to Congress a new pension reform bill. The bill would increase employer mandatory contributions and affirm private pension fund administration. We are not able to predict with certainty whether such bill will be adopted and cannot currently identify all of the risks or opportunities, if any, that may be posed to our business in Chile. We expect that the Congressional debate may last through most of 2019.

On January 1, 2018, new regulations went into effect in Korea that reduced commission on savings retirement products. These regulations have negatively impacted sales of savings retirement products across the Korean market, including for us.

Consumer Protection Laws

Numerous federal and state laws affect MetLife, Inc.'s earnings and activities, including federal and state consumer protection laws, and MetLife, Inc. may be impacted by consumer protection laws in non-U.S. jurisdictions as well. 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.

Derivatives Regulation

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 reporting and margin 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”) to study whether “stable value contracts” should be treated as swaps. Pursuant to the new definition and the SEC’s and CFTC’s 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 went into effect on January 1, 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.

The amount of collateral we are required to pledge and the payments we are required to make under our derivatives transactions are expected to 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 adoption by the Office of the Comptroller of the Currency (“OCC”), the Federal Reserve Board, the FDIC, the Farm Credit Administration and the Federal Housing Finance Agency (collectively, the “Prudential Regulators”) and the CFTC of final margin requirements for non-centrally cleared derivatives.

Securities, Broker-Dealer and Investment Adviser Regulation

U.S. 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 (such as “registered fixed contracts”) or sold through private placement issuances. 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. In some non-U.S. jurisdictions, some of our insurance products are considered “securities” under local law, and we may be subject to local securities regulations and oversight by local securities regulators.

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 and regulations 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”) or are exempt from registration under the Investment Company Act. Such separate accounts are 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 associated with these registered separate accounts are registered with the SEC under the Securities Act of 1933 (the “Securities Act”) or are exempt from registration under the 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.

Some of our subsidiaries are registered with the SEC as broker-dealers under the Securities Exchange Act of 1934 (the “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. The SEC, CFTC and FINRA from time to time propose rules and regulations that impact products deemed to be securities. The future impact of any adopted rules and regulations on the way we conduct our business

and the products we sell is unclear.
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 and non-U.S. jurisdictions, as applicable. We may also be subject to similar laws and regulations in non-U.S. jurisdictions where we provide investment advisory services or conduct other activities.
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.

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Environmental Laws and Regulations

As an owner and operator of real property in many jurisdictions, we are subject to extensive environmental laws and regulations in such jurisdictions. 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 "—Insurance Regulation — Insurance Regulatory Examinations and Other Activities" for discussion of the Regulatory Settlement Agreement relating to unclaimed proceeds. See also "Controls and Procedures" and Note 20 of the Notes to the Consolidated Financial Statements.

Brighthouse Separation Tax Treatment

Prior to the spin-off distribution of Brighthouse Financial, Inc. common stock, 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 FVO Brighthouse Common Stock (as defined below) in the debt-for-equity exchange should be treated as a taxable transaction to MetLife, Inc. Furthermore, as part of the IRS's policy, the IRS did not determine whether the distribution or the debt-for-equity exchange 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. 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 Financial, Inc. common 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.

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 Financial, Inc.'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 Financial, Inc.'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.

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Cross-Border Trade

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 "Article 50 Notification"). 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 or the U.K. withdraws its Article 50 Notification). 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. If the U.K. does not approve and conclude a withdrawal agreement with the EU by March 29, 2019, the U.K. will cease to be a member of the EU, but there will be no agreement governing its future relationship with the EU. In such a scenario, MetLife expects to maintain its existing operating model, including as an inbound EEA-insurer under the U.K.'s Temporary Permissions Regime ("TPR"), which is expected to last for at least three years and will permit MetLife to carry on its insurance business in the U.K. during that period. Operating expenses within our businesses could increase as a result of such changes.

One of the Trump Administration's priorities has been renegotiating certain international trade agreements, including the North American Free Trade Agreement ("NAFTA") with Canada and Mexico. On September 30, 2018, the United States, Canada and Mexico agreed to the framework for a new international trade agreement, known as the United States-Mexico-Canada Agreement ("USMCA"), which would replace NAFTA. President Trump, former Mexican President Enrique Peña Nieto, and Canadian Prime Minister Justin Trudeau signed the USMCA on November 30, 2018. Each signatory's legislature must ratify the agreement before it goes into effect.

Fiscal Measures

The new administration of President López Obrador in Mexico is implementing an austerity plan which, among other measures, has eliminated benefits such as major medical insurance and contributions to additional savings benefit insurance for Mexican federal government personnel and public officials. Mexican state governments or other government institutions may introduce similar austerity policies as well. MetLife is the largest provider of benefits to Mexican federal government personnel and public officials, and such austerity plans may have an adverse effect on our business.

If the U.S. Congress does not approve annual appropriations or otherwise extend appropriations by continuing resolution, many federal government agencies must discontinue most non-essential, discretionary functions, known as a "partial government shutdown." Most recently, the United States government operated under a partial shutdown from December 22, 2018 to January 25, 2019. During a partial government shutdown, financial markets, including the government bond market, continue to function. If the SEC is shut down, although certain SEC functions continue, the SEC may not process new or pending registration statements, qualifications of new or pending offering statements or applications for exemptive relief, which could disrupt or delay new public bond issuances. The partial shutdown of certain other federal agencies could also delay or otherwise impact certain transactions or projects. An extended partial government shutdown could also negatively impact capital markets and economic conditions generally.

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.

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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	"A++ (superior)" to "S (suspended)"	"AAA (exceptionally strong)" to "C (distressed)"	"Aaa (highest quality)" to "C (lowest rated)"	"AAA (extremely strong)" to "SD (Selective Default)" or "D (Default)"
American Life Insurance Company	NR	NR	A1 5th 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	AA- 4th of 19	Aa3 4th of 21	AA- 4th of 22

NR = Not rated

See "Risk Factors — Economic Environment and Capital Markets Risks — 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 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.

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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, 2018, we had approximately 48,000 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. We invest in our employees by continuing to create learning and development opportunities, promote inclusion, support work-life balance, and enhance ownership mindset. Fostering a culture of innovation and employee learning is fundamental to how we compete.

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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	66	• 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)
John D. McCallion	45	• Executive Vice President and Chief Financial Officer of MetLife, Inc. (August 2018-present) • Executive Vice President and Chief Financial Officer and Treasurer of MetLife, Inc. (May 2018-August 2018) • Executive Vice President and Treasurer of MetLife, Inc. (July 2016 - April 2018) • Senior Vice President and Chief Financial Officer, EMEA, of MetLife Group, Inc. (August 2014-June 2016) • Vice President and Chief Financial Officer, EMEA, of MLIC (September 2012 - July 2014)
Stephen W. Gauster	48	• Executive Vice President and General Counsel of MetLife, Inc. (May 2018-present) • Senior Vice President and Interim General Counsel of MetLife, Inc. (July 2017-May 2018) • 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	60	• 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)
Michel A. Khalaf	54	• 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)
Esther S. Lee	60	• 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)
Martin J. Lippert	59	• 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)
Susan M. Podlogar	55	• 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)

Kishore Ponnavolu	54	• President, Asia of MetLife, Inc. (September 2018-present) • Executive Vice President, MetLife Auto and Home (November 2013-August 2018)
Oscar A. Schmidt	59	• President of Latin America of MetLife, Inc. (May 2018-present) • Executive Vice President, Head of Latin America of MLIC (January 2010-April 2018)
Ramy Tadros	43	• 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)

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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 (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. The SEC maintains an internet website (www.sec.gov) that contains reports, proxy and information 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 (http://investor.metlife.com), 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 news releases, public conference calls and webcasts. The information found on MetLife's website is not incorporated by reference into this Annual Report on Form 10-K or in any other report or document MetLife files with the SEC, and any references to MetLife's website are intended to be inactive textual references only.
Item 1A. Risk Factors
Economic Environment and Capital Markets Risks
Difficult Economic Conditions May Adversely Affect Our Business, Results of Operations and Financial Condition
Stressed conditions, volatility and disruptions in financial asset classes or various 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, and government actions taken in response to any of these factors, could all adversely affect our financial condition (including our liquidity and capital levels), our business operations and our ability to receive dividends from our insurance subsidiaries and meet our obligations at MetLife, Inc., by virtue of their impact on levels of economic activity, employment, customer behavior, or mismatched impacts on the value of our assets and our liabilities. Such factors could also 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.
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. In the event of extreme prolonged market events, such as a global credit crisis, a market downturn, or sustained low market returns we could incur significant capital 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 collateral requirements associated with our affiliated reinsurers and other similar arrangements. Any of these events could also impair our financial strength ratings.
The demand for our financial and insurance products could be adversely affected by an economic downturn resulting in higher unemployment, lower family income, lower corporate earnings, lower business investment, lower consumer spending, elevated incidence of claims, adverse utilization of benefits relative to our best estimate expectations, lapses or surrenders of policies, and policyholders choosing 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.

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Declining equity markets could decrease the account value of our variable insurance products and other products issued through separate accounts. Lower interest rates may result in lower returns in fixed income vehicles. Decreases in account values reduce certain fees generated by these products, which could increase the level of insurance liabilities we must carry to support such products issued with any associated guarantees, cause the amortization of deferred policy acquisition costs ("DAC") to accelerate, and require us to provide additional funding to our captive reinsurers.

See:

- "Business — Regulation;"
- "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Financial and Economic Environment;"
- "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate 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, GICs, funding agreements and structured settlements, expose us to the risk that changes in interest rates, including reductions in the difference between short-term and long-term interest rates, could reduce our investment margin or "spread," which could in turn reduce 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 could reduce our investment spread. 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.

Significantly lower spreads may cause us to accelerate amortization, thereby reducing net income 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 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.

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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 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 value of business acquired ("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 fixed income securities. 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. Furthermore, if interest rates rise, our unrealized gains on fixed income securities would decrease and our unrealized losses would increase, perhaps substantially. The accumulated change in estimated fair value of these fixed income securities would be recognized in net income when a gain or loss is realized upon the sale of the security or if the decline in estimated fair value is determined to be other than temporary and an impairment charge to earnings is taken. 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.

Actions resulting from the monetary policies of the Federal Reserve Board and of central banks around the world, including with respect to interest rates, may also impact the pricing levels of risk-bearing investments and may adversely impact the income we earn on our investments or the level of product sales.

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. For some of our liability portfolios it is not possible to invest assets to the full liability duration, thereby creating some asset/liability mismatch. 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.

Regulators, law enforcement agencies, or the ICE Benchmark Association (the current administrator of LIBOR) may take actions resulting in changes to the way LIBOR is determined, the discontinuance of reliance on LIBOR as a benchmark rate or the establishment of alternative reference rates. The U.K. Financial Conduct Authority has announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. The Federal Reserve Bank of New York has begun publishing a Secured Overnight Funding Rate ("SOFR"), which is intended to replace U.S. dollar LIBOR, and central banks in several other jurisdictions have also announced plans for alternative reference rates for other currencies. At this time, we cannot predict how markets will respond to these new rates, and we cannot predict the effect of any changes to or discontinuation of LIBOR on new or existing financial instruments to which we have exposure. Any changes to or discontinuation of LIBOR may have an adverse effect on interest rates on certain derivatives and floating-rate securities we hold, securities we have issued, or other assets or liabilities whose value is tied to LIBOR or to a LIBOR alternative. Any uncertainty regarding the continued use and reliability of LIBOR could adversely affect the value of such instruments. Furthermore, changes to or the discontinuation of LIBOR may impact other aspects of our business, including products, pricing, and models. Any change to or discontinuation of similar benchmark rates besides LIBOR could have similar effects.

See:

- "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate Environment;"
-

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

- “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Maturity Securities AFS and Equity Securities;” and
- Note 9 of the Notes to the Consolidated Financial Statements.

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Credit Spread Risk

Changes in credit spreads may result in market price volatility and cash flow variability. Market price volatility can make it difficult to value certain of our securities if trading becomes less frequent. In such case, valuations may include assumptions or estimates that may have significant period-to-period changes, which could have a material adverse effect on our results of operations or financial condition and may require additional reserves. Significant volatility in the markets could cause changes in credit spreads and defaults and a lack of pricing transparency, which could have a material adverse effect on our results of operations, financial condition, liquidity or cash flows. 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.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Investment Risks.”

Equity Risk

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, where fee income is earned based upon the estimated fair value of the assets that we manage. The 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 that increase our potential benefit exposure should equity markets decline or stagnate.

Sustained declines in long-term equity returns or interest rates likely would have a negative effect on the funded status of our pension plans and other postretirement benefit obligations. An increase in equity markets could increase settlement payments on equity futures, which may result in increased cash outflows and increase our liquidity needs.

The timing of distributions from and valuations of leveraged buy-out funds, hedge funds and other private equity funds in which we invest can be difficult to predict and depends on the performance of the underlying investments, the funds’ schedules for making distributions, and their needs for cash. 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 alternative investments or equity securities we hold may be adversely impacted by downturns or volatility in equity markets.

See “Quantitative and Qualitative Disclosures About Market Risk.”

Real Estate Risk

Our investments in commercial, agricultural and residential mortgage loans, and our investments in real estate and real estate joint ventures, can be adversely affected by changes in the supply and demand of leasable commercial space, creditworthiness of tenants and partners, capital markets volatility, interest rate fluctuations, commodity prices, farm incomes and housing and commercial property market conditions. 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 and Counterparty Risk

Our general account investments in certain countries, which we maintain to support our insurance operations and related policyholder liabilities in these countries and as part of our global portfolio diversification, could be adversely affected by volatility resulting from local economic and political concerns, as well as volatility in specific sectors. Additionally, U.S. states, municipalities may face budget deficits and other financial difficulties, which could have an adverse impact on the value of securities we hold issued by and political subdivisions or under the auspices of such U.S. states, municipalities and political subdivisions.

The issuers or guarantors of fixed income securities and mortgage loans we own may default on principal and interest payments they owe us. Additionally, 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 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.

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Many of our transactions with counterparties such as brokers and dealers, central clearinghouses, commercial banks, investment banks, hedge funds and investment funds and other financial institutions expose us to the risk of counterparty default. Such credit risk may be exacerbated if we cannot realize the collateral held by us in secured transactions or cannot liquidate such collateral at prices sufficient to recover the full amount of the loan or derivative exposure due to us. Furthermore, potential action by governments and regulatory bodies, 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.

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 and Sector Investments."

Currency Exchange Rate Risk

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 non-U.S. operations and issuance of non-U.S. dollar denominated instruments, including GICs 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 non-U.S. subsidiaries, and our net income from non-U.S. operations. Fluctuations in foreign currency exchange rates may make certain of our products less attractive to customers, particularly products denominated in a currency that is not the local currency of the market in which such products are sold, which may increase levels of early policy terminations and decrease sales volume and our amount of business in force. The negative effects described above may be exacerbated if international markets, particularly emerging markets, experience severe economic or financial disruptions or significant currency devaluations, if a foreign economy is determined to be "highly inflationary," or if a country withdraws from the Euro zone. Fluctuations in foreign currency exchange rates could thus have a material adverse effect on our operations, earnings and investments in the affected countries.

We may be unable to mitigate the risk of such changes in exchange rates due to unhedged positions, asymmetrical and non-economic accounting resulting from derivative gains (losses) on non-qualifying hedges, the failure of hedges to effectively offset the impact of the foreign currency exchange rate fluctuation, or other factors. Even if foreign currency denominated liabilities are matched with investments denominated in the respective foreign currencies, fluctuations in currency exchange rates may adversely affect the translation of results into our U.S. dollar basis consolidated financial statements.

See:

- "Management's Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Other Key Information — Argentina Highly Inflationary" and
- "Quantitative and Qualitative Disclosures About Market Risk."

Derivatives Risk

If our counterparties, clearing brokers or central clearinghouses fail or refuse to honor their obligations under our derivatives, our hedges of the related risk will be ineffective. A counterparty's or central clearinghouse's insolvency, inability or unwillingness to make payments under the terms of derivatives agreements or inability or unwillingness to return collateral could have a material adverse effect on our financial condition and results of operations, including our liquidity. If the net estimated fair value of a derivative to which we are a party declines, we may be required to pledge collateral or make payments related to such decline. 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 in such valuation or valuation methodology.

See:

- “Business — Regulation — Derivatives Regulation” and
- “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Derivatives.”

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Terrorism and Security Risks

The continued threat of terrorism, both within the U.S. and abroad, ongoing military and other actions, potential military conflicts, 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 our investment portfolio may be adversely affected by declines in the credit and equity markets and reduced economic activity caused by such threats. 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 or military actions also could disrupt our operations centers and result in higher than anticipated claims under our insurance policies.

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

Volatility, disruptions, or other conditions in global capital markets could also have an adverse impact on our capital, credit capacity, and liquidity. If our stress-testing indicates that such conditions could have an impact beyond expectations, or our business otherwise requires, we may have to seek additional financing, the availability and cost of which could be adversely affected by market conditions, regulatory considerations, availability of credit to our 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 specified counterparty agreements.

Without sufficient liquidity, our ability to pay claims, other operating expenses, interest on our debt and dividends on our capital stock, to provide our subsidiaries with cash or collateral, to maintain our securities lending activities, to replace certain maturing liabilities, to sustain our operations and investments, and to repurchase our common stock could be adversely affected, and our business and financial results may suffer. 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. 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.

See:

- “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Securities Lending and Repurchase Agreements;” and
- “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity.”

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

Our failure to comply with or fulfill all conditions and covenants under the unsecured credit facility (the “Credit Facility”) maintained by MetLife, Inc. and MetLife Funding, Inc. (“MetLife Funding”), 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, could restrict our ability to access the Credit Facility when needed. This could adversely affect our ability to meet our obligations as they come due and our credit and financial strength ratings, and could thus have a material adverse effect on our liquidity, financial condition and results of operations.

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.

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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

Nationally Recognized Statistical Rating Organizations ("NRSROs") and similar entities could downgrade our insurance companies' financial strength ratings or our credit ratings, or lower our ratings outlooks, at any time and without notice. Such changes 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 collateral, including 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; and
- subjecting us to increased regulatory scrutiny.

NRSROs may heighten the level of scrutiny that they apply to insurance companies, increase the frequency and scope of their credit reviews, request additional information from the companies that they rate, and adjust upward the capital and other requirements employed in the models for maintenance of certain ratings levels.

See:

- "Business — Company Ratings;"
- "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Pledged Collateral;"
- "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Capital — Rating Agencies;" and
- Note 9 of the Notes to the Consolidated Financial Statements.

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

Market conditions beyond our control determine the availability and cost of reinsurance protection for new business, and in certain circumstances, the price of reinsurance for business already reinsured may also increase. 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 the policies we issue.

Because reinsurance does not relieve us of our direct liability to policyholders, a reinsurer's insolvency, inability or unwillingness to make payments under the terms of a reinsurance agreement, or a reinsurer's inability or unwillingness to maintain collateral, could have a material adverse effect on our financial condition and results of operations, including our liquidity.

See "Business — Reinsurance Activity."

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

Certain of our financing facilities that support statutory life insurance reserves for previously written business 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. Furthermore, future capacity for such statutory reserve financing structures in the marketplace is not guaranteed. If types of assets permitted under current regulations are not available in the future to back statutory reserves, as a result of new legislation or regulations or otherwise, we would not be able to take some or all statutory reserve credit for such transactions, which could materially and adversely affect the statutory capitalization of certain of our insurance subsidiaries.

See:

- "Business — Regulation — Insurance Regulation — NAIC" and
- "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Capital — Affiliated Captive Reinsurance Transactions."

Regulatory and Legal Risks

Our Businesses Are Highly Regulated, and Changes in Laws, Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability, Limit Our Growth, or Otherwise Adversely Affect Our Business, Results of Operations and Financial Condition

Our businesses are subject to a wide variety of insurance and other laws and regulations in the jurisdictions in which they operate across the world. Authorities and regulators may take actions or make decisions, including implementing or modifying licensing, permit, or approval requirements, that may negatively affect our business. They may also take actions or make decisions that adversely affect our customers and independent sales intermediaries or their operations, which may affect our business relationships with them and their ability to purchase or distribute our products, and thus may negatively affect our business in a variety of jurisdictions. The overall regulatory environment (or changes to that environment) in the countries in which we operate, and changes in laws in those jurisdictions, could have a material adverse effect on our results of operations.

We cannot predict with any certainty the impact on our business, financial condition or results of operations of changes to legislative or administrative policies that can affect insurance, such as policies regarding financial services regulation, securities regulation, derivatives regulation, pension regulation, health care regulation, privacy, tort reform legislation and taxation, or any new legislation or regulatory changes that may be adopted. 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, changing interpretations of regulations by regulators and statutes may be enacted with retroactive impact, particularly in areas such as accounting or statutory reserve requirements, may adversely affect our businesses. 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.

In addition, solvency standards under development in several markets may impact our capital requirements, risk management infrastructure and reporting. Furthermore, 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. Under provisions of Dodd-Frank, if MetLife, Inc. 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., MetLife, Inc. could be compelled to undergo liquidation with the FDIC as receiver. If the FDIC were appointed as the receiver, liquidation would occur under the provisions of the new liquidation authority and not under the Bankruptcy Code. In an FDIC-managed liquidation, our shareholders and unsecured creditors could bear greater losses than they would in a liquidation under the Bankruptcy Code. 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. We could also be subject to assessment of charges to cover the costs of liquidating any financial company subject to the new liquidation authority, which could have a material adverse effect on our financial condition.

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Changes 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 could adversely affect our operations and profitability. Such changes could increase our regulatory and compliance burden, resulting in increased costs, or limit the type, amount or structure of compensation arrangements into which we may enter with certain of our associates, which could negatively impact our ability to compete with other companies in recruiting and retaining key personnel. Additionally, our ability to react to rapidly changing economic conditions and the dynamic, competitive market for variable and registered fixed products will depend on the continued efficacy of provisions we have incorporated into our product design allowing frequent and contemporaneous revisions of key pricing elements, as well as our ability to work collaboratively with 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.

We also cannot predict with certainty the impact of rules, should they take effect, substantially expanding the definition of “investment advice” and imposing an impartial or “best interests” standard in providing such advice, thereby broadening the circumstances under which MetLife or its representatives could be deemed a fiduciary under ERISA or the Code, or amendments to certain prohibited transaction exemptions, will have on our products and services to certain employee benefit plans that are subject to ERISA or the Code. Furthermore, we cannot predict the impact that “best interest” standards recently proposed by various regulators may have on our business, results of operations, or financial condition. Compliance with new or changed rules or legislation in this area may increase our regulatory burden and that of our independent sales intermediaries, require changes to our compensation practices and product offerings, and increase litigation risk, which could adversely affect our results of operations and financial condition.

Laws, regulations, or regulatory actions regarding health care and other areas may also adversely affect our ability to continue to offer our products, including non-medical health and dental insurance products, in the same manner as we do today and may result in increased and unpredictable costs to provide certain products, thereby harming our competitive position. We are unable to predict how future changes, if any, to laws or regulations may affect us or the products that we offer.

We provide employment-related benefits to our associates and to certain of our retirees under complex plans that are subject to a variety of regulatory requirements. If laws, regulations or regulatory actions result in changes to those benefits, it could adversely affect our ability to attract, retain and motivate our associates. Such laws, regulations and regulatory actions 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 and our competitors are not.

In addition, rules on defined benefit pension plan funding may negatively impact the likelihood or timing of corporate plan sponsors terminating their plans or engaging in transactions to partially or fully transfer pension obligations to an insurance company. Consequently, such rules could indirectly affect the mix of our business, resulting in fewer pension risk transfers and more non-guaranteed funding products, and could adversely impact our results of operations.

Changes in laws and regulations that affect our customers and independent sales intermediaries or their operations also may affect our business relationships with them and their ability to purchase or distribute our products. Such actions may negatively affect our business and results of operations.

If our associates fail to adhere to regulatory requirements or our policies and procedures, we may be subject to penalties, restrictions or other sanctions by applicable regulators, and we may suffer reputational harm.

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.”

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 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. Such changes could not only directly impact our corporate taxes but also could adversely impact our products (including 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.

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The precise impact of certain provisions of U.S. Tax Reform is still uncertain. For instance, many regulations under the new law have not been finalized or have only recently been finalized, including certain rules on international taxation. U.S. Tax Reform thus contains provisions whose meaning is subject to differing interpretations, and future guidance may materially differ from our current interpretation.

See:

- “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Overview — U.S. Tax Reform” and
- Note 18 of the Notes to the Consolidated Financial Statements.

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

We face a significant risk of litigation and regulatory investigations and actions in the ordinary course of operating our businesses. 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 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 often 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.

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 associates 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 arise or be commenced in the future, and we could become subject to further investigations, lawsuits, or enforcement actions. Increased regulatory scrutiny and any resulting investigations or proceedings could result in new legal actions and precedents and industry-wide regulations that could adversely affect our business, financial condition and results of operations.

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.

Capital Risks

Legal and Regulatory Restrictions May Prevent Us from Paying Dividends and Repurchasing Our Stock at the Level We Wish

There is no assurance that we will declare and pay any dividends or repurchase any of our common stock. Dividends are 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. Common stock repurchases are also subject to the discretion of our Board of Directors and will depend upon our capital position, liquidity, financial strength and credit ratings, general market conditions, the market price of our common stock compared to management's assessment of the stock's underlying value, applicable regulatory approvals, and other legal and accounting factors.

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Terms applicable to our Floating Rate Non-Cumulative Preferred Stock, Series A (the "Series A preferred stock"), junior subordinated debentures and trust securities may restrict our ability to pay dividends or interest on those instruments in certain circumstances. MetLife is also permitted under the terms of our junior subordinated debentures to suspend payments of interest during certain periods of time. Such suspension of payments, whether required or optional, could cause "dividend stopper" provisions applicable under those and other instruments to restrict our ability to pay dividends on our common stock and repurchase our common stock in various situations, including situations where we may be experiencing financial stress, and may restrict our ability to pay dividends or interest on our preferred stock and junior subordinated debentures as well. Replacement capital covenants may limit our ability to eliminate some of these restrictions through the repayment, redemption or purchase of junior subordinated debentures. Under Rule 10b5-1 of the Exchange Act, we may be restricted from repurchasing shares or entering into share repurchase programs when we are aware of material non-public information. These restrictions may limit our ability to repurchase shares from time to time, including but not limited to periods of significant corporate reorganization.

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" and
- "Dividend Restrictions" in Note 15 of the Notes to the Consolidated Financial Statements.

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

If the cash MetLife, Inc. receives from its subsidiaries through dividends and permitted payments under the tax sharing agreement with 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. If MetLife, Inc.'s operating subsidiaries are 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.

Dividends to MetLife, Inc. by its insurance subsidiaries in excess of prescribed limits generally require insurance regulatory approval. In addition, insurance regulators may prohibit the payment of dividends or other payments to MetLife, Inc. by its insurance subsidiaries if they determine that the payment could be adverse to our policyholders or contractholders. The payment of dividends and other distributions by insurance companies may also be limited by business conditions and rating agency considerations. Furthermore, 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. Net worth maintenance or other support agreements, which MetLife, Inc. or its subsidiaries may from time to time establish with their subsidiaries, may require MetLife, Inc. or such other supporting subsidiary to transfer capital to such supported subsidiary, thereby limiting capital that is available for other purposes.

See:

- "Business — Regulation —Insurance Regulation — Surplus and Capital;"
- "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;"
- "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — MetLife, Inc. — Liquidity and Capital Uses — Support Agreements;" and
- "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP and Other Financial Disclosures."

Investment Risks

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Defaults, Downgrades, Volatility or Other Events May Adversely Affect the Investments We Hold, Resulting in a Reduction in Our Net Income and Profitability

A major economic downturn, acts of corporate malfeasance, widening credit risk spreads, ratings downgrades or other events could adversely affect the issuers or guarantors of securities or the underlying collateral of structured securities that we hold, which could cause the estimated fair value of our fixed income securities portfolio and corresponding earnings to decline and the default rate of the fixed income securities in our investment portfolio to increase. Similarly, a ratings downgrade affecting a security we hold could require us to hold more capital to support that security in order to maintain our RBC levels. Our intent to sell, or our assessment of the likelihood that we will be required to sell, fixed income securities may adversely impact levels of writedowns or impairments. Realized losses or impairments on these securities may have a material adverse effect on our net income in a particular quarterly or annual period.

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. Substantially all of our commercial and agricultural mortgage loans held for investment have balloon payment maturities, which may increase the risk of default. 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, and 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, legislation that would allow or require modifications to the terms of mortgage loans could have an adverse effect on our investment portfolio, results of operations or financial condition.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Mortgage Loans.”

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

There may be a limited market for certain investments we hold in our investment portfolio, making them relatively illiquid. These include privately-placed fixed income securities, certain derivative instruments, mortgage loans, policy loans, direct financing and leveraged leases, other limited partnership interests, tax credit and renewable energy partnerships and real estate equity, including real estate joint ventures and funds. Even some of our very high quality investments may experience reduced liquidity during periods of market volatility or disruption. If we are forced to sell certain assets in our investment portfolio during periods of market volatility or disruption, market prices may be lower than our carrying value in such investments, and we may have difficulty selling such investments in a timely manner, be forced to sell investments in a volatile or illiquid market for less than we otherwise would have been able to realize under normal market conditions, or both. This may result in realized losses that could have a material adverse effect on our results of operations and financial condition, as well as our financial ratios, which could in turn affect compliance with our credit instruments and rating agency capital adequacy measures.

We may face similar risks if we are required under our securities lending program to return significant amounts of cash collateral that we have invested. If we decrease the amount of our securities lending activities over time in response to such risks, the amount of net investment income generated by these activities will also likely decline.

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

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. The OCC, the Federal Reserve Board, FDIC, Prudential Regulators, the 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 — Derivatives Regulation;”
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“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.

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Changes to Our Valuation of Securities and Investments, the Allowances and Impairments Taken on Our Investments, and Our Methodologies, Estimations and Assumptions Could Materially Adversely Affect Our Results of Operations or Financial Condition

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, or if trading becomes less frequent or market data becomes less observable, it may be difficult to value certain of our securities, and certain asset classes may become illiquid. In such cases, our valuations may be based on inputs that are less observable and more subjective, which may result in estimated fair values that significantly exceed the amount at which the investments may ultimately be sold. Furthermore, rapidly changing credit and equity market conditions could materially and adversely 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. Historical trends may not be indicative of future impairments or allowances. 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, 8 and 10 of the Notes to the Consolidated Financial Statements.

Business Risks

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. 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 or VOBA, increase our liabilities or incur higher costs.

We cannot determine precisely the amounts that we will ultimately pay to settle our liabilities, particularly when those payments may not occur until well into the future. We evaluate our actual experience and liabilities periodically based on accounting requirements, and that evaluation can result in a change to liability assumptions that may increase our liabilities. Reserve estimates in some instances are also 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, among other things, obtaining, accumulating, and filtering data, and 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.

Increased longevity due to improvements in medical technologies 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.

See:

- “Business — Policyholder Liabilities;”
- “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Policyholder Liabilities;”
- “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, 2018 Compared with the Year Ended December 31, 2017 — Actuarial Assumption Review and Certain Other Insurance Adjustments."

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The Global Nature of Our Operations Exposes Us to a Variety of Political, Legal, Operational, Economic and Other Risks

The global nature of our business operations exposes us to a wide range of political, legal, operational, economic and other risks, including but not limited to:

- nationalization or expropriation of assets;
- imposition of limits on foreign ownership of local companies;
- changes in laws (including insurance and tax laws and regulations), their application or interpretation, including retroactive application of such changes;
- political instability (including any government's inability to maintain operations or funding);
- economic or trade sanctions;
- dividend limitations;
- price controls;
- changes in applicable currency;
- currency exchange controls or other restrictions that prevent us from transferring funds out of the countries in which we operate or converting local currencies we hold into U.S. dollars or other currencies;
- difficulty in enforcing contracts;
- 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 or events may negatively affect our business or reputation in the relevant jurisdictions and could indirectly affect our business or reputation in other jurisdictions as well. Some of our operations are, and are likely to continue to be, in emerging markets, where many of these risks are heightened.

Additionally, we face risks related to a number of issues or concerns that may impact our global operations, including but not limited to international trade agreements (e.g., NAFTA/USMCA), uncertainties in intergovernmental organizations (e.g., the EU and the U.K.'s planned withdrawal from it), pension system reforms, and others.

If we encounter labor problems with workers' associations or trade unions, or if any of our businesses is not successful, we may lose all or most of our investment in building and training the sales force in that business, which may adversely affect our results of operations.

Expanding our operations to new businesses or jurisdictions may require considerable management time and start-up expenses before significant, if any, revenues and earnings are generated, which may reduce the amount of management and financial resources available for other uses. Our operations in new or existing markets may achieve low margins or may be unprofitable, which may negatively impact our operating margins and results of operations.

See:

- "Business — Regulation;"
- "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Financial and Economic Environment;"
- "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment — Selected Country and Sector Investments;" and
- "Quantitative and Qualitative Disclosures About Market Risk."

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Competitive Factors May Adversely Affect Our Market Share and Profitability

Competitive pressures, based on a number of factors including service, product features, scale, price, financial strength, claims-paying ratings, credit ratings, e-business capabilities, name recognition, and other factors, may adversely affect the persistency of our products and our ability to sell products in the future. We can be adversely affected by competition from other insurance companies, as well as non-insurance financial services companies such as banks, broker-dealers and asset managers, which may have a broader array of products, more competitive pricing, higher claims paying ability ratings, greater financial resources with which to compete, or pre-existing customer bases for financial services products. Additionally, we may lose purchasers of group insurance products that are underwritten annually if they are 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. Our customers and clients may engage other financial service providers, and the resulting loss of business could negatively affect our results of operations or financial condition.

An increase in consolidation activity among banks and broker-dealers, through which the insurance industry distributes many of its individual products, 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 or other industry changes may also increase the likelihood that distributors will try to renegotiate the terms of existing selling agreements to terms less favorable to us.

In addition, legislative and other changes affecting the regulatory environment for our business may have the effect of supporting or burdening some aspects of or actors in the financial services industry more than others, which could adversely affect our competitive position within the life insurance industry and within the broader financial services industry.

See:

- "Business — Competition;"
- "Business — Regulation;" and
- "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Competitive Pressures."

Technological Changes May Present New and Intensified 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.

Technological changes may 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, and we may 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.

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.

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Catastrophes May Adversely Impact Liabilities for Policyholder Claims and Reinsurance Availability

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 catastrophic events 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. Due to their nature, we cannot predict the incidence, timing and severity of catastrophic events.

Our life insurance operations face the risk of catastrophic mortality, such as a pandemic or other event that causes a large number of deaths. A significant pandemic could have a major impact on the global economy and financial markets or could result in disruption to our business operations. The effectiveness of external parties, including governmental and non-governmental organizations, in combating the spread and severity of such a pandemic is outside of our control and could have a material impact on the losses we experience. 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 have a material adverse effect on our business, results of operations and financial condition in any period.

Our Property & Casualty businesses will likely experience, from time to time, catastrophe losses as a result of various events, including hurricanes, windstorms, earthquakes, hail, tornadoes, explosions, severe winter weather, fires and man-made events such as terrorist attacks, which may have a material adverse impact on our business, results of operations and financial condition in any period.

Climate change may increase the frequency and severity of weather related disasters and pandemics. In addition, climate change regulation may affect the prospects of companies and other entities whose securities we hold or our willingness to continue to hold their securities. It may also impact other counterparties, including reinsurers, and affect the value of our investments, including real estate investments. We cannot predict the long-term impacts on us from climate change or related regulation.

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. State 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 or requiring regulatory approval of internal reinsurance transactions, may impede our efforts to manage our catastrophe risk. Our ability to manage catastrophe risk also depends in part on our ability to obtain catastrophe reinsurance, which may not be available at commercially acceptable rates, or at all, in the future.

A catastrophic event could render inadequate the funds of guaranty associations or similar organizations, and we may be called upon to contribute additional amounts, which may have a material impact on our financial condition or results of operations.

See:

- “Business — Regulation — Insurance Regulation — Guaranty Associations and Similar Arrangements;”
- “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Other Key Information — Hurricanes;” and
- Note 20 of the Notes to the Consolidated Financial Statements.

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

The closed block assets established in connection with the demutualization of MLIC, 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. Such actions may reduce funds that would otherwise be available to us for other uses and could thus

adversely impact our results of operations or financial condition.
See Note 7 of the Notes to the Consolidated Financial Statements.

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We May Be Required to Recognize an Impairment of Our Goodwill or Other Long-Lived Assets or to Establish a Valuation Allowance Against Our Deferred Income Tax Assets

If the performance of our businesses are negatively impacted by prolonged market declines or other factors, the estimated fair value of the reporting units on which we perform our goodwill impairment testing may be reduced, which may result in a determination that the goodwill has been impaired. In such case, we must write down the goodwill by the amount of the impairment, with a corresponding charge to net income. Such write-downs could have an adverse effect on our results of operations or financial position.

Similarly, if impairment testing of long-lived assets, including but not limited to real estate, indicates that we will be unable to recover the carrying amount of such an asset, we must write down the asset, which could have a material adverse effect on our results of operations or financial position.

Management may determine that it is more likely than not that any particular deferred income tax asset will not be realized, based on factors such as the performance of the business including the ability to generate future taxable income. In such circumstance, 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 — Goodwill;”
- “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Income Taxes;”
- “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Overview — U.S. Tax Reform;” and
- Notes 1 and 11 of the Notes to the Consolidated Financial Statements.

We May Be Required to Accelerate the Amortization of or Impair DAC, DSI or VOBA

DAC, deferred sales inducements (“DSI”) and VOBA for certain products are amortized in proportion to actual and expected gross profits or margins. Low investment returns, 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 may negatively affect the amount of future gross profit or margins. 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 or significantly lower spreads could result in an acceleration of amortization of DAC, DSI and VOBA, 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 — 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 — Industry Trends — Impact of a Sustained Low Interest Rate Environment;” and
- Note 1 of the Notes to the Consolidated Financial Statements.

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

The valuation of our liabilities associated with products that include 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”), guaranteed minimum income benefits (“GMIBs”), and minimum crediting rate features could increase in the event of significant and sustained downturns in equity markets, increased equity volatility, or reduced interest rates. An increase in these liabilities would result in a decrease in our net income.

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The derivatives and other risk management strategies we use to hedge the economic exposure to these liabilities that do not qualify for hedge accounting treatment may result in 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. The risk management strategies and hedging instruments that we use to directly mitigate the volatility in net income associated with certain of these liabilities, including the use of reinsurance and derivatives, may not effectively offset the costs of guarantees and may not be completely effective. Furthermore, changes in policyholder behavior or mortality, combined with adverse market events, may produce economic losses not addressed by the risk management techniques employed. These factors 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.

Operational Risks

Our Risk Management Policies and Procedures or Our Models May Leave Us Exposed to Unidentified or Unanticipated Risk

Our enterprise risk management policies and procedures may not be sufficiently 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 that 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. Models used by our business may be misspecified for their intended purpose, may be misused, may not operate properly, and may 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 associates 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 in the future due to legal and regulatory requirements, which could result in increased costs and may adversely affect our results of operations.

See:

- "Business — Regulation — Insurance Regulation" and
- "Quantitative and Qualitative Disclosures About Market Risk."

Our Policies and Procedures May Be Insufficient To Protect Us From Certain Operational Risks

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, and complexity of our administrative systems, 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 to provide or verify 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, misconduct, or discontinuation of services that result could have a material adverse effect on our business, reputation, results of operations, or financial condition.

From time to time, our administrative and operational practices may fail to timely and completely identify all of the property that we are legally required to escheat to a variety of jurisdictions as unclaimed property. As a result, we may be subject to unexpected charges, reserve strengthening, and expenses, as well as regulatory examinations, penalties or other fines. Each of these affects may harm our reputation or regulatory relationships that may harm our business, financial condition, or results of operations.

Our practices and procedures are evaluated periodically and from time to time may limit our efforts to contact all of our customers, which may result in delayed, untimely, or missed customer payments that may have a material adverse effect on the Company, including reputational harm.

We are subject to risks related to fraud, including fraud committed by our associates, as well as fraud through claims and other processes. Our policies and procedures may be ineffective in preventing, detecting or mitigating fraud and other illegal or improper acts, which could have a material adverse effect on our business, reputation, financial condition, or results of operations.

If our policies and practices to attract, motivate and retain employees, to develop talent, and to plan for management succession are not effective, our business, results of operations, and financial condition could be adversely affected.

We cannot be certain that we will not identify 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.

See "Business — Regulation — Unclaimed Property."

A Failure in Our Cybersecurity or Other Information Security Systems or Our Disaster Recovery Plans, or Those of Our Suppliers, Could Result in a Loss or Disclosure of Confidential Information, Damage to Our Reputation and Impairment of Our Ability to Conduct Business Effectively

We rely on the effective operation of our and our suppliers' computer 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 and our suppliers' computer systems, and we rely on sophisticated technologies to maintain the security of that information. Our and our suppliers' computer systems are subject to computer viruses or other malicious codes, unauthorized or fraudulent access, social engineering, phishing, human error, cyberattacks or other computer-related penetrations, and such threats 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 and our suppliers' computer systems. In some cases, such cyber-incidents may not be immediately detected. Such incidents may impede or interrupt our business operations and could adversely affect our business, reputation, financial condition and 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 and our suppliers' 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 and our suppliers' computer-based data processing, transmission, storage and retrieval systems and destroy valuable data. In addition, if a significant number of our managers, or associates generally, are 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 associates' ability to perform their job responsibilities.

The failure of our and our suppliers' computer systems or our and our suppliers' disaster recovery plans for any reason, or any such failure on the part of vendors, distributors, and other third parties that provide operational or information technology services to us, 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. Insurance for cyber liability, operational and other risks relating to our business and systems may not be sufficient to protect us against such losses or may become less readily available or more expensive, which could adversely affect our results of operations. In addition, increased scrutiny of cybersecurity issues by regulators, including new laws or regulations, could result in increased compliance costs.

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 or Result in Legal or Regulatory Penalties

If we or our suppliers fail to maintain adequate internal controls or if our or our suppliers' associates fail to comply with relevant policies and procedures, misappropriation or intentional or unintentional inappropriate disclosure or misuse of our clients' confidential personal information could occur. Such internal control inadequacies or non-compliance could materially damage our reputation or lead to civil or criminal penalties, which, in turn, could have a material adverse effect on our business, financial condition and results of operations. Increased scrutiny of privacy issues by regulators, including new laws or regulations, could result in increased compliance costs. In addition, any inquiries from U.S. state, federal or other regulators regarding the use of "big data" techniques could result in harm to our reputation, and any limitations could have a material impact on our business, financial condition and results of operations.

See "Business — Regulation — Cybersecurity and Privacy Regulation."

Changes in Accounting Standards May Adversely Affect Our Financial Statements

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") and the IFRS Foundation. We cannot always meaningfully assess the effects of such new or revised accounting standards on our financial statements. Our adoption of future accounting standards could have a material adverse effect on our financial condition and results of operations.

See Note 1 of the Notes to the Consolidated Financial Statements.

Our Associates May Take Excessive Risks, Which Could Negatively Affect Our Financial Condition and Business

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, may take excessive risks in a wide variety of business decisions, including setting underwriting guidelines and standards, determining claims, designing and pricing products, determining what assets to purchase for investment and when to sell them, evaluating business opportunities, and other decisions. The design and implementation of our compensation programs and practices may not be effective in deterring our associates from taking excessive risks, and our controls and procedures may not be sufficient to monitor associates' business decisions, prevent excessive risk-taking, or prevent associate misconduct. If our associates take excessive risks, the impact of those risks could have a material adverse effect on our reputation, financial condition and business operations.

We May Experience Difficulty in Marketing and Distributing Products Through Our Distribution Channels

Third-party distributors, through whom we primarily distribute our products, may 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. There can be no assurance that the terms of our agreements with third-party distributors will remain acceptable to us or such third parties. 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, and new distribution channels could emerge, and such developments could adversely impact the effectiveness of our distribution efforts. Consolidation of distributors and

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. Interruptions or changes to our relationships with distributors could materially hinder our ability to market our products and could have a material adverse effect on our business, operating results and financial condition.
We may not be able to monitor or control the manner in which unaffiliated firms or agents distribute our products. If our products are distributed by such firms or agents in an inappropriate manner, or to customers for whom they are unsuitable, we may be subject to reputational harm, regulatory fines and other harm to our business.

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Changes in Our Assumptions Used for Our Pension and Other Postretirement Benefit Plans May Result in Increased Expenses and Reduce Our Profitability

Changes in our assumptions regarding discount rates, rates of return on plan assets, mortality rates, compensation levels and medical inflation may adversely affect our estimates of pension and other postretirement benefit plan experience, which could result in increased expenses and reduce our profitability.

See Note 17 of the Notes to the Consolidated Financial Statements.

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

Contractual rights with third parties and copyright, trademark, patent and trade secret laws may be insufficient to prevent third parties from infringing on or misappropriating 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 may result in a significant diversion of resources, 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:

- patent, trademark or copyright infringement;
- breach of patent, trademark or copyright license usage rights; or
- misappropriation of trade secrets.

Any such claims or resulting litigation could result in significant expense and liability for damages. If we are 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.

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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

Acquisitions and dispositions of businesses, joint ventures, and other structural changes expose us to a number of risks arising from, among other factors:

- potential difficulties achieving projected financial results, including the costs and benefits of integration or deconsolidation, due to macroeconomic, business, demographic, actuarial, regulatory, or political factors;
- unforeseen liabilities or asset impairments;
- the scope and duration of rights to indemnification for losses, and the recoverability of such indemnification;
- the use of capital that could be used for other purposes;
- liquidity requirements;
- reactions of ratings agencies, shareholders, policyholders and contractholders, distributors, suppliers and other contractual counterparties;
- regulatory requirements that could impact our operations or capital requirements;
- changes in statutory or U.S. GAAP accounting principles, practices or policies;
- dedication of management resources that could otherwise be deployed to other business, or distraction of key personnel from maximizing business value;
- providing or receiving transition services that may disrupt operations or impose liabilities or restrictions on us;
- loss of key personnel or difficulties recruiting personnel;
- loss of customers;
- loss of distribution resources or suppliers;
- inefficiencies as we integrate operations and address differences in cultural, management, information, compliance and financial systems and procedures; and
- impacts on internal controls and procedures.

The success with which we are able to conduct business through joint ventures, including exclusive or semi-exclusive distribution relationships, will depend on our ability to manage a variety of issues, including the following:

- Entering into joint ventures with other companies or government sponsored entities in various international markets, including joint ventures where we have a lesser degree of control over the business operation, may expose us to additional operational, financial, legal or compliance risks.
- Dependence on a joint venture counterparty for capital, product distribution, local market knowledge, or other resources, or dependence on a joint venture counterparty due to limits on our ownership levels or distribution exclusivity requirements under local laws or regulations, may reduce our control over, our financial returns from, or the value of a joint venture.
- If we are unable to effectively cooperate with joint venture counterparties, or a 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.

Reorganizing or consolidating the legal entities through which we conduct business may raise similar risks. The success with which we are able to realize benefits from legal entity reorganizations will also depend on our ability to manage a variety of issues, including regulatory approvals, modification of our operations and changes to our investment portfolios or derivatives hedging activities.

Any of these risks, if realized, could prevent us from achieving the benefits we expect or could otherwise have a material adverse effect on our business, results of operations or financial condition.

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See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Acquisitions and Dispositions."

We Are Subject to Risks Related to Our Separation from and Continuing Relationship with Brighthouse

We remain subject to certain risks related to our separation from and continuing relationship with Brighthouse. There can be no assurance that we will realize any or all of the expected strategic, financial, operational or other benefits of the separation of Brighthouse, and 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. Our agreements with Brighthouse, and the tax treatment of the separation, also expose us to risk. In addition, we cannot guarantee that Brighthouse will be successful as a standalone entity. If Brighthouse is not successful, plaintiffs could assert a variety of claims against us, which could have a material adverse effect on our business, financial condition or results of operations.

See:

- "Business — Regulation — Brighthouse Separation Tax Treatment" and
- Note 3 of the Notes to the Consolidated Financial Statements.

Governance 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

As a result of the voting provisions of the MetLife Policyholder Trust and the number of shares held by it, 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. Additionally, if a vote concerns certain fundamental corporate actions, the trustee will vote all of the shares of common stock held by the Trust in proportion to instructions it receives from Trust beneficiaries, which will give disproportionate weight to the instructions actually given by Trust beneficiaries.

The winding up of the Trust must commence within 90 days after we notify the trustee that the Trust holds 10% or less of MetLife's outstanding common stock. When the Trust is terminated and the shares of common stock then held in the Trust are distributed to the respective Trust beneficiaries, we may incur costs related to the termination of the Trust, such as regulatory filings and mailings to Trust beneficiaries or others, and afterward we may incur costs related to an increase in the number of shareholders, such as 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.

State Laws, Federal Laws, and Our Certificate of Incorporation 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.

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Any person seeking to acquire a controlling interest in us would face various regulatory obstacles, including:

- applicable U.S. state or foreign insurance laws and regulations that may delay or impede a business combination involving us by prohibiting an entity from acquiring control of an insurance company without the prior approval of its domestic insurance regulator;
- 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 registered broker-dealer;
- provisions of the Delaware General Corporation Law that may affect the ability of an "interested stockholder" to engage in certain business combinations; and
- applicable antitrust and competition laws.

In addition, provisions of MetLife, Inc.'s certificate of incorporation and by-laws 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, including 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 consideration of stockholder proposals. Additionally, stockholders may change MetLife, Inc.'s corporate governance through amendments to MetLife, Inc.'s certificate of incorporation or by-laws in ways that make it more difficult for the Board of Directors to protect stockholders' interests, for example, if the Board of Directors is 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, 2018, 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 112 leases used in support of all segments, as well as Corporate & Other.

Also, as of December 31, 2018, we owned three properties and have approximately 169 leases in Japan, which are used primarily by our Asia segment. Excluding the U.S. and Japan, we own approximately 112 properties and have approximately 986 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.

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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 under the symbol “MET” on April 5, 2000.

At February 14, 2019, there were 75,017 stockholders of record of our common stock.

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, 2018 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, 2018	—	—	—	$470,341,462
November 1 - November 30, 2018	13,447,275	$44.40	13,447,275	$1,873,338,798
December 1 - December 31, 2018	14,979,095	$40.26	14,978,937	$1,270,341,498
Total	28,426,370		28,426,212	

(1) Except for the foregoing, there were no shares of MetLife, Inc. common stock repurchased by MetLife, Inc. During the periods October 1 through October 31, 2018, November 1 through November 30, 2018 and December 1 through December 31, 2018, separate account index funds purchased 0 shares, 0 shares and 158 shares, respectively, of MetLife, Inc. common stock on the open market in non-discretionary transactions.

(2) In November 2018, MetLife, Inc. announced that its Board of Directors authorized $2.0 billion of common stock repurchases. At December 31, 2018, MetLife, Inc. had $1.3 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 Risks — Legal and Regulatory Restrictions May Prevent Us from Paying Dividends and Repurchasing Our Stock 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, 2018. 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, 2013, 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.

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	As of December 31,					
	2013	2014	2015	2016	2017	2018
MetLife, Inc. common stock	$100.00	$102.85	$94.34	$109.17	$118.46	$99.74
S&P 500	100.00	113.69	115.26	129.05	157.22	150.33
S&P 500 Insurance	100.00	108.29	110.81	130.29	151.38	134.42
S&P 500 Financials	100.00	115.20	113.44	139.31	170.21	148.03

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Item 6. Selected Financial Data

The following selected financial data has been derived from the Company's audited consolidated financial statements. The statement of operations data for the years ended December 31, 2018, 2017 and 2016, and the balance sheet data at December 31, 2018 and 2017 have been derived from the Company's audited consolidated financial statements included elsewhere herein. The statement of operations data for the years ended December 31, 2015 and 2014, and the balance sheet data at December 31, 2016, 2015 and 2014 have been derived from the Company's audited consolidated financial statements not included herein. The selected financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and related notes included elsewhere herein.

	Years Ended December 31,				
	2018	2017	2016	2015	2014
	(In millions)				
Statement of Operations Data					
Revenues					
Premiums	$43,840	$38,992	$37,202	$36,403	$36,970
Universal life and investment-type product policy fees	5,502	5,510	5,483	5,570	5,824
Net investment income	16,166	17,363	16,790	16,205	18,158
Other revenues	1,880	1,341	1,685	1,927	1,962
Net investment gains (losses)	(298)	(308)	317	609	338
Net derivative gains (losses)	851	(590)	(690)	629	722
Total revenues	67,941	62,308	60,787	61,343	63,974
Expenses					
Policyholder benefits and claims	42,656	38,313	36,358	35,144	35,393
Interest credited to policyholder account balances	4,013	5,607	5,176	4,415	5,726
Policyholder dividends	1,251	1,231	1,223	1,356	1,353
Other expenses	13,714	13,621	13,749	14,777	14,619
Total expenses	61,634	58,772	56,506	55,692	57,091
Income (loss) from continuing operations before provision for income tax	6,307	3,536	4,281	5,651	6,883
Provision for income tax expense (benefit)	1,179	(1,470)	693	1,590	1,936
Income (loss) from continuing operations, net of income tax	5,128	5,006	3,588	4,061	4,947
Income (loss) from discontinued operations, net of income tax (1)	—	(986)	(2,734)	1,324	1,389
Net income (loss)	5,128	4,020	854	5,385	6,336
Less: Net income (loss) attributable to noncontrolling interests	5	10	4	12	27
Net income (loss) attributable to MetLife, Inc.	5,123	4,010	850	5,373	6,309
Less: Preferred stock dividends	141	103	103	116	122
Preferred stock repurchase premium	—	—	—	42	—
Net income (loss) available to MetLife, Inc.'s common shareholders	$4,982	$3,907	$747	$5,215	$6,187

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	Years Ended December 31,				
	2018	2017	2016	2015	2014
EPS Data					
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders per common share:					
Basic	$4.95	$4.57	$3.16	$3.48	$4.25
Diluted	$4.91	$4.53	$3.13	$3.44	$4.20
Income (loss) from discontinued operations, net of income tax, per common share (1):					
Basic	$—	$(0.92)	$(2.48)	$1.19	$1.23
Diluted	$—	$(0.91)	$(2.46)	$1.18	$1.22
Net income (loss) available to MetLife, Inc.'s common shareholders per common share:					
Basic	$4.95	$3.65	$0.68	$4.67	$5.48
Diluted	$4.91	$3.62	$0.67	$4.62	$5.42
Cash dividends declared per common share	$1.660	$1.600	$1.575	$1.475	$1.325

	December 31,				
	2018	2017	2016	2015	2014
	(In millions)				
Balance Sheet Data					
Assets of disposed subsidiary (1)	$—	$—	$216,983	$216,437	$219,937
Separate account assets	$175,556	$205,001	$195,578	$187,152	$194,072
Total assets	$687,538	$719,892	$898,764	$877,912	$902,322
Policyholder liabilities and other policy-related balances (2)	$388,107	$378,810	$355,151	$342,047	$349,651
Short-term debt	$268	$477	$242	$100	$100
Long-term debt	$12,829	$15,686	$16,441	$17,936	$16,108
Collateral financing arrangement	$1,060	$1,121	$1,274	$1,342	$1,399
Junior subordinated debt securities	$3,147	$3,144	$3,169	$3,194	$3,193
Liabilities of disposed subsidiary (1)	$—	$—	$202,707	$204,314	$208,341
Separate account liabilities	$175,556	$205,001	$195,578	$187,152	$194,072
Accumulated other comprehensive income (loss)	$1,722	$7,427	$5,366	$4,767	$10,714
Total MetLife, Inc.'s stockholders' equity	$52,741	$58,676	$67,531	$68,098	$72,208
Noncontrolling interests	$217	$194	$171	$470	$507

	Years Ended December 31,				
	2018	2017	2016	2015	2014
Other Data (3)					
Return on MetLife, Inc.'s common stockholders' equity	9.6%	6.3%	1.0%	7.7%	9.5%

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(1) See Note 3 of the Notes to the Consolidated Financial Statements.

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

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

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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

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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 corporatio incorporated in 1999, its subsidiaries and affiliates. 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. See “Note Regarding Forward-Looking Statements” for cautionary language 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. 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.

U.S. Tax Reform

In December 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. While the Company recorded a reasonable estimate of the tax effects of U.S. Tax Reform in the period of enactment, its income tax accounting was not complete due to uncertainties that existed at the time. Accordingly, certain U.S. Tax Reform amounts were revised in the Company’s consolidated financial statements for the year ended December 31, 2018. In addition, given the complexities of U.S. Tax Reform, there still remain uncertainties surrounding aspects of the new law that may impact results in the future. See Note 18 of the Notes to the Consolidated Financial Statements for a further discussion of U.S. Tax Reform.

Separation of Brighthouse

In August 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”). For information regarding the Separation, the Company’s 2018 sale of the fair value option (“FVO”) Brighthouse Financial, Inc. common stock (“FVO Brighthouse Common Stock”), and ongoing transactions between MetLife and Brighthouse, see Notes 3 and 12 of the Notes to the Consolidated Financial Statements.

Current Year Highlights

During the year ended December 31, 2018, overall sales increased compared to the year ended December 31, 2017 primarily from improved sales in our RIS business and in Japan. Positive net flows drove an increase in our investment portfolio and investment yields improved, however, interest credited rates were higher. A favorable change in net derivative gains (losses) was primarily the result of changes in foreign currency exchange rates and interest rates. While U.S. Tax Reform positively impacted net income in both 2018 and 2017, the impact in 2017 was significantly larger. In addition, our annual actuarial assumption review negatively impacted results when compared to 2017. Our results for 2017 included a loss from the operations of Brighthouse that is reflected in discontinued operations.

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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, 2018:

(1) Excludes Corporate & Other adjusted loss available to common shareholders of $704 million.
(2) Consistent with GAAP guidance for segment reporting, adjusted earnings is our GAAP measure of segment performance. For additional information, see Note 2 of the Notes to the Consolidated Financial Statements.

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Year Ended December 31, 2018 Compared with the Year Ended December 31, 2017

Consolidated Results - Highlights

Net income (loss) available to MetLife, Inc.'s common shareholders up $1.1 billion:

- Favorable change in net derivative gains (losses) of $1.4 billion ($1.1 billion, net of income tax)
- Favorable change in results from divested businesses of $936 million ($650 million, net of income tax) included in continuing operations
- Favorable change in income (loss) from discontinued operations, net of income tax, of $986 million
- Net tax-related benefit in 2017 of $1.3 billion due to U.S. Tax Reform
- Net unfavorable change from our annual actuarial assumption reviews of $395 million ($297 million, net of income tax)
- Adjusted earnings available to common shareholders up $1.2 billion

(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 Highlights

Adjusted earnings available to common shareholders up $1.2 billion:

- The primary drivers of the increase in adjusted earnings were higher net investment income due to a larger asset base and higher investment yields, the favorable impact of U.S. Tax Reform, other favorable tax items, favorable refinements to DAC and certain insurance-related liabilities, lower expenses and favorable underwriting, partially offset by higher interest credited expenses and the net unfavorable change from our annual actuarial assumption review.
- Our results for the year ended December 31, 2018 included the following:
  - a $349 million benefit from the IRS audit settlement related to the tax treatment of a wholly-owned U.K. investment subsidiary of MLIC, which was comprised of a $168 million tax benefit and a $181 million interest benefit
  - favorable impact from U.S. Tax Reform of $179 million, which includes a $78 million charge related to a revision in the estimate from the enactment of this reform
  - favorable reserve adjustment of $62 million, net of income tax, relating to certain variable annuity guarantees assumed from a former joint venture in Japan
  - a $37 million, net of income tax, favorable net insurance adjustment resulting from reserve and DAC modeling improvements in our individual disability insurance business
  - expenses associated with our previously announced unit cost initiative of $284 million, net of income tax

- a $63 million, net of income tax, charge due to a current period increase in our incurred but not reported ("IBNR") life reserves, reflecting enhancements to our processes related to potential claims
- a $60 million, net of income tax, increase in litigation reserves
- unfavorable impact from our annual actuarial assumption review of $42 million, net of income tax

Our results for 2017 included the following:

- a tax charge of $298 million related to U.S. Tax Reform
- net tax-related 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 net tax-related benefit from the finalization of certain tax audits

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- expenses associated with our previously announced unit cost initiative of $102 million, net of income tax
- 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")
- 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

For a more in-depth discussion of our consolidated results, see "— Results of Operations — Consolidated Results," "— Result of Operations — Consolidated Results — Adjusted Earnings" and "— Results of Operations — Segment Results and Corporat Other."

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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 Highlights
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
  - expenses associated with our previously announced unit cost initiative of $102 million, net of income tax
  - a $73 million, net of income tax, charge for expenses incurred related to a guaranty fund assessment for 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

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For a more in-depth discussion of our consolidated results, see "— Results of Operations — Consolidated Results," "— Result of Operations — Consolidated Results — Adjusted Earnings" and "— Results of Operations — Segment Results and Corporat Other."

Consolidated Company Outlook

Our enterprise 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 has enhanced our ability to focus on the right markets, build clear differentiators, and continue to make the right investments to deliver shareholder value.

Post-Separation, we are well-positioned in less volatile and fee-based businesses; as a result, we expect our results to be less sensitive to interest rates. Assuming interest rates follow the observable forward yield curves as of the year ended December 31, 2018, we expect the average ratio of free cash flow to adjusted earnings over the two-year period of 2019 and 2020 to be 65% to 75%, assuming a 10-year U.S. Treasury rate between 2.0% and 4.5%. We believe that free cash flow is a key determinant of common stock dividends and common stock repurchases.

In light of the move away from a sustained low interest rate environment, compounding business growth and our expense initiative, we are targeting an adjusted return on equity, excluding accumulated other comprehensive income ("AOCI") other than foreign currency translation adjustments ("FCTA"), of 12% to 14% over the near-term. This target reflects our unit cost improvement program and the related initiative to invest $1.0 billion by 2020 to generate a pre-tax profit margin improvement of $800 million, which represents an approximate 200 basis point decline in our direct expense ratio, excluding total notable items related to direct expenses and pension risk transfers, by 2020 from our 2015 baseline year.

A key element of our enterprise strategy is to return excess capital to common shareholders through dividends and stock repurchases. In 2018, we returned $5.7 billion of capital to common shareholders through common stock dividends and common stock repurchases. Common stock repurchases are subject to the discretion of our Board of Directors and will depend upon 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, applicable regulatory approvals, and other legal and accounting factors. 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. Additional guidance from the U.S. Treasury, SEC or the FASB may require us to revise these projections in future periods.

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Other Key Information
Basis of Presentation
Consolidation
Effective January 1, 2016, the Company converted its Japan operations from a fiscal year cutoff of November 30th 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. See Notes 1 and 2 of the Notes to the Consolidated Financial Statements.
Discontinued Operations
The results of Brighthouse are reflected in the Company's consolidated financial statements as discontinued operations and, therefore, are presented as income (loss) from discontinued operations on the consolidated statements of operations. The reporting of discontinued operations had no impact on total consolidated net income (loss) for any of the years presented. See Note 3 of the Notes to the Consolidated Financial Statements for information on discontinued operations and ongoing transactions with Brighthouse.
Hurricanes
In 2018, Hurricanes Michael and Florence made landfall in the Florida Panhandle and North and South Carolina, respectively, causing loss of life and extensive property damage. As of December 31, 2018, MetLife's Property & Casualty business recognized losses from these hurricanes of $27 million ($21 million, net of income tax). Additional storm-related losses may be recorded in future periods as claims are received from insureds.
In 2017, Hurricanes Irma and Harvey made landfall in Florida and Texas, respectively, causing loss of life and extensive property damage. As of December 31, 2017, MetLife's Property & Casualty business recognized losses from these hurricanes of $65 million ($42 million, net of income tax).
Argentina Highly Inflationary
The inflation levels in Argentina have been elevated for several years. In the first half of 2018, Argentina's reported inflation rates began to increase dramatically and the Argentine central bank significantly increased interest rates in an effort to combat inflation. Based on Argentina's reported inflation rates and trends, as of July 1, 2018, we designated Argentina as a highly inflationary economy for accounting purposes. The change to highly inflationary accounting did not have a material impact on the Company's consolidated financial statements for the year ended December 31, 2018.
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 Risks — Difficult Economic Conditions May Adversely Affect Our Business, Results of Operations and Financial Condition."
We have market presence in numerous countries and, therefore, our business operations are exposed to risks posed by local and regional economic conditions. For example, MetLife is the largest provider of benefits to Mexican federal government personnel and public officials, however, the new administration of President López Obrador of Mexico is implementing an austerity plan which, among other measures, has eliminated benefits such as major medical insurance and contributions to additional savings benefit insurance for such individuals. See "Business — Regulation — Fiscal Measures" and "Risk Factors — Economic Environment and Capital Markets Risks — Difficult Economic Conditions May Adversely Affect Our Business, Results of Operations and Financial Condition — Currency Exchange Rate Risk."
See "— Executive Summary — Other Key Information — Argentina Highly Inflationary" for further information regarding the impact of Argentina's highly inflationary economy on the Company's consolidated financial statements.

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We are closely monitoring political and economic conditions 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 planned withdrawal from the EU, have contributed to global market volatility. These factors could contribute to weakening Gross Domestic Product growth, primarily in the U.K. and, to a lesser degree, in 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 and Sector Investments." We are also monitoring the imposition of tariffs or other barriers to international trade, changes to international trade agreements, and their potential impacts on our business, results of operations and financial condition. In addition, the possibility of additional government shutdowns or a failure to raise the debt ceiling, due to a policy impasse or otherwise, could adversely impact our business and liquidity. See "Business — Regulation — Cross-Border Trade" and "Business — Regulation — Fiscal Measures." also "Risk Factors — Economic Environment and Capital Markets Risks — Difficult Economic Conditions May Adversely Affect Our Business, Results of Operations and Financial Condition" and "Risk Factors — Business Risks — The Global Nature of Our Operations Exposes Us to a Variety of Political, Legal, Operational, Economic and Other Risks."

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 continued along its stated path of 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 2018. Similarly, recognizing the economic recovery, the European Central Bank ended quantitative easing in December 2018 and left interest rates unchanged. 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 October 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 sustained periods of low 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. See "— Results of Operations — Consolidated Results — Year Ended December 31, 2018 Compared with the Year Ended December 31, 2017 — Actuarial Assumption Review and Certain Other Insurance Adjustments" for further information.

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.

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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 businesses reported within our Latin America, EMEA, and Asia (exclusive of our Japan business) segments are not significantly interest rate or market sensitive; in particular, they have limited 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 2.69% at December 31, 2018 to 4.25% in 8 years, by 2026 and remains level afterwards and that 10-year yields will reach 2.76%, 2.84% and 2.93% by December 31, 2019, 2020 and 2021, respectively. Also included is the projection that the three-month LIBOR rate will move from 2.81% at December 31, 2018 to 2.63%, 2.41% and 2.46% by December 31, 2019, 2020 and 2021, respectively. The low interest rate scenario reflects an assumed 100 basis point decline in all interest rate maturities compared to the base scenario from December 31, 2018 through December 31, 2021 (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 2019, 2020 and 2021 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 base scenario through 2021. These rates represent the most relevant short-term and long-term rates for our base scenario which uses LIBOR as the benchmark rate. See "Risk Factors — Economic Environment and Capital Risks — Difficult Economic Conditions May Adversely Affect Our Business, Results of Operations and Financial Condition — Interest Rate Risk" for information regarding the potential change from LIBOR to SOFR.

	2019		2020		2021	
	Low Interest Rate Scenario	Base Scenario	Low Interest Rate Scenario	Base Scenario	Low Interest Rate Scenario	Base Scenario
Three-month LIBOR	1.63%	2.63%	1.41%	2.41%	1.46%	2.46%
10-year U.S. Treasury	1.76%	2.76%	1.84%	2.84%	1.93%	2.93%

The Low Interest Rate Scenario assumes the three-month LIBOR to be 1.81% and the 10-year U.S. Treasury rate to be 1.69% at December 31, 2018. We assume the low interest rate scenario to be 100 basis points lower than the base scenario until December 31, 2021 for all interest rate maturities. In addition, in the Low Interest Rate Scenario, we assume credit spreads to remain constant from December 31, 2018 through the end of 2021 as compared to our base scenario. 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.

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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 $15 million in 2019, $140 million in 2020 and $265 million in 2021. 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 base scenario rates and the yield curve steepens beyond 2018. For example, our securities lending business performs better than our base scenario 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 Low Interest Rate Scenario will decrease in 2020 and 2021 compared to 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 base scenario. 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 an increase in net income of $719 million in 2019, and a decline in net income of $35 million in 2020 and $69 million in 2021. 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%. Approximately half 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, $15 million and $5 million in 2019, 2020 and 2021, respectively.

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Retirement and Income Solutions

RIS contains both short and long-duration products consisting of capital market products, pension risk transfers, structured settlements, and other benefit funding products. A significant portion 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 sensitivities below do not include the impact of additional ALM actions that we may take in our capital markets business. The long-duration products have very predictable cash flows and our strategy is to match asset and liability durations consistent with our ALM policies. We also use interest rate swaps as part of our ALM strategy and to help protect income in this business. While we expect to experience margin compression as we reinvest at lower rates, the interest rate derivatives and the ALM strategy this portfolio follows should partially mitigate this risk. Also, based on cash flow estimates, only a small component of the invested asset base is subject to reinvestment risk. Reinvestment risk is defined for this purpose as the amount of reinvestment in 2019, 2020 and 2021 that would impact adjusted earnings due to reinvesting cash flows in the Low Interest Rate Scenario.

We estimate an unfavorable combined long-term and short-term interest rate impact on adjusted earnings on our RIS business from the Low Interest Rate Scenario of $15 million, $20 million, and $20 million in 2019, 2020, and 2021, respectively.

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 $0 million, $5 million and $10 million in 2019, 2020 and 2021, respectively.

Asia

Our Japan business offers traditional life insurance and accident & health products, many of which are denominated in U.S. dollars. 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 $20 million, $45 million and $85 million in 2019, 2020 and 2021, 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.

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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 2019, 2020 and 2021 that would impact adjusted earnings due to reinvesting cash flows in the Low Interest Rate Scenario. For the life business, $3.4 billion, $4.5 billion and $4.0 billion in 2019, 2020 and 2021, respectively, of the asset base will be subject to reinvestment risk on an average asset base of $59.9 billion, $59.9 billion and $59.6 billion in 2019, 2020 and 2021, respectively. For our deferred annuities business, $1.1 billion, $0.8 billion, and $1.2 billion in 2019, 2020, and 2021, respectively, of the asset base will be subject to reinvestment risk on an average asset base of $16.2 billion, $15.4 billion and $14.7 billion in 2019, 2020 and 2021, respectively. For our long-term care portfolio, $1.6 billion, $1.6 billion and $1.6 billion of the asset base in 2019, 2020 and 2021, respectively, will be subject to reinvestment risk on an average asset base of $12.8 billion, $13.5 billion and $14.2 billion in 2019, 2020 and 2021, respectively.

We estimate an unfavorable combined long-term and short-term interest rate impact on the adjusted earnings of our MetLife Holdings segment from the Low Interest Rate Scenario of $10 million, $55 million and $100 million in 2019, 2020 and 2021, 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 $5 million, $30 million and $55 million in 2019, 2020 and 2021, respectively.

Competitive Pressures

The life insurance industry remains highly competitive. See “Business — Competition.” 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. Insurers are increasingly seeking alternative sources of revenue; there is a focus on monetization of assets, fee-based services, and opportunities to offer comprehensive solutions, which include providing value-added services along with traditional products. 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.

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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 Businesses Are Highly Regulated, and Changes in Laws, Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability, Limit Our Growth, or Otherwise Adversely Affect Our Business, Results of Operations and Financial Condition." Regulators have also undertaken market and sales practices reviews of several markets or products, including equity-indexed annuities, variable annuities and group products and, in some states, instituted a moratorium on new reserve financing transactions. See "Business — Regulation," "Risk Factors — Economic Environment and Capital Markets Risks — Our Statutory Life Insurance Reserve Financings May Be Subject to Cost Increases, and New Financings May Be Subject to Limited Market Capacity," "Risk Factors — Regulatory and Legal Risks — Our Businesses Are Highly Regulated, and Changes in Laws, Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability, Limit Our Growth, or Otherwise Adversely Affect Our Business, Results of Operations and Financial Condition" and "— Liquidity and Capital Resources — The Company — Capital — Affiliated Captive Reinsurance Transactions."
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 the 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 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.

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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 $40 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, 2018, 2017 and 2016, DAC and VOBA for the Company was $18.9 billion, $18.4 billion and $17.6 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, 2018, 2017 and 2016. Increases (decreases) in DAC and VOBA balances, as presented below, resulted in a corresponding decrease (increase) in amortization.

	Years Ended December 31,		
	2018	2017	2016
	(In millions)		
General account investment return	$22	$(5)	$5
Separate account investment return	(42)	21	(3)
Net investment/Net derivative gains (losses) and GMIB	(215)	58	270
In-force/Persistency	26	(10)	(63)
Policyholder dividends, expense and other	—	68	(187)
Total	$(209)	$132	$22

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Significant items contributing to the changes to DAC and VOBA amortization in 2018 consisted of the following:

- Net increase in amortization of $215 million associated with net investment/net derivative gains (losses) and GMIB, primarily driven by the following:
  - An increase in amortization of $90 million from net derivative gains from freestanding derivatives hedging the variable annuity guarantees, partially offset by a decrease in amortization of approximately $30 million from net derivative losses resulting from the increases in variable annuity guarantee obligations.
  - An increase in amortization of approximately $35 million associated with gains from GMIB hedges and the decreases in GMIB obligations.
  - Net increase in amortization of approximately $100 million from the annual actuarial assumption update and other investment activities.

Significant items contributing to the changes to DAC and VOBA amortization in 2017 consisted of the following:

- Net decrease in amortization of $58 million associated with net investment/net derivative gains (losses) and GMIB, primarily driven by the following:
  - A decrease in amortization of approximately $90 million from net derivative losses from freestanding derivatives hedging the variable annuity guarantees, largely offset by an increase in amortization of approximately $80 million from net derivative gains resulting from the decreases in variable annuity guarantee obligations.
  - Net decrease in amortization of approximately $45 million from other investment activities.
- Net decrease in amortization of $68 million related to policyholder dividends, expense and other primarily driven by the following:
  - A decrease in amortization of approximately $60 million from the annual actuarial assumption update of the closed block, partially offset by an increase in amortization of approximately $40 million from updating the dividend scales of the participating life contracts.
  - A decrease in amortization of approximately $55 million due to an adjustment related to certain participating whole life business assumed from Brighthouse.

Significant items contributing to the changes to DAC and VOBA amortization in 2016 consisted of the following:

- Net decrease in amortization of $270 million associated with net investment/net derivatives gains (losses) and GMIB, primarily driven by the following:
  - A decrease in amortization of approximately $180 million from net derivative losses from freestanding derivatives hedging the variable annuity guarantees.
  - A decrease in amortization of approximately $20 million from net derivative losses resulting from the increases in the variable annuity guarantee obligations.
  - A decrease in amortization of approximate $40 million primarily associated with losses from GMIB hedges and the decreases in GMIB obligations.
  - Net decrease in amortization of approximately $30 million from the annual actuarial assumption update and other investment activities.
- An increase in amortization of $187 million related to policyholder dividends, expense and other primarily driven by the following:
  - An increase in amortization of approximately $110 million from the annual actuarial assumption update of the closed block.
  - An increase in amortization of approximately $70 million from updating the dividend scales of the participating life contracts.

Our DAC and VOBA balance is also impacted by unrealized investment gains (losses) and the amount of amortization which would have been recognized if such gains and losses had been realized. The decrease in unrealized investment gains (losses) increased the DAC and VOBA balance by $521 million, $529 million and $163 million in 2018, 2017 and 2016, respectively. See Notes 5 and 8 of the Notes to the Consolidated Financial Statements for information regarding the DAC and VOBA offset to unrealized investment gains (losses).

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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 unadjusted quoted prices are not available, estimated 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 fixed maturity securities available-for-sale ("AFS") 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 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 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.

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.

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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, 2018	
	Policyholder Account Balances	DAC and VOBA
	(In millions)	
100% increase in our credit spread	$ 595	$ 36
As reported	$ 793	$ 70
50% decrease in our credit spread	$ 906	$ 89

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.

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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 2018, 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 25% 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 5%. 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, 2018, 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 2018 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, 2018 and concluded that the estimated fair values of all such reporting units were substantially 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. See Note 17 of the Notes to the Consolidated Financial Statements for information on amendments to our U.S. benefit plans. 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.

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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, 2017, 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 $109 million and an increase of $109 million, respectively, in 2018. 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, 2017, 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 $117 million and an increase of $113 million, respectively, in 2018. 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 in which we conduct business.

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 consolidated financial statements in the year these changes occur.

In December 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. While the Company recorded a reasonable estimate of the tax effects of U.S. Tax Reform in the period of enactment, its income tax accounting was not complete due to uncertainties that existed at the time. Accordingly, certain U.S. Tax Reform amounts were revised in the Company's

consolidated financial statements for the year ended December 31, 2018.
See also Notes 1 and 18 of the Notes to the Consolidated Financial Statements for additional information on our income taxes.

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Litigation Contingencies

We are a defendant in a large number of litigation matters and are involved in a number of regulatory investigations. 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. 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 reliable data and uncertainty regarding numerous variables that can affect liability estimates. 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

Separation of Brighthouse

For information regarding the Separation, the Company's 2018 sale of the FVO Brighthouse Common Stock, and ongoing transactions between MetLife and Brighthouse, see Notes 3 and 12 of the Notes to the Consolidated Financial Statements.

Disposition of MetLife Afore, S.A. de C.V.

For information regarding the Company's 2018 disposition of MetLife Afore, its pension fund management business in Mexico, see Note 3 of the Notes to the Consolidated Financial Statements.

Acquisition of Logan Circle Partners, L.P.

In 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 was a fundamental research-based investment manager providing institutional clients actively managed investment solutions across a broad spectrum of fixed income strategies.

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U.S. Retail Advisor Force Divestiture

In 2016, MetLife, Inc. completed the sale to Massachusetts Mutual Life Insurance Company 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. See Note 3 of the Notes to the Consolidated Financial Statements for further information.

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Results of Operations

Consolidated Results

Business Overview. Overall sales for the year ended December 31, 2018 increased over 2017 levels reflecting higher sales in the majority of our businesses. In our U.S. segment, improved sales in our RIS business were partially offset by slightly lower sales in our Group Benefits business as the impact of strong jumbo case sales in our core products in 2017 more than offset strong sales in our voluntary products in 2018. The improvement in RIS was the result of higher sales of pension risk transfers, most notably a large pension risk transfer transaction in the second quarter of 2018, stable value, specialized life insurance, and structured settlement products, partially offset by lower funding agreement issuances. An increase in sales in our Asia segment was primarily driven by growth in sales of foreign currency-denominated annuity and life products, as well as accident & health products, in Japan, partially offset by a decrease in sales in Korea and Hong Kong. In our Latin America segment, sales increased compared to 2017, driven by higher individual accident & health, credit life and retirement product sales in Chile, partially offset by lower pension and group medical sales in Mexico. Sales in EMEA decreased primarily due to the closure of the U.K. wealth management product to new business in the third quarter of 2017 and a decline in sales of our employee benefits product in the Gulf region. Revenues in our MetLife Holdings segment decreased as a result of the discontinuance of the marketing of life and annuity products in early 2017.

	Years Ended December 31,		
	2018	2017	2016
	(In millions)		
Revenues			
Premiums	$43,840	$38,992	$37,202
Universal life and investment-type product policy fees	5,502	5,510	5,483
Net investment income	16,166	17,363	16,790
Other revenues	1,880	1,341	1,685
Net investment gains (losses)	(298)	(308)	317
Net derivative gains (losses)	851	(590)	(690)
Total revenues	67,941	62,308	60,787
Expenses			
Policyholder benefits and claims and policyholder dividends	43,907	39,544	37,581
Interest credited to policyholder account balances	4,013	5,607	5,176
Capitalization of DAC	(3,254)	(3,002)	(3,152)
Amortization of DAC and VOBA	2,975	2,681	2,718
Amortization of negative VOBA	(56)	(140)	(269)
Interest expense on debt	1,122	1,129	1,157
Other expenses	12,927	12,953	13,295
Total expenses	61,634	58,772	56,506
Income (loss) from continuing operations before provision for income tax	6,307	3,536	4,281
Provision for income tax expense (benefit)	1,179	(1,470)	693
Income (loss) from continuing operations, net of income tax	5,128	5,006	3,588
Income (loss) from discontinued operations, net of income tax	—	(986)	(2,734)
Net income (loss)	5,128	4,020	854
Less: Net income (loss) attributable to noncontrolling interests	5	10	4
Net income (loss) attributable to MetLife, Inc.	5,123	4,010	850
Less: Preferred stock dividends	141	103	103
Net income (loss) available to MetLife, Inc.’s common shareholders	$4,982	$3,907	$747

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Year Ended December 31, 2018 Compared with the Year Ended December 31, 2017

During the year ended December 31, 2018, net income (loss) increased $1.1 billion from 2017, primarily driven by favorable changes in net derivative gains (losses), adjusted earnings, income (loss) from discontinued operations, and results from our divested businesses, partially offset by 2017 tax-related benefits, primarily related to U.S. Tax Reform.

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 AFS 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 contractholder-directed equity securities and fair value option securities (collectively, “Unit-linked and FVO Securities”), contractholder-directed equity securities supporting unit-linked variable annuity type liabilities (“Unit-linked investments”), which do not qualify as separate account assets. The returns on these 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 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. 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. For example, 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.

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 take advantage of recently adopted NAIC rules related to a statutory accounting election for derivatives that mitigate interest rate sensitivity related to variable annuity guarantees. The restructured hedge strategy is classified as a macro hedge program, included in the non-VA program derivatives section of the table below, 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.

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

	Years Ended December 31,	
	2018	2017
	(In millions)	
Non-VA program derivatives		
Interest rate	$177	$(39)
Foreign currency exchange rate	464	(379)
Credit	(52)	198
Equity	115	6
Non-VA embedded derivatives	78	(131)
Total non-VA program derivatives	782	(345)
VA program derivatives		
Market risks in embedded derivatives	(51)	1,052
Nonperformance risk adjustment on embedded derivatives	133	(190)
Other risks in embedded derivatives	(310)	68
Total embedded derivatives	(228)	930
Freestanding derivatives hedging embedded derivatives	297	(1,175)
Total VA program derivatives	69	(245)
Net derivative gains (losses)	$851	$(590)

The favorable change in net derivative gains (losses) on non-VA program derivatives was $1.1 billion ($890 million, net of income tax). This was primarily due to the U.S. dollar strengthening relative to other key currencies in 2018 versus mostly weakening in 2017, favorably impacting foreign currency swaps that primarily hedge foreign currency-denominated bonds. In addition, there was a favorable change in interest rate impact due to: (i) the impact of the 2017 restructuring of the hedge program to decrease volatility from nonqualified interest rate derivatives and to help meet prospective dividend and free cash flow objectives under varying interest rate scenarios; (ii) long-term U.S. interest rates increased in 2018 and mostly decreased in 2017, favorably impacting receive float interest rate swaps; (iii) mid-term rates increased more significantly in 2018 than 2017, positively impacting interest rate caps; and (iv) certain foreign interest rates decreased in 2018 and increased in 2017, favorably impacting receive fixed interest rate swaps indexed to those rates. Also, equity markets decreased in 2018 and increased in 2017, favorably impacting new equity options acquired primarily as part of our macro hedge program. There was also a change in the value of the underlying assets favorably impacting non-VA embedded derivatives related to funds withheld on a certain reinsurance agreement. These increases were partially offset by credit spreads widening in 2018 and narrowing in 2017, unfavorably impacting written credit default swaps used in replications. 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 items being hedged.

The favorable change in net derivative gains (losses) on VA program derivatives was $314 million ($248 million, net of income tax). This was due to a favorable change of $369 million ($292 million, net of income tax) in market risks in embedded derivatives, net of the impact of freestanding derivatives hedging those risks, and a favorable change of $323 million ($255 million, net of income tax) in the nonperformance risk adjustment on embedded derivatives, partially offset by an unfavorable change of $378 million, ($299 million, net of income tax) in other risks in embedded derivatives. Other risks relate primarily to the impact of policyholder behavior and other non-market risks that generally cannot be hedged.

The aforementioned $369 million ($292 million, net of income tax) favorable change reflects a $1.5 billion ($1.2 billion, net of income tax) favorable change in freestanding derivatives hedging market risks in embedded derivatives, partially offset by a $1.1 billion ($871 million, net of income tax) unfavorable change in market risks in embedded derivatives.

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The primary changes in market factors are summarized as follows:

- Key equity index levels decreased in 2018 and increased in 2017, contributing to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives. For example, the S&P 500 Index decreased 6% in 2018 and increased 19% in 2017.
- Long-term U.S. interest rates increased in 2018 and mostly decreased in 2017, contributing to a favorable change in our embedded derivatives. Our freestanding interest rate derivatives were favorably impacted by the restructuring of the VA hedging strategy, partially offset by the increase in interest rates. For example, the 30-year U.S. swap rate increased 30 basis points in 2018 and decreased 5 basis points in 2017.
- Changes in foreign currency exchange rates contributed to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives related to the assumed variable annuity guarantees from our former operating joint venture in Japan. For example, the Japanese yen strengthened against the euro by 7% in 2018 and weakened by 10% in 2017.

The aforementioned $378 million ($299 million, net of income tax) unfavorable change in other risks in embedded derivatives reflects:

- Actuarial assumption updates associated with variable annuity guarantees assumed from our former operating joint venture in Japan,
- Updates to actuarial policyholder behavior assumptions within the valuation model, and
- A combination of other factors, which include fees being deducted from accounts, changes in the benefit base, premiums, lapses, withdrawals and deaths.

The aforementioned $323 million ($255 million, net of income tax) favorable change in the nonperformance risk adjustment on embedded derivatives resulted from a favorable change of $172 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 a favorable change of $151 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 favorable change in net investment gains (losses) of $10 million ($8 million, net of income tax) primarily reflects lower non-investment portfolio losses in 2018. In 2017, we recognized a mark-to-market loss on our retained investment in Brighthouse Financial, Inc. in connection with the Separation. In 2018, we recognized lower losses representing both the change in estimated fair value of FVO Brighthouse Common Stock we held through date of disposal and the loss upon disposal in June 2018. In addition, in 2018, we recognized mark-to-market losses on equity securities which are measured at fair value through net income and in 2018 compared to 2017, there were lower gains on sales of fixed maturity securities AFS and real estate joint ventures.

Actuarial Assumption Review and Certain Other Insurance Adjustments. Results for 2018 include a $358 million ($272 million, net of income tax) charge associated with our annual review of actuarial assumptions related to reserves and DAC, of which a $131 million loss ($94 million, net of income tax) was recognized in net derivative gains (losses).

Of the $358 million charge, $20 million ($20 million, net of income tax) was related to DAC and $338 million ($252 million, net of income tax) was associated with reserves. The portion of the $358 million charge that was included in adjusted earnings was $53 million ($42 million, net of income tax).

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The $131 million loss recognized in net derivative gains (losses) associated with our annual 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, biometric, policyholder behavior, and operational assumptions. The most significant impacts were in the Asia and MetLife Holdings segments related to Japan variable annuities and the projection of closed block results, respectively, and are summarized as follows:

- Economic assumption updates resulted in net favorable changes in reserves and DAC of $38 million ($29 million, net of income tax).
- Changes to biometric assumptions resulted in net favorable changes in reserves and DAC of $55 million ($44 million, net of income tax).
- Changes in policyholder behavior assumptions resulted in a net charge of $321 million ($241 million, net of income tax).
- Changes in operational assumptions, most notably related to closed block projections, resulted in a net charge of $130 million ($104 million, net of income tax).

Results for 2017 include a $37 million ($25 million, net of 2017 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 2017 income tax) gain was recognized in net derivative gains (losses). Of the $37 million gain, a $96 million ($64 million, net of 2017 income tax) gain was associated with DAC and a loss of $59 million ($39 million, net of 2017 income tax) was related to reserves. The portion of the $37 million gain that is included in adjusted earnings is $100 million ($66 million, net of 2017 income tax).
Certain other insurance adjustments recorded in 2018 include a $79 million ($63 million, net of income tax) charge due to a 2018 increase in our IBNR life reserves, reflecting enhancements to our processes related to potential claims in our MetLife Holdings segment, and a favorable net insurance adjustment of $47 million ($37 million, net of income tax) resulting from reserve and DAC modeling improvements in our individual disability insurance business in our U.S. segment. These adjustments were included in adjusted earnings.
Divested Businesses. Income (loss) before provision for income tax related to the divested businesses, excluding net investment gains (losses) and net derivative gains (losses), increased $936 million ($650 million, net of income tax) to a loss of $122 million ($97 million, net of income tax) in 2018 from a loss of $1.1 billion ($747 million, net of income tax) in 2017. Included in this increase was an increase in total revenues of $570 million, before income tax, and a decrease in total expenses of $366 million, before income tax. Divested businesses primarily include activity related to the Separation.
Discontinued Operations. Income (loss) from discontinued operations, net of income tax, increased $986 million for the year ended December 31, 2018 from a loss of $986 million, net of income tax, for the year ended December 31, 2017. Income (loss) from discontinued operations reflects the results of our former Brighthouse Financial segment. For further information, see Note 3 of the Notes to the Consolidated Financial Statements.

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Taxes and Other Tax-Related Items. Income tax expense for the year ended December 31, 2018 was $1.2 billion, or 19% of income (loss) from continuing operations before provision for income tax, compared with an income tax benefit of $1.5 billion, or 42% of income (loss) from continuing operations before provision for income tax, for the year ended December 31, 2017. The Company's effective tax rates differ from the U.S. statutory rate of 21% typically due to non-taxable investment income, tax credits for investments in low income housing, and foreign earnings taxed at different rates than the U.S. statutory rate. Our 2018 results include the following tax items: (i) a net tax-related benefit of $366 million related to the settlement of tax audits, which includes a $349 million benefit related to the tax treatment of a wholly-owned U.K. investment subsidiary of MLIC (comprised of a $168 million tax benefit and a $181 million interest benefit), (ii) an adjusted earnings charge of $124 million related to U.S. Tax Reform (comprised of a $78 million tax charge and a $46 million, net of income tax, reduction in net investment income), (iii) a benefit of $36 million related to a non-cash transfer of assets from a wholly-owned U.K. investment subsidiary to MLIC, (iv) a charge of $69 million related to the non-deductible loss incurred on the mark-to-market and disposition of FVO Brighthouse Common Stock, (v) a charge of $17 million related to a tax adjustment in Chile, and (vi) a charge of $5 million in Colombia to establish a deferred tax liability due to a change in tax status. 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 benefit from the finalization of certain tax audits, (iv) a net 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 benefit associated with dividends from our non-U.S. operations, and (v) a benefit of $9 million related to the settlement of a tax audit in Argentina.

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 $1.2 billion, net of income tax, to $5.5 billion, net of income tax, for the year ended December 31, 2018 from $4.2 billion, net of income tax, for the year ended December 31, 2017.

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).

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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	(345)	49
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	(245)	(739)
Net derivative gains (losses)	$(590)	$(690)

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.

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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.

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.

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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.
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. 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.

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

Year Ended December 31, 2018

	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total
	(In millions)						
Net income (loss)	$2,755	$1,547	$477	$296	$1,016	$(963)	$5,128
Less: Income (loss) from discontinued operations, net of income tax	—	—	—	—	—	—	—
Income (loss) from continuing operations, net of income tax	$2,755	$1,547	$477	$296	$1,016	$(963)	$5,128
Less: Net investment gains (losses)	(72)	142	18	5	(164)	(227)	(298)
Less: Net derivative gains (losses)	268	312	(64)	28	263	44	851
Less: Other adjustments to continuing operations (1)	(259)	(29)	(94)	(21)	(401)	(137)	(941)
Less: Provision for income tax (expense) benefit	14	(115)	25	7	63	(80)	(86)
Adjusted earnings	$2,804	$1,237	$592	$277	$1,255	(563)	5,602
Less: Preferred stock dividends						141	141
Adjusted earnings available to common shareholders						$(704)	$5,461

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
Adjusted earnings available to common shareholders on a constant currency basis	$2,027	$1,235	$572	$297	$1,182	$(1,085)	$4,228

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
Adjusted earnings available to common shareholders on a constant currency basis	$1,896	$1,216	$ 541	$261	$ 706	$(609)	$4,011

(1) See definitions and components of adjusted revenues and adjusted expenses under "— Non-GAAP and Other Financial Disclosures." Further, see "— Reconciliation of revenues to adjusted revenues and expenses to adjusted expenses" for additional details on these adjustments by financial statement line item.

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Reconciliation of revenues to adjusted revenues and expenses to adjusted expenses
Year Ended December 31, 2018

	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total
	(In millions)						
Total revenues	$36,959	$11,969	$5,000	$2,491	$10,762	$760	$67,941
Less: Adjustments from total revenues to adjusted revenues, in the line items indicated:							
Net investment gains (losses)	(72)	142	18	5	(164)	(227)	(298)
Net derivative gains (losses)	268	312	(64)	28	263	44	851
Premiums	—	—	—	—	—	—	—
Universal life and investment-type product policy fees	—	(6)	7	25	94	—	120
Net investment income	(274)	(262)	(45)	(488)	(157)	9	(1,217)
Other revenues	—	19	—	—	—	305	324
Total adjusted revenues	$37,037	$11,764	$5,084	$2,921	$10,726	$629	$68,161
Total expenses	$33,482	$9,759	$4,310	$2,114	$9,501	$2,468	$61,634
Less: Adjustments from total expenses to adjusted expenses, in the line items indicated:							
Policyholder benefits and claims and policyholder dividends	(11)	(3)	40	31	117	—	174
Interest credited to policyholder account balances	(4)	(218)	21	(479)	—	—	(680)
Capitalization of DAC	—	—	(1)	—	—	—	(1)
Amortization of DAC and VOBA	—	(5)	—	(1)	221	—	215
Amortization of negative VOBA	—	(1)	—	—	—	—	(1)
Interest expense on debt	—	—	—	—	—	63	63
Other expenses	—	7	(4)	7	—	388	398
Total adjusted expenses	$33,497	$9,979	$4,254	$2,556	$9,163	$2,017	$61,466

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: Adjustments from total revenues to adjusted revenues, in the line items indicated:							
Net investment gains (losses)	180	128	(47)	(10)	71	(630)	(308)
Net derivative gains (losses)	(21)	31	108	32	(339)	(401)	(590)
Premiums	—	—	—	—	—	(347)	(347)
Universal life and investment-type product policy fees	—	13	—	26	98	(34)	103
Net investment income	(195)	314	69	848	(181)	(36)	819
Other revenues	—	22	—	—	—	(135)	(113)
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 from total expenses to adjusted expenses, in the line items indicated:							
Policyholder benefits and claims and policyholder dividends	5	20	(36)	28	322	(135)	204
Interest credited to policyholder account balances	(3)	345	105	814	—	33	1,294
Capitalization of DAC	—	—	—	—	—	34	34
Amortization of DAC and VOBA	—	9	—	(1)	(68)	93	33
Amortization of negative VOBA	—	(9)	—	—	—	—	(9)
Interest expense on debt	—	—	—	—	—	(16)	(16)
Other expenses	—	27	(8)	16	—	509	544
Total adjusted expenses	$28,795	$9,518	$4,247	$2,477	$9,627	$2,024	$56,688

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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: Adjustments from total revenues to adjusted revenues, in the line items indicated:							
Net investment gains (losses)	(15)	230	93	42	182	(215)	317
Net derivative gains (losses)	53	(47)	3	24	(757)	34	(690)
Premiums	—	426	—	—	—	(729)	(303)
Universal life and investment-type product policy fees	—	98	—	24	92	(62)	152
Net investment income	(264)	100	48	911	(274)	(168)	353
Other revenues	—	8	—	—	—	34	42
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 from total expenses to adjusted expenses, in the line items indicated:							
Policyholder benefits and claims and policyholder dividends	2	347	(86)	11	166	(735)	(295)
Interest credited to policyholder account balances	(3)	70	85	878	—	58	1,088
Capitalization of DAC	—	(105)	—	—	—	104	(1)
Amortization of DAC and VOBA	—	114	—	—	(312)	(127)	(325)
Amortization of negative VOBA	—	(47)	—	—	—	—	(47)
Interest expense on debt	—	—	—	—	—	(50)	(50)
Other expenses	—	227	(9)	13	14	110	355
Total adjusted expenses	$26,608	$9,455	$3,971	$2,494	$11,469	$1,784	$55,781

Consolidated Results — Adjusted Earnings

Year Ended December 31, 2018 Compared with the Year Ended December 31, 2017

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 due to a larger asset base and higher investment yields, the favorable impact of U.S. Tax Reform, other favorable tax items, favorable refinements to DAC and certain insurance-related liabilities, lower expenses and favorable underwriting, partially offset by higher interest credited expenses and the net unfavorable change from our annual actuarial assumption review.

Foreign Currency. Changes in foreign currency exchange rates had a $7 million negative impact on adjusted earnings for 2018 compared to 2017. 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.

U.S. Tax Reform. The changes from U.S. Tax Reform resulted in a net increase in adjusted earnings of $477 million for 2018 compared to 2017, which includes a slight reduction in net investment income related to tax credit partnership investments. Our 2018 results include a tax benefit of $303 million, primarily related to the lower tax rate. Our 2017 results include a tax charge of $254 million to reflect the enactment of U.S. Tax Reform. Our 2018 results also include an additional tax charge of $78 million to reflect a revision to the estimate of this enactment.

Business Growth. We benefited from positive net flows from many of our businesses, which increased our invested asset base. Growth in the investment portfolios of our U.S., Asia, and Latin America segments resulted in higher net investment income. However, this was partially offset by a corresponding increase in interest credited expenses on certain insurance-related liabilities. In our U.S. segment, an increase in average premium per policy in our auto business, partially offset by a decrease in exposures, improved adjusted earnings. Business growth also drove an increase in commissions and other variable expenses, which were partially offset by higher DAC capitalization. The combined impact of the items affecting our business growth resulted in a $153 million increase 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. Excluding the impact of changes in foreign currency exchange rates on net investment income in our non-U.S. segments and changes in inflation rates on our inflation-indexed investments, investment yields increased. Investment yields were positively affected by higher yields on fixed income securities and mortgage loans, income on derivatives, returns on real estate investments and a reduction in investment expenses. These increases were partially offset by lower returns on private equities, driven by a decrease in partnership distributions, lower returns on hedge funds and lower returns on fair value option securities (“FVO Securities”). The improvement in yields was more than offset by the impact of higher average interest credited rates, which drove an increase in interest credited expenses, primarily in our U.S. segment. The changes in market factors discussed above resulted in a $79 million decrease in adjusted earnings.

Underwriting, Actuarial Assumption Review and Other Insurance Adjustments. Favorable underwriting resulted in a $74 million increase in adjusted earnings primarily as a result of lower catastrophe losses, as well as favorable morbidity in our U.S. and MetLife Holdings segments, partially offset by unfavorable claims experience in our EMEA and Asia segments, as well as higher non-catastrophe losses in our Property & Casualty business. In addition, favorable mortality in our Latin America and U.S. segments was partially offset by unfavorable mortality in our MetLife Holdings segment. Our annual actuarial assumption review resulted in a decrease of $121 million in adjusted earnings when compared to 2017, primarily due to less favorable assumption changes in our MetLife Holdings and Asia segments. Refinements to DAC and certain insurance-related liabilities, which were recorded in both 2018 and 2017 across all of our segments, resulted in a $103 million increase in adjusted earnings, most notably in our U.S. segment.

Expenses. Our unit cost initiative improved expense margins and contributed to a $101 million decrease in expenses from lower (i) Separation-related expenses, (ii) employee-related costs, including expenses related to pension and postretirement benefits, and (iii) expenses for interest on certain tax positions, as well as expenses incurred in 2017 related to the guaranty fund assessment for Penn Treaty. These decreases were partially offset by higher expenses in 2018 associated with enterprise-wide initiatives, including the continued investment in our unit cost initiative.

Taxes and Other Tax-Related Items. Our effective tax rates differ from the U.S. statutory rate of 21% typically due to nontaxable investment income, tax credits for investments in low income housing and foreign earnings taxed at different rates than the U.S. statutory rate. This incremental tax benefit was lower in 2018 compared to 2017 which resulted in a $47 million decrease in adjusted earnings. Our results for 2018 include the following tax items: (i) a net tax-related benefit of $366 million related to the settlement of tax audits, which included a $349 million benefit related to the tax treatment of a wholly-owned U.K. investment subsidiary of MLIC (comprised of a $168 million tax benefit and a $181 million interest benefit), (ii) a benefit of $36 million related to a non-cash transfer of assets from a wholly-owned U.K. investment subsidiary to MLIC, (iii) a charge of $17 million related to a tax adjustment in Chile, and (iv) a $5 million charge in Colombia to establish a deferred tax liability due to a change in tax status. Our results for 2017 include the following tax items: (i) a benefit of $41 million related to the finalization of certain tax audits, (ii) charges of $180 million 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 (iii) a benefit of $9 million related to the settlement of a tax audit in Argentina. Other tax-related items in both 2018 and 2017, primarily due to the changes in the valuation of the peso in Argentina, resulted in a $45 million increase in 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.

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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.

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Segment Results and Corporate & Other

U.S.

Business Overview. Sales increased compared to 2017, primarily driven by our RIS business, as higher sales of pension risk transfers (driven by a large transaction in the second quarter of 2018), stable value, specialized life insurance and structured settlement products were partially offset by lower funding agreement issuances. Changes in premiums for the RIS business were almost entirely offset by the related changes in policyholder benefits and claims. Sales were slightly lower compared to 2017 in the Group Benefits business, as strong sales in our voluntary products were offset by the impact of strong jumbo case sales in our core products in 2017. 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 over 2017. In addition, the number of exposures decreased from 2017, reflecting management actions to improve the quality of the business.

	Years Ended December 31,		
	2018	2017	2016
	(In millions)		
Adjusted revenues			
Premiums	$28,186	$23,632	$21,501
Universal life and investment-type product policy fees	1,053	1,012	989
Net investment income	6,977	6,396	6,206
Other revenues	821	806	784
Total adjusted revenues	37,037	31,846	29,480
Adjusted expenses			
Policyholder benefits and claims and policyholder dividends	27,765	23,627	21,591
Interest credited to policyholder account balances	1,790	1,474	1,302
Capitalization of DAC	(449)	(458)	(471)
Amortization of DAC and VOBA	477	459	471
Interest expense on debt	12	11	9
Other expenses	3,902	3,682	3,706
Total adjusted expenses	33,497	28,795	26,608
Provision for income tax expense (benefit)	736	1,024	976
Adjusted earnings	$2,804	$2,027	$1,896

Year Ended December 31, 2018 Compared with the Year Ended December 31, 2017

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

U.S. Tax Reform. The changes from U.S. Tax Reform resulted in an increase in adjusted earnings of $417 million for 2018 compared to 2017.

Business Growth. Net investment income improved as a result of higher average invested assets due to the impact of increased premiums and deposits, primarily due to pension risk transfer sales, partially offset by a decrease in net flows from funding agreements. However, consistent with the growth in average invested assets from increased premiums, interest credited expenses on long-duration and deposit-type liabilities increased. An increase in average premium per policy in our auto business, partially offset by the decrease in exposures, improved adjusted earnings. Higher volume-related, direct and premium tax expenses were partially offset by lower pension and postretirement expenses. This net increase in expenses, coupled with the increase due to the 2018 reinstatement of the annual health insurer fee under the PPACA, were more than offset by a corresponding increase in premiums, fees and other revenues. The combined impact of the items affecting our business growth increased adjusted earnings by $171 million.

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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 increased, primarily due to higher yields on fixed income securities and mortgage loans, coupled with higher returns on real estate investments, partially offset by lower returns on private equities, as a result of a decrease in partnership distributions. The net increase in investment yields was more than offset by the impact of higher average interest credited rates on both our long-duration and deposit-type liabilities, which drove an increase in interest credited expenses. The changes in market factors discussed above resulted in an $86 million decrease in adjusted earnings.

Underwriting and Other Insurance Adjustments. In our Property & Casualty business, catastrophe-related losses decreased $88 million as compared to 2017. Losses from our commercial business increased $26 million. Non-catastrophe claim costs increased $21 million, as a result of higher auto and homeowner severities, as well as an increase in auto frequencies, partially offset by lower homeowner frequencies. As a result of overall lower claim activity, loss adjustment expenses decreased, increasing adjusted earnings by $15 million. In addition, less favorable development of prior period losses decreased adjusted earnings by $8 million. Favorable claims experience in our Group Benefits business resulted in a $47 million increase in adjusted earnings. This was primarily driven by favorable renewal results in our group disability business, as well as lower claim incidence and severity, coupled with growth and favorable claims experience in our accident & health business, partially offset by less favorable claims experience in our dental, vision and individual disability businesses. Mortality results were flat as less favorable claim experience in our term life business was offset by favorable mortality in our universal life and accidental death & dismemberment businesses. Favorable mortality in our specialized life insurance, pension risk transfer and structured settlement businesses increased adjusted earnings by $57 million. Refinements to certain insurance and other liabilities, which were recorded in both 2018 and 2017, resulted in a $131 million increase in adjusted earnings. Such refinements include favorable insurance adjustments resulting from reserve and DAC modeling improvements in our individual disability insurance business in 2018 and a charge in 2017 to increase certain RIS policy reserves.

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.

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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.

Asia

Business Overview. Sales increased compared to 2017 primarily driven by growth in foreign currency-denominated annuity and life products as well as accident & health product sales in Japan. This was partially offset by a decrease in sales in Korea, as a result of the continued negative impact of regulatory changes on sales of savings retirement products, as well as a decrease in life sales in Hong Kong.

	Years Ended December 31,		
	2018	2017	2016
	(In millions)		
Adjusted revenues			
Premiums	$6,766	$6,755	$6,902
Universal life and investment-type product policy fees	1,630	1,584	1,488
Net investment income	3,317	2,985	2,707
Other revenues	51	43	61
Total adjusted revenues	11,764	11,367	11,158
Adjusted expenses			
Policyholder benefits and claims and policyholder dividends	5,326	5,075	5,211
Interest credited to policyholder account balances	1,465	1,351	1,298
Capitalization of DAC	(1,915)	(1,710)	(1,668)
Amortization of DAC and VOBA	1,302	1,300	1,236
Amortization of negative VOBA	(39)	(111)	(208)
Other expenses	3,840	3,613	3,586
Total adjusted expenses	9,979	9,518	9,455
Provision for income tax expense (benefit)	548	620	479
Adjusted earnings	$1,237	$1,229	$1,224

Year Ended December 31, 2018 Compared with the Year Ended December 31, 2017

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

Foreign Currency. Changes in foreign currency exchange rates increased adjusted earnings by $6 million for 2018 compared to 2017, primarily due to 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.

U.S. Tax Reform. The changes from U.S. Tax Reform resulted in an increase in adjusted earnings of $47 million for 2018 compared to 2017.

Business Growth. Asia’s premiums, fees and other revenues remained flat compared to 2017 as growth in our foreign currency-denominated life and accident & health products was offset by the decline in yen-denominated life products in Japan. Changes in premiums from these products 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. Business growth also drove an increase in commissions and other variable expenses, which were partially offset by higher DAC capitalization. The combined impact of the items affecting our business growth improved adjusted earnings by $109 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 real estate investments, derivative income, and yields on mortgage loans. In addition, higher earnings from our operating joint venture in China improved net investment income. An increase in higher-yielding fixed income securities supporting U.S. dollar-denominated products sold in Japan was partially offset by lower yields on fixed income securities in Korea. Investment yields were negatively impacted by increased investment expenses and lower returns on hedge funds. The net increase in investment yields was partially offset by an increase in interest credited expenses on certain insurance liabilities. The combined impact of the items discussed above increased adjusted earnings by $7 million.

Underwriting, Actuarial Assumption Review and Other Insurance Adjustments. Higher lapses and claims in Japan decreased adjusted earnings by $48 million. Our annual actuarial assumption review resulted in a decrease of $63 million in adjusted earnings when compared to 2017. Refinements to certain insurance and other liabilities, which were recorded in both 2018 and 2017, resulted in a $31 million decrease in adjusted earnings. Our results for 2018 include favorable liability refinements of $11 million in Japan and $6 million in Australia, largely offset by an unfavorable liability refinement of $16 million in Bangladesh. Our 2017 results include a favorable refinement of $12 million related to reinsurance receivables in Australia.

Expenses and Taxes. Higher expenses, primarily driven by higher employee-related and project costs, as well as an increase in corporate overhead costs, reduced adjusted earnings by $24 million. Various tax items in both 2018 and 2017 resulted in a $5 million increase in 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.

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 AFS 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 AFS. 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.

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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).

Latin America

Business Overview. Total sales for Latin America increased compared to 2017, driven by higher individual accident & health, credit life and retirement product sales in Chile, partially offset by lower pension and group medical sales in Mexico.

	Years Ended December 31,		
	2018	2017	2016
	(In millions)		
Adjusted revenues			
Premiums	$2,760	$2,693	$2,529
Universal life and investment-type product policy fees	1,050	1,044	1,025
Net investment income	1,239	1,219	1,084
Other revenues	35	32	34
Total adjusted revenues	5,084	4,988	4,672
Adjusted expenses			
Policyholder benefits and claims and policyholder dividends	2,602	2,535	2,443
Interest credited to policyholder account balances	394	369	328
Capitalization of DAC	(377)	(364)	(321)
Amortization of DAC and VOBA	209	224	184
Amortization of negative VOBA	(1)	(1)	(1)
Interest expense on debt	6	5	2
Other expenses	1,421	1,479	1,336
Total adjusted expenses	4,254	4,247	3,971
Provision for income tax expense (benefit)	238	156	158
Adjusted earnings	$592	$585	$543

Year Ended December 31, 2018 Compared with the Year Ended December 31, 2017

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

Foreign Currency. Changes in foreign currency exchange rates decreased adjusted earnings by $13 million for 2018 compared to 2017 mainly due to the weakening of the Mexican and Argentine 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.

U.S. Tax Reform. The changes from U.S. Tax Reform resulted in a decrease in adjusted earnings of $40 million for 2018 compared to 2017.

Business Growth. Latin America experienced growth across several lines of business primarily within Chile and Mexico. This growth resulted in increased premiums and policy fee income, which was largely offset by related changes in policyholder benefits. Positive net flows, primarily from Chile 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 expenses on certain insurance liabilities. Business growth also drove an increase in commissions, which was partially offset by higher DAC capitalization. The combined impact of the items affecting our business growth increased adjusted earnings by $10 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. Changes in market factors resulted in an $8 million decrease in adjusted earnings despite higher investment yields. This was primarily due to lower returns on FVO Securities in Chile and higher interest credited expenses, partially offset by improved yields on fixed income securities in Mexico and Chile, as well as higher derivative income in Chile.

Underwriting, Actuarial Assumption Review and Other Insurance Adjustments. Favorable underwriting resulted in a $57 million increase to adjusted earnings primarily driven by lower claims experience in Mexico. Our annual actuarial assumption review resulted in a $13 million increase to adjusted earnings when compared to 2017. In addition, refinements to certain insurance liabilities and other adjustments in both 2018 and 2017, primarily in Brazil, Mexico and Chile, resulted in an $18 million decrease to adjusted earnings.

Expenses and Taxes. A $17 million decrease in expenses was primarily the result of a 2018 reduction of a litigation reserve in Argentina. Our results for 2018 include a $17 million tax charge related to a tax adjustment in Chile, a $5 million tax charge in Colombia to establish a deferred tax liability due to a change in tax status, a $2 million tax charge as a result of tax reform legislation also in Colombia, partially offset by a $4 million tax benefit due to inflation in Argentina. 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. Other tax-related items in both 2018 and 2017, primarily due to the changes in the valuation of the peso in Argentina, resulted in a $14 million increase in 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.

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.

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EMEA

Business Overview. Sales decreased in 2018 primarily due to the closure of the U.K. wealth management product to new business in the third quarter of 2017 and a decline in sales of our employee benefits product in the Gulf region.

	Years Ended December 31,		
	2018	2017	2016
	(In millions)		
Adjusted revenues			
Premiums	$2,131	$2,061	$2,027
Universal life and investment-type product policy fees	431	405	391
Net investment income	293	309	318
Other revenues	66	58	73
Total adjusted revenues	2,921	2,833	2,809
Adjusted expenses			
Policyholder benefits and claims and policyholder dividends	1,127	1,077	1,067
Interest credited to policyholder account balances	100	100	112
Capitalization of DAC	(468)	(414)	(403)
Amortization of DAC and VOBA	434	357	408
Amortization of negative VOBA	(15)	(19)	(13)
Other expenses	1,378	1,376	1,323
Total adjusted expenses	2,556	2,477	2,494
Provision for income tax expense (benefit)	88	59	42
Adjusted earnings	$277	$297	$273

Year Ended December 31, 2018 Compared with the Year Ended December 31, 2017

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

Foreign Currency. The impact of changes in foreign currency exchange rates resulted in a slight increase in adjusted earnings for 2018 compared to 2017, primarily driven by the weakening of the U.S. dollar against the euro, the British pound, and the Polish zloty, almost entirely offset by the strengthening of the U.S. dollar against the Turkish lira. 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.

U.S. Tax Reform. The changes from U.S. Tax Reform resulted in a decrease in adjusted earnings of $21 million for 2018 as compared to 2017.

Business Growth. Growth from our credit life and accident & health businesses in Turkey and across several European markets resulted in a $25 million increase in adjusted earnings.

Underwriting, Actuarial Assumption Review and Other Insurance Adjustments. Less favorable underwriting, primarily in our accident & health business in Greece and our employee benefits business in the U.K., as well as unfavorable underwriting in the Gulf region and in our life insurance business in France, decreased adjusted earnings by $55 million. Our annual actuarial assumption review resulted in a decrease in adjusted earnings of $15 million when compared to 2017. In addition, adjusted earnings decreased by $2 million due to refinements recorded in 2017 in our employee benefits business in the U.K. and the Gulf region and, in 2018, in our life insurance business in the Gulf region.

Expenses. Adjusted earnings increased by $62 million due to lower costs associated with enterprise-wide initiatives, notably the closing of the wealth management product to new business in the U.K. in the third quarter of 2017, declines in various other expenses and the release of provisions arising from finalization of historic corporate tax filings.

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Taxes and Other. A decrease in our invested asset base, primarily due to dividend payments, negatively impacted net investment income resulting in an $8 million decrease in adjusted earnings. In addition, adjusted earnings decreased by $5 million due to unfavorable revisions to tax assets in both 2018 and 2017 and a reinsurance profit share in 2017 resulted in a $2 million decrease in 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.

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.

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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 decreased primarily due to the impact of negative net flows, as benefits, surrenders and withdrawals exceeded sales, as well as equity market performance. 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,		
	2018	2017	2016
	(In millions)		
Adjusted revenues			
Premiums	$3,879	$4,144	$4,506
Universal life and investment-type product policy fees	1,218	1,361	1,436
Net investment income	5,379	5,607	5,944
Other revenues	250	244	581
Total adjusted revenues	10,726	11,356	12,467
Adjusted expenses			
Policyholder benefits and claims and policyholder dividends	6,833	7,000	7,523
Interest credited to policyholder account balances	944	1,018	1,042
Capitalization of DAC	(36)	(82)	(281)
Amortization of DAC and VOBA	332	302	736
Interest expense on debt	9	24	57
Other expenses	1,081	1,365	2,392
Total adjusted expenses	9,163	9,627	11,469
Provision for income tax expense (benefit)	308	547	292
Adjusted earnings	$1,255	$1,182	$706

Year Ended December 31, 2018 Compared with the Year Ended December 31, 2017

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

U.S. Tax Reform. The changes from U.S. Tax Reform resulted in an increase in adjusted earnings of $213 million for 2018 compared to 2017.

Business Growth. Lower net investment income, resulting from a reduced invested asset base, primarily in fixed income securities, decreased adjusted earnings. The reduced invested asset base is primarily the result of negative net flows in our deferred annuities and life businesses. This decline was partially offset by invested asset growth in our long-term care business. The negative net flows in our annuities business and a decrease in universal life deposits resulted in lower fee income and lower interest credited expenses. The continued maturing of the existing long-term care block of business resulted in higher interest credited expenses. The combined impact of the items affecting our business growth, partially offset by lower DAC amortization, resulted in a $192 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. Higher DAC amortization from annuities, driven by lower equity market returns, resulted in a decrease in adjusted earnings. Investment yields were favorably impacted by a reduction in investment expenses in addition to higher returns on both real estate investments and FVO Securities. These improvements in investment yields were partially offset by a decline in mortgage loan yields and lower returns on private equities. The changes in market factors discussed above resulted in a $31 million decrease in adjusted earnings.

Underwriting, Actuarial Assumption Review, and Other Insurance Adjustments. Unfavorable mortality in our life businesses, partially offset by favorable underwriting, primarily due to the impact of favorable rate actions in our long-term care business, and mortality gains on life-contingent annuities, resulted in a $32 million decrease in adjusted earnings. Our annual actuarial assumption review resulted in a decrease of $56 million in adjusted earnings when compared to 2017. Changes in operational assumptions, including updates to closed block projections, maintenance and other expenses, were less favorable in the current period. Refinements to DAC and certain insurance-related liabilities that were recorded in both 2018 and 2017 resulted in a $23 million increase in adjusted earnings. This includes the following 2018 refinements: (i) a charge relating to an increase in our IBNR life reserves, reflecting enhancements to our processes related to potential claims; (ii) a favorable reserve adjustment relating to certain variable annuity guarantees assumed from a former joint venture in Japan; and (iii) two separate favorable reserve adjustments resulting from modeling improvements in our life business. This also includes the following 2017 refinements: (i) a favorable DAC adjustment related to certain assumed participating whole life business; (ii) two separate favorable reserve adjustments resulting from modeling improvements in our life business; (iii) an unfavorable adjustment related to the recapture and novation of, as well as adjustments to, assumed and ceded agreements covering certain variable annuity business; (iv) an unfavorable net impact from a life reinsurance recapture; and (v) an unfavorable reserve adjustment resulting from modeling improvements in our long-term care business.
Expenses. Adjusted earnings increased by $145 million as a result of lower expenses, primarily due to declines in Separation-related expenses, as well as lower employee-related costs, including expenses related to pension and postretirement benefits.
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.

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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.

Corporate & Other

	Years Ended December 31,		
	2018	2017	2016
	(In millions)		
Adjusted revenues			
Premiums	$118	$54	$40
Universal life and investment-type product policy fees	—	1	2
Net investment income	178	28	178
Other revenues	333	271	110
Total adjusted revenues	629	354	330
Adjusted expenses			
Policyholder benefits and claims and policyholder dividends	80	26	41
Interest credited to policyholder account balances	—	1	6
Capitalization of DAC	(8)	(8)	(7)
Amortization of DAC and VOBA	6	6	8
Interest expense on debt	1,032	1,105	1,139
Other expenses	907	894	597
Total adjusted expenses	2,017	2,024	1,784
Provision for income tax expense (benefit)	(825)	(688)	(948)
Adjusted earnings	(563)	(982)	(506)
Less: Preferred stock dividends	141	103	103
Adjusted earnings available to common shareholders	$(704)	$	