METLIFE INC
Form 10-K
February 27, 2013
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**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, 2012**

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) 578-2211**

*(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 |
| 6.50% Non-Cumulative Preferred Stock, Series B, par value $0.01 | New York Stock Exchange |
| Common Equity Units | New York Stock Exchange |
| 5.875% Senior Notes | New York Stock Exchange |
| 5.375% Senior Notes | Irish Stock Exchange |
| 5.25% Senior Notes | Irish Stock Exchange |

**Securities registered pursuant to Section 12(g) of the Act: None**

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

Indicate by check mark 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. ¨

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

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

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, 2012 was approximately $32.8 billion. At February 19, 2013, 1,093,590,305 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 April 23, 2013, 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, 2012.**

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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 199 subsidiaries and affiliates.*

**Note Regarding Forward-Looking Statements**

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

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of MetLife, Inc., its subsidiaries and affiliates. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife, Inc. s filings with the U.S. Securities and Exchange Commission (the SEC ). These factors include: (1) difficult conditions in the global capital markets; (2) increased volatility and disruption of the capital and credit markets, which may affect our ability to meet liquidity needs and access capital, including through our credit facilities, generate fee income and market-related revenue and finance statutory reserve requirements and may require us to pledge collateral or make payments related to declines in value of specified assets; (3) exposure to financial and capital market risk, including as a result of the disruption in Europe and possible withdrawal of one or more countries from the Euro zone; (4) impact of comprehensive financial services regulation reform on us, as a potential non-bank systemically important financial institution, or otherwise; (5) numerous rulemaking initiatives required or permitted by Dodd-Frank which may impact how we conduct our business, including those compelling the liquidation of certain financial institutions; (6) regulatory, legislative or tax changes relating to our insurance, international, or other operations that may affect the cost of, or demand for, our products or services, or increase the cost or administrative burdens of providing benefits to employees; (7) adverse results or other consequences from litigation, arbitration or regulatory investigations; (8) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; (9) investment losses and defaults, and changes to investment valuations; (10) changes in assumptions related to investment valuations, deferred policy acquisition costs, deferred sales inducements, value of business acquired or goodwill; (11) impairments of goodwill and realized losses or market value impairments to illiquid assets; (12) defaults on our mortgage loans; (13) the defaults or deteriorating credit of other financial institutions that could adversely affect us; (14) economic, political, legal, currency and other risks relating to our international operations, including with respect to fluctuations of exchange rates; (15) downgrades in our claims paying ability, financial strength or credit ratings; (16) a deterioration in the experience of the closed block established in connection with the reorganization of Metropolitan Life Insurance Company; (17) availability and effectiveness of reinsurance or indemnification arrangements, as well as any default or failure of counterparties to perform; (18) differences between actual claims experience and underwriting and reserving assumptions; (19) ineffectiveness of risk management policies and procedures; (20) catastrophe losses; (21) increasing cost and limited market capacity for statutory life insurance reserve financings; (22) heightened competition, including with respect to pricing, entry of new competitors, consolidation of distributors, the development of new products by new and existing competitors, and for personnel; (23) exposure to losses related to variable annuity guarantee benefits, including from significant and sustained downturns or extreme volatility in equity markets,

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reduced interest rates, unanticipated policyholder behavior, mortality or longevity, and the adjustment for nonperformance risk; (24) our ability to address unforeseen liabilities, asset impairments, or rating actions arising from acquisitions or dispositions, including our acquisition of American Life Insurance Company and Delaware American Life Insurance Company (collectively, ALICO ) and to successfully integrate and manage the growth of acquired businesses with minimal disruption; (25) uncertainty with respect to the outcome of the closing agreement entered into with the United States Internal Revenue Service in connection with the acquisition of ALICO; (26) the dilutive impact on our stockholders resulting from the settlement of our outstanding common equity units; (27) regulatory and other restrictions affecting MetLife, Inc. s ability to pay dividends and repurchase common stock; (28) MetLife, Inc. s primary reliance, as a holding company, on dividends from its subsidiaries to meet debt payment obligations and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends; (29) the possibility that MetLife s Board of Directors may control the outcome of stockholder votes through the voting provisions of the MetLife Policyholder Trust; (30) changes in accounting standards, practices and/or policies; (31) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (32) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (33) inability to attract and retain sales representatives; (34) Provisions of laws and our incorporation documents may delay, deter or prevent takeovers and corporate combinations involving MetLife; (35) the effects of business disruption or economic contraction due to disasters such as terrorist attacks, cyberattacks, other hostilities, or natural catastrophes, including any related impact on the value of our investment portfolio, our disaster recovery systems, cyber- or other information security systems and management continuity planning; (36) the effectiveness of our programs and practices in avoiding giving our associates incentives to take excessive risks; and (37) other risks and uncertainties described from time to time in MetLife, Inc. s filings with the SEC.

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

**Note Regarding Reliance on Statements in Our Contracts**

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

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**Part I**

**Item 1. Business**

**Index to Business**


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**Overview**

As used in this Form 10-K, MetLife, the Company, we, our and us refer to MetLife, Inc., a Delaware corporation incorporated in 199 subsidiaries and affiliates.

With a more than 140-year history, we have grown to become a leading global provider of insurance, annuities and employee benefit programs, serving 90 million customers. Through our subsidiaries and affiliates, we hold leading market positions in the United States, Japan, Latin America, Asia, Europe and the Middle East. Over the past several years, we have grown our core businesses, as well as successfully executed on our growth strategy. This has included completing a number of transactions that have resulted in the acquisition and, in some cases, divestiture of certain businesses while also further strengthening our balance sheet to position MetLife for continued growth.

MetLife is organized into six segments, reflecting three broad geographic regions: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the Americas ); Asia; and Europe, the Middle East and Africa ( EMEA ). In addition, the Company reports certain of its results of operations in Corporate & Other, which includes MetLife Bank, National Association ( MetLife Bank ) (see Note 3 of the Notes to the Consolidated Financial Statements for information regarding MetLife Bank s exit from certain of its businesses (the MetLife Bank Divestiture )) and other business activities. Management continues to evaluate the Company s segment performance and allocated resources and may adjust related measurements in the future to better reflect segment profitability.

On November 1, 2010 (the ALICO Acquisition Date ), MetLife, Inc. completed the acquisition of American Life Insurance Company ( American Life ) from AM Holdings LLC (formerly known as ALICO Holdings LLC) ( AM Holdings ), a subsidiary of American International Group, Inc. ( AIG ), and Delaware American Life Insurance Company ( DelAm ) from AIG (American Life, together with DelAm, collectively, ALICO ) (the ALICO Acquisition ). The assets, liabilities and operating results relating to the ALICO Acquisition are included in the Latin America, Asia and EMEA segments. See Note 3 of the Notes to the Consolidated Financial Statements.

Certain international subsidiaries have a fiscal year-end of November 30. Accordingly, the Company s consolidated financial statements reflect the assets and liabilities of such subsidiaries as of November 30, 2012 and 2011 and the operating results of such subsidiaries for the years ended November 30, 2012, 2011 and 2010.

In the U.S., we provide a variety of insurance and financial services products, including life, dental, disability, property & casualty, guaranteed interest, stable value and annuities, through both proprietary and independent retail distribution channels, as well as at the workplace. This business serves approximately 60,000 group customers, including over 90 of the top 100 FORTUNE 500® companies, and provides protection and retirement solutions to millions of individuals.

Outside the U.S., we operate in Latin America, Asia, Europe and the Middle East. MetLife is the largest life insurer in both Mexico and Chile and also holds leading market positions in Japan, Poland and Korea. Our businesses outside the U.S. provide life insurance, accident & health insurance, credit insurance, annuities, endowment and retirement & savings products to both individuals and groups. We believe these businesses will continue to grow more quickly than our U.S. businesses.

Revenues derived from any customer did not exceed 10% of consolidated premiums, universal life and investment-type product policy fees and other revenues for the last three years. Financial information, including revenues, expenses, operating earnings, and total assets by segment, as well as premiums, universal life and investment-type product policy fees and other revenues by major product groups, is provided in Note 2 of the Notes to the Consolidated Financial Statements. Operating revenues and operating earnings are performance measures that are not based on accounting principles generally accepted in the United States of America ( GAAP ). See Management s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP and Other Financial Disclosures for definitions of such measures.

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For financial information related to revenues, total assets, and goodwill balances by geographic region, see Notes 2 and 11 of the Notes to the Consolidated Financial Statements.

We are one of the largest institutional investors in the U.S. with a $533 billion general account portfolio invested primarily in investment grade corporate bonds, structured finance securities, commercial and agricultural mortgage loans, U.S. Treasury and agency securities, as well as real estate and corporate equity. Over the past several years, we have taken a number of actions to further diversify and strengthen our general account portfolio.

Our well-recognized brand, leading market positions, competitive and innovative product offerings and financial strength and expertise should help drive future growth and enhance shareholder value, building on a long history of fairness, honesty and integrity. Over the course of the next several years, we will pursue the following objectives to position the Company for continued growth and achieve our vision of being recognized as the leading global life insurance and employee benefits provider:

***Refocus the U.S. businesses***

*Shift product mix away from capital intensive products*

*Invest in growth initiatives for the voluntary/worksite, accident & health, and direct channels*

*Drive margin improvement*

***Build the Global Employee Benefits business***

*Accelerate our local employee benefits businesses in key markets outside the United States*

*Grow our global benefits businesses through multinational and expatriate solutions*

***Grow emerging markets presence***

*Accelerate earnings in emerging markets in which we already have a strong presence*

*Seek opportunistic mergers and acquisitions to complement our organic growth*

***Drive toward customer centricity and a global brand***

*Institutionalize customer centric actions and culture at MetLife*

*Grow consideration and preference for MetLife s brand in key markets*

**Segments and Corporate & Other**

***Americas***

***Overview***

Our businesses in the Americas 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 individuals and corporations, as well as other institutions, and their respective employees.

***Retail***

Our Retail segment is organized into two businesses: Life & Other and Annuities.

The major products within Life & Other are as follows:

*Variable Life.* Variable life products provide 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. Most importantly, with variable life products, 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. We collect specified fees for the management of the investment options. The policyholder s cash value reflects the investment return of the selected investment options, net of management fees and insurance-related and other charges. In some instances, third-party money management firms manage these investment options. 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.

*Universal Life.* Universal life products provide 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. Universal life products may allow the insured to increase or decrease the amount of death benefit coverage over the term of the contract and the owner to adjust the frequency and amount of premium payments. We credit premiums to an account maintained for the policyholder. Premiums are credited net of specified expenses. Interest is credited to the policyholder s account at interest rates we determine, subject to specified minimums. Specific charges are made against the policyholder s account for the cost of insurance protection and for expenses. 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.

*Term Life.* Term life products provide a guaranteed benefit upon the death of the insured for a specified time period in return for the periodic payment of premiums. Specified coverage periods range from one year to 30 years, but in no event are they longer than the period over which premiums are paid. Death benefits may be level over the period or decreasing. Premiums may be guaranteed at a level amount for the coverage period or may be non-level and non-guaranteed. Term insurance products are sometimes referred to as pure protection products, in that there are typically no savings or investment elements. Term contracts expire without value at the end of the coverage period when the insured party is still living.

*Whole Life.* Whole life products provide a guaranteed benefit upon the death of the insured in return for the periodic payment of a fixed premium over a predetermined period. Premium payments may be required for the entire life of the contract period, to a specified age or period, and may be level or change in accordance with a predetermined schedule. 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. Because the use of dividends is specified by the policyholder, this group of products provides significant flexibility to individuals to tailor the product to suit their specific needs and circumstances, while at the same time providing guaranteed benefits.

*Disability.* Disability products provide a benefit in the event of the disability of the insured. In most instances, this benefit is in the form of monthly income paid until the insured reaches age 65. In addition to income replacement, the product may be used to provide for the payment of business overhead expenses for disabled business owners or mortgage payment protection.

*Property & Casualty.* These products include personal lines property & casualty insurance offered to individuals through a variety of retail distribution channels, including independent agents, property & casualty specialists, and the individual distribution sales group.

Auto insurance policies provide coverage for private passenger automobiles, utility automobiles and vans, motorcycles, motor homes, antique or classic automobiles and trailers. We also offer traditional

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coverage such as liability, uninsured motorist, no fault or personal injury protection, as well as collision and comprehensive insurance.

Homeowners insurance policies provide 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. Other insurance includes personal excess liability (protection against losses in excess of amounts covered by other liability insurance policies), and coverage for recreational vehicles and boat owners. Most of our homeowners policies are traditional insurance policies for dwellings, providing protection for loss on a replacement cost basis. These policies also provide additional coverage for reasonable, normal living expenses incurred by policyholders that have been displaced from their homes.

Auto insurance represented 58%, while homeowners and other insurance represented the remaining 42%, of the total net earned premiums on these products in 2012. In 2012, our property & casualty business was concentrated in New York and Illinois, as measured by the percentage of total direct earned premiums, of 14% and 10%, respectively, followed by Texas and Connecticut, each with 5%.

*Other.* Additionally, through our broker-dealer affiliates, we offer a full range of mutual funds and other securities products. The elimination of transactions from activity between the segments within the Americas occurs within Life & Other.

Our Annuities business offers a variety of variable and fixed annuities that are primarily sold to individuals and tax-qualified groups in the education, healthcare and not-for-profit sectors.

The major products within Annuities are as follows:

*Variable Annuities.* Variable annuities provide for both asset accumulation and asset distribution needs. Variable annuities allow the contractholder to make deposits into various investment options in a separate account, as determined by the contractholder. The risks associated with such investment options are borne entirely by the contractholder, except where guaranteed minimum benefits are involved. 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 certain minimums. In addition, 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 Annuities.* Fixed annuities provide for both asset accumulation and asset distribution needs. Fixed annuities do not allow the same investment flexibility provided by variable annuities, but provide guarantees related to the preservation of principal and interest credited. 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 certain minimums. Credited interest rates are guaranteed not to change for certain limited periods of time, ranging from one to 10 years. Fixed income annuities provide a guaranteed monthly income for a specified period of years and/or for the life of the annuitant.

***Group, Voluntary & Worksite Benefits***

We have built a leading position in the U.S. group insurance market through long-standing relationships with many of the largest corporate employers in the U.S. Our Group, Voluntary & Worksite Benefits segment is organized into two businesses: Group and Voluntary & Worksite.

Our Group insurance products and services include life, dental, group short- and long-term disability and accidental death & dismemberment coverages. We also sell administrative services-only ( ASO ) arrangements to some employers.

The major products within Group are as follows:

*Life.* Life insurance products and services include variable life, universal life, and term life products. These are similar to the products offered by the Retail Life & Other business except we offer group insurance products as employer-paid benefits or as voluntary benefits where all or a portion of the premiums are paid by the employee. These life insurance products and services also include employee paid supplemental life and are offered as standard products or may be tailored to meet specific customer needs.

*Dental.* Dental products provide insurance and ASO plans that assist employees, retirees and their families in maintaining oral health while reducing out-of-pocket expenses and providing superior customer service. Dental plans include the Preferred Dentist Program and the Dental Health Maintenance Organization.

*Disability.* Disability products provide a benefit in the event of the disability of the insured. In most instances, this benefit is in the form of monthly income paid until the insured reaches age 65.

Our Voluntary & Worksite products and services include long-term care ( LTC ), prepaid legal plans, critical illness and property & casualty products.

The major products within Voluntary & Worksite are as follows:

*Long-term Care.* LTC products provide protection against the potentially high costs of LTC services. They generally pay benefits to insureds who need assistance with activities of daily living or have a cognitive impairment. Although we discontinued the sale of these products in 2010, we continue to support our existing policyholders.

*Property & Casualty*. These products include personal lines property & casualty insurance offered directly to employees at their employer s worksite, through a variety of distribution channels, including independent agents, property & casualty specialists and direct marketing. The property & casualty products offered by the Voluntary & Worksite business are the same products offered by the Retail property & casualty business. Auto insurance represented 75%, while homeowners and other insurance represented the remaining 25%, of the total net earned premiums on these products in 2012. In 2012, our property & casualty business was concentrated in Massachusetts, New York and Florida, as measured by the percentage of total direct earned premiums, of 14%, 9% and 7%, respectively, followed by Texas, New Jersey and California, each with 6%.

***Corporate Benefit Funding***

The Corporate Benefit Funding segment 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.

The major products within Corporate Benefit Funding are as follows:

*Stable Value Products.* We offer general account guaranteed interest contracts, separate account guaranteed interest contracts, and similar products used to support the stable value option of defined contribution plans. We also offer private floating rate funding agreements that are used for money market funds, securities lending cash collateral portfolios and short-term investment funds.

*Pension Closeouts.* We offer general account and separate account annuity products, generally in connection with the termination of defined benefit pension plans, both in the U.S. and the United Kingdom ( U.K. ). These risk transfer products include single premium buyouts that allow for full or partial transfers of pension liabilities.

*Torts and Settlements.* We offer innovative strategies for complex litigation settlements, primarily structured settlement annuities.

*Capital Markets Investment Products.* Products offered include funding agreements, Federal Home Loan Bank advances and funding agreement-backed commercial paper.

*Other Corporate Benefit Funding Products and Services.* We offer 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 non-qualified benefit programs for executives.

***Latin America***

We operate in six countries in Latin America: Argentina, Brazil, Chile, Colombia, Mexico, and Uruguay. Our largest operations are in Mexico, Chile and Argentina. In addition to the various products discussed in other segments within the Americas, Latin America engages in the following businesses:

*Accident & health insurance.* We offer group and individual major medical, accidental, and supplemental health products, including accidental death and disability, medical reimbursement, hospital indemnity and medical coverage for serious medical conditions.

*Administradora de Fondos de Ahorro para el Retiro ( AFORE ).* Through our AFORE company in Mexico, we offer a savings oriented pension product under the mandatory privatized social security system for all non-government employees.

*Credit insurance*. We offer credit insurance policies designed to fulfill certain loan obligations in the event of the policyholder s death.

See Note 3 of the Notes to the Consolidated Financial Statements for information on the disposition of insurance operations in the Caribbean region, Panama and Costa Rica. See also Note 23 for information on the acquisition of Administradora de Fondos de Pensiones Provida S.A. ( Provida ) in Chile.

***Asia***

We operate in nine countries in Asia, with our largest operations in Japan and Korea. Other operations in Asia include Australia, Bangladesh, Hong Kong, Nepal and Pakistan, as well as an unconsolidated operating joint venture in China, the results of which are reflected in net investment income and a consolidated operating joint venture in India. Our Asia segment engages in the following businesses:

*Life insurance.* We offer both traditional and non-traditional life insurance products, such as whole life, term life, endowments, universal life and variable life products. We offer group life programs in most markets.

*Accident & health insurance.* We offer individual and group personal accident and supplemental health products, including accidental death and dismemberment, hospital indemnity, scheduled medical reimbursement plans, and coverage for serious medical conditions. In addition, we offer individual and group major medical coverage in select markets.

*Retirement and savings products.* We offer both fixed and variable annuity products in select markets, with our largest markets in Japan, Korea and China.

*Credit insurance.* We offer credit insurance policies designed to fulfill certain obligations in the event of the policyholder s death in select markets, including Japan, Australia and Bangladesh.

See Note 3 of the Notes to the Consolidated Financial Statements for information regarding the sale of the Company s 50% interest in its former operating joint venture in Japan in the second quarter of 2011.

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*EMEA*

We operate in 31 countries across EMEA, with our largest operations in Poland, the U.K., France and the United Arab Emirates. EMEA engages in the following businesses:

*Life insurance.* We offer both traditional and non-traditional life insurance products, such as whole life, term life, endowments, universal life and variable life products. We offer group term life programs in most markets.

*Accident & health insurance.* We offer individual and group personal accident and supplemental health products, including accidental death and dismemberment, hospital indemnity, scheduled medical reimbursement plans, and coverage for serious medical conditions. In addition, we offer individual and group major medical coverage in select markets.

*Retirement and savings products.* We offer both fixed and variable annuity products and pension products, including group pension programs in select markets. In Poland and Romania we offer through specialized pension companies a savings oriented pension product under the mandatory privatized social security systems.

*Credit insurance.* We offer credit insurance policies designed to fulfill certain obligations in the event of the policyholder s death.

***Corporate & Other***

The Company reports certain of its results of operations in Corporate & Other, which includes MetLife Bank (see Note 3 of the Notes to the Consolidated Financial Statements for information regarding the MetLife Bank Divestiture) and other business activities. Corporate & Other contains the excess capital not allocated to the segments, external integration costs, internal resource costs for associates committed to acquisitions, enterprise-wide strategic initiative restructuring charges and various start-up and certain run-off entities. Corporate & Other also includes assumed reinsurance of certain variable annuity products from our former operating joint venture in Japan. Under this in-force reinsurance agreement, we reinsure the living and death benefit guarantees issued in connection with variable annuity products. Additionally, Corporate & Other includes interest expense related to the majority of the Company s outstanding debt, expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings.

**Sales Distribution**

***Overview***

In the Americas, excluding Latin America, we market our products and services through various distribution channels. Our retail life, disability and annuities products targeted to individuals are sold via sales forces, comprised of MetLife employees, in addition to third-party organizations. Our group and corporate benefit funding products are sold via sales forces primarily comprised of MetLife employees. Personal lines property & casualty insurance products are directly marketed to employees at their employer s worksite. Personal lines property & casualty insurance products are also marketed and sold to individuals by independent agents and property & casualty specialists through a direct marketing channel and the individual distribution sales group. MetLife sales employees work with all distribution groups to better reach and service customers, brokers, consultants and other intermediaries.

In Asia, Latin America, and EMEA, we market our products and services through a multi-distribution strategy which varies by geographic region and stage of market development. The various distribution channels include: career agency, bancassurance, direct marketing, brokerage, other third-party distribution, and e-commerce. In developing countries, the career agency channel covers the needs of the emerging middle class with primarily traditional products (e.g., whole life, term, endowment and accident & health). In more developed and mature markets, career agents, while continuing to serve their existing customers to keep pace with their developing

financial needs, also target upper middle class and mass affluent customer bases with a more sophisticated product set including more investment-sensitive products, such as universal life insurance, unit-linked life insurance, mutual funds and single premium deposit insurance. In the bancassurance channel, we leverage partnerships that span all regions and have developed extensive and far reaching capabilities in all regions. Our direct marketing operations, the largest of which is in Japan, deploy both broadcast marketing approaches (e.g. direct response TV, web-based lead generation) and traditional direct marketing techniques such as inbound and outbound telemarketing.

***Americas***

***Retail Distribution***

Retail products are sold through a diverse set of distribution networks in order to maximize penetration in the market place. These include individual and third-party distribution, property & casualty specialists and direct marketing.

Our individual distribution sales group targets the large middle-income market, as well as affluent individuals, owners of small businesses and executives of small- to medium-sized companies. We have also been successful in selling our products in various multi-cultural markets.

The individual distribution sales group is comprised of three channels: the MetLife distribution channel, a career agency system, the New England Financial distribution channel, a general agency system, and MetLife Resources, a career agency system.

The MetLife distribution channel had approximately 4,000 MetLife agents under contract in 48 agencies at December 31, 2012. This career agency sales force focuses on the large middle-income and affluent markets, including multi-cultural markets. We support our efforts in multi-cultural markets through targeted advertising, specially trained agents and sales literature written in various languages.

The New England Financial distribution channel included approximately 30 general agencies providing support to approximately 1,700 general agents and a network of independent brokers throughout the U.S. at December 31, 2012. The New England Financial distribution channel targets high net worth individuals, owners of small businesses and executives of small- to medium-sized companies.

MetLife Resources, a focused distribution channel of MetLife, markets retirement, annuity and other financial products on a national basis through approximately 530 MetLife agents and independent brokers at December 31, 2012. MetLife Resources targets the nonprofit, educational and healthcare markets.

Retail Life & Other and Annuity products are sold through our individual distribution sales group and also through various third-party organizations. We distribute products in a regional model through wholesalers working directly with high net worth individuals and small- to medium-sized businesses through independent general agencies, financial advisors, consultants, brokerage general agencies and other independent marketing organizations under contractual arrangements. Additionally, wholesalers sell through financial intermediaries, including regional broker-dealers, brokerage firms, financial planners and banks.

We market and sell property & casualty products through independent agents, property & casualty specialists, a direct marketing channel and the individual distribution sales group. In recent years, we have increased the number of independent agents appointed to sell these products.

***Group Distribution***

Group, Voluntary & Worksite Benefits distributes its Group 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. Voluntary & Worksite products are sold through the same sales channels, as well as by specialists for these products. 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. At December 31, 2012, the Group sales channels had approximately 300 marketing representatives.

We are a leading provider of personal lines property & casualty insurance products offered to employees at their employer s worksite. Marketing representatives market personal lines property & casualty insurance products to employers through a variety of means, including broker referrals and cross-selling to group customers. Once permitted by the employer, MetLife commences marketing efforts to employees, enabling them to purchase coverage and to request payroll deduction over the telephone.

We have entered into several operating joint ventures and other arrangements with third parties to expand the marketing and distribution opportunities of Group, Voluntary & Worksite Benefits products and services. We also seek to sell our group products and services through sponsoring organizations and affinity groups. In addition, we also provide life and dental coverage to certain employees of the U.S. Government.

***Corporate Benefit Funding Distribution***

Corporate Benefit Funding products and services are distributed through dedicated sales teams and relationship managers located in eight offices in the U.S. and one in the U.K. Products may be sold 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.

***Latin America Distribution***

Latin America s distribution channels include captive agents, direct marketing, bancassurance, large multinational brokers and small-and medium-sized brokers, direct and group sales forces (mostly for group policies without broker intermediation), and worksite marketing. The region has an exclusive and captive agency distribution network with more than 2,800 agents also selling a variety of individual life, accident & health, and pension products. In the direct marketing channel, we work with more than 60 sponsors and have a network of more than 1,300 telesales representatives selling mainly accident & health and individual life products directly to consumers. We currently work with approximately 2,900 active brokers with registered sales of group and individual life, accident & health, group medical, dental and pension products. Worksite marketing in Mexico has over 3,200 captive agents.

***Asia***

Japan s multi-channel distribution strategy consists of captive agents, independent agents, brokers, bancassurance, and direct marketing. While face-to-face channels continue to be core to Japan s business, other channels, including bancassurance and direct marketing, have become a critical part of Japan s distribution strategy. Our Japan operation has maintained its position in bancassurance due to its strong distribution relationship with Japan s mega banks, trust banks and various regional banks, as well as with the Japan Post. The direct marketing channel is supported by an industry-leading marketing platform, state-of-the-art call center infrastructure and its own campaign management system.

Our Japan operation has approximately 5,400 captive agents, 10,100 independent agents, 75 bancassurance relationships, including Japan Post, and 170 direct marketing sponsors.

Elsewhere in Asia, distribution strategies differ by country but generally utilize a combination of captive agents, bancassurance relationships and direct marketing. Agency sales are achieved through a force of approximately 25,900 agents and managers (which includes approximately 1,500 agents and managers related to our operating joint venture in China) and a growing force of independent general agents. Bancassurance is a growing channel with approximately 60 relationships, and approximately 25 programs providing access to thousands of bank customers.

Throughout the region, our Asia operation leverages its expertise in direct marketing operations management to conduct its own campaigns and provide those direct marketing capabilities to third-party sponsors.

While not a significant part of the region s overall business, sales of group life and pension business are primarily achieved through independent brokers and an employee sales force.

***EMEA***

Our EMEA operations cover a wide geographical region from the developed markets of western Europe to the emerging markets of central and eastern Europe, the Middle East and Africa. Our operations in central and eastern Europe employ a multi-channel distribution strategy, which includes significant face to face channels, built on a strong captive agency force of more than 3,800 agents, and relationships with more than 200 independent brokers and third-party multi-level agency networks. We have distribution relationships with more than 90 banks and other financial and non-financial institutions, as well as a fast growing direct marketing channel. This EMEA region also has a group/corporate business direct sales force of more than 130 spanning all geographies.

Similarly, in our Middle East and Africa operations, products are distributed via a variety of channels including approximately 1,500 agents, bancassurance, group brokers and direct marketing. Agency distribution is our primary distribution channel. Bancassurance is a growing channel with approximately 55 relationships providing access to thousands of bank customers.

Our businesses in western Europe also have a multi-channel distribution strategy, including independent financial advisors, brokers, captive agents, direct marketing, banks and financial institutions. Our U.K. operation has built a strong position in the U.K. independent advisor sector with a focus on variable annuities. Our U.K. operation also has a growing group risk business serving small and medium sized employers and an agency sales force of approximately 850 agents which distributes accident & health and term life products.

**Policyholder Liabilities**

We establish, and carry as liabilities, actuarially determined amounts that are calculated to meet our 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 in 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 state insurance laws and country regulators, MetLife, Inc. s insurance subsidiaries 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.

The New York Insurance Law and regulations require certain MetLife entities to submit to the New York Superintendent of Insurance or other state insurance departments, with each annual report, an opinion and memorandum of a qualified actuary that the statutory reserves and related actuarial amounts recorded in support of specified policies and contracts, and the assets supporting such statutory reserves and related actuarial

amounts, make adequate provision for their statutory liabilities with respect to these obligations. See U.S. Regulation Insurance Regulation Policy and Contract Reserve Adequacy Analysis.

Insurance regulators in many of the non-U.S. countries in which MetLife operates 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 International Regulation.

**Underwriting and Pricing**

***Underwriting***

Underwriting generally involves an evaluation of applications by a professional staff of underwriters and actuaries, who determine the type and the amount of 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 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 by our underwriters.

The underwriting conducted by our remote underwriting offices and intermediaries, as well as our corporate underwriting office, are 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 senior level 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 for the Americas business, excluding Latin America, 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.

***Pricing***

Pricing reflects our corporate underwriting standards, which are consistent for our global businesses. Product pricing is based on the expected payout of benefits calculated through the use of assumptions for mortality,

morbidity, expenses, persistency and investment returns, as well as certain macroeconomic factors, such as inflation. Investment-oriented products are priced based on various factors, which may include investment return, expenses, persistency and optionality. For certain investment oriented products in the U.S. and certain business sold outside the U.S., 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 all prior year gains and losses are borne by us. 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 insurance and voluntary & worksite products (with the exception of property & casualty products) are based on anticipated results for the book of business being underwritten. Renewals are generally reevaluated annually or biannually and are repriced to reflect actual experience on such products. Products offered by Corporate Benefit Funding 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 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.

Rates for our major lines of property & casualty insurance are based on our proprietary database, rather than relying on rating bureaus. We determine prices in part from a number of variables specific to each risk. The pricing of personal lines insurance products takes into account, among other things, the expected frequency and severity of losses, the costs of providing coverage (including the costs of acquiring policyholders and administering policy benefits and other administrative and overhead costs such as reinsurance), competitive factors and profit considerations. The major pricing variables for personal lines insurance include characteristics of the insured property, such as age, make and model or construction type, as well as characteristics of the insureds, such as driving record and loss experience, and the insured s personal financial management. Our ability to set and change rates is subject to regulatory oversight.

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.

**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. The majority of such reinsurance activities within the affiliated captive reinsurers are eliminated in consolidation.

***Americas (excluding Latin America)***

For our Retail Life & Other insurance products, we have historically reinsured the mortality risk primarily on an excess of retention basis or on a quota share basis. We currently reinsure 90% of the mortality risk in excess of $2 million for most products and reinsure up to 90% of the mortality risk for certain other products. In addition to reinsuring mortality risk as described above, we reinsure other risks, as well as specific coverages. Placement of reinsurance is done primarily on an automatic basis and also on a facultative basis for risks with specified characteristics. On a case by case basis, we may retain up to $20 million per life and reinsure 100% of amounts in excess of the amount we retain. We evaluate our reinsurance programs routinely and may increase or decrease our retention at any time.

For our Retail Annuities business, we reinsure a portion of the living and death benefit guarantees issued in connection with our variable annuities. Under these reinsurance agreements, we pay a reinsurance premium generally based on 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.

For our Corporate Benefit Funding segment, we have periodically engaged in reinsurance activities, as considered appropriate.

For our property & casualty business within both the Retail and Group, Voluntary & Worksite Benefits segments, we purchase reinsurance to manage our exposure to large losses (primarily catastrophe losses) and to protect statutory surplus. We cede losses and premiums based upon the exposure of the policies subject to reinsurance. To manage exposure to large property & casualty losses, we purchase property catastrophe, casualty and property per risk excess of loss reinsurance protection.

For other policies, we generally retain most of the risk and cede particular risks on certain client arrangements.

***Latin America, Asia and EMEA***

For certain life insurance products, we currently reinsure risks in excess of $5 million to external reinsurers on a yearly renewable term basis. We may also reinsure certain risks with external reinsurers depending upon the nature of the risk and local regulatory requirements.

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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 countries. 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.

***Corporate & Other***

We reinsure through 100% quota share reinsurance agreements certain run-off LTC and workers compensation business written by MetLife Insurance Company of Connecticut ( MICC ), a subsidiary of MetLife, Inc.

Corporate & Other also has a reinsurance agreement in-force to reinsure the living and death benefit guarantees issued in connection with certain variable annuity products. 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 Americas, excluding Latin America, we also use excess of retention and quota share reinsurance agreements to provide greater diversification of risk and minimize exposure to larger risks. Currently, for Latin America, Asia and EMEA, we purchase catastrophe coverage to insure risks within certain countries deemed by management to be exposed to the greatest catastrophic risks.

***Reinsurance Recoverables***

For information regarding ceded reinsurance recoverable balances, included in premiums, reinsurance and other receivables in the consolidated balance sheets, see Note 6 of the Notes to the Consolidated Financial Statements.

**U.S. Regulation**

***Insurance Regulation***

In the United States, insurance is principally regulated by the states, with the federal government playing a limited role. Insurance regulation generally aims at supervising and regulating insurers individually rather than on a group-wide basis, with the goal of protecting policyholders and ensuring that each insurance company remains solvent.

Each of MetLife s insurance subsidiaries operating in the United States is licensed and regulated in each U.S. jurisdiction where it conducts insurance business. The extent of such regulation varies, but most jurisdictions have laws and regulations governing the financial aspects and business conduct of insurers. State laws in the U.S. grant insurance regulatory authorities broad administrative powers with respect to, among other things:

- licensing companies and agents to transact business;

- calculating the value of assets to determine compliance with statutory requirements;

- mandating certain insurance benefits;
- regulating certain premium rates;
- reviewing and approving policy forms;
- regulating unfair trade and claims practices, including through the imposition of restrictions on marketing and sales practices, distribution arrangements and payment of inducements, and identifying and paying to the states benefits and other property that is not claimed by the owners;
- regulating advertising;
- protecting privacy;
- establishing statutory capital and reserve requirements and solvency standards;
- fixing maximum interest rates on insurance policy loans and minimum rates for guaranteed crediting rates on life insurance policies and annuity contracts;
- adopting and enforcing suitability standards with respect to the sale of annuities and other insurance products;
- approving changes in control of insurance companies;
- restricting the payment of dividends and other transactions between affiliates; and
- regulating the types, amounts and valuation of investments.

Each insurance subsidiary is required to file reports, generally including detailed annual financial statements, with insurance regulatory authorities in each of the jurisdictions in which it does business, and its operations and accounts are subject to periodic examination by such authorities. These subsidiaries must also file, and in many jurisdictions and in some lines of insurance obtain regulatory approval for, rules, rates and forms relating to the insurance written in the jurisdictions in which they operate.

State and federal insurance and securities regulatory authorities and other state law enforcement agencies and attorneys general from time to time make inquiries regarding compliance by MetLife, Inc. and its insurance subsidiaries with insurance, securities and other laws and regulations regarding the conduct of our insurance and securities businesses. We cooperate with such inquiries and take corrective action when warranted. See Note 21 of the Notes to the Consolidated Financial Statements.

***Holding Company Regulation***

MetLife, Inc. and its U.S. insurance subsidiaries are subject to regulation under the insurance holding company laws of various U.S. jurisdictions. The insurance holding company laws and regulations vary from jurisdiction to jurisdiction, but generally require a controlled insurance company (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.

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. 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.

***Guaranty Associations and Similar Arrangements***

Most of the U.S. jurisdictions in which our insurance subsidiaries are admitted to transact business require life and property & casualty insurers doing business within the jurisdiction to participate in guaranty associations,

which are organized to pay certain contractual insurance benefits owed pursuant to insurance policies issued by impaired, insolvent or failed insurers. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the lines of business in which the impaired, insolvent or failed insurer is engaged. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets.

In the past five years, the aggregate assessments levied against MetLife have not been material. We have established liabilities for guaranty fund assessments that we consider adequate. See Note 21 of the Notes to the Consolidated Financial Statements for additional information on the insolvency assessments.

***Insurance Regulatory Examinations***

As part of their regulatory oversight process, state insurance departments conduct periodic detailed examinations of the books, records, accounts, and business practices of insurers domiciled in their states. State insurance departments also have the authority to conduct examinations of non-domiciliary insurers that are licensed in their states. Except as otherwise disclosed in Note 21 of the Notes to the Consolidated Financial Statements, during the three-year period ended December 31, 2012, MetLife has not received any material adverse findings resulting from state insurance department examinations of its insurance subsidiaries conducted in respect of this three-year period.

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

In addition, increased scrutiny has been given to claims payment practices by insurance companies. See Note 21 of the Notes to the Consolidated Financial Statements for further information regarding retained asset accounts and unclaimed property inquiries and related litigation.

State insurance regulators and the National Association of Insurance Commissioners ( NAIC ) are also investigating the use of affiliated captive reinsurers or off-shore entities to reinsure insurance risks. Like many life insurance companies, we utilize captive reinsurers to satisfy certain reserve requirements related to universal life and term life insurance policies. We also use captive reinsurers to aggregate variable annuity risks under a single legal entity, which allows us to consolidate hedging and other risk management programs. If the New York State Department of Financial Services (the Department of Financial Services ) or other state insurance regulators determine to restrict our use of captive reinsurers, it could limit our ability to write those products or hedge the associated risks efficiently, or lead us to increase prices on those products. For more information on our use of captive reinsurers see Note 11 of the Notes to the Consolidated Financial Statements.

The NAIC is reviewing life insurers use of non-variable separate accounts that are insulated (where assets of the separate account equal to the reserves and other contract liabilities with respect to the account may not be charged with liabilities arising out of the general account in the event of an insurance company insolvency). The NAIC s review might lead to a recommendation against the allowance of insulation for certain of our separate account products, particularly in the institutional markets. We cannot predict what, if any, changes may result from this review and possible recommendations. If the Department of Financial Services or other state insurance regulators change applicable laws or regulations in accordance with such recommendation, our use of insulation for certain products could be impaired and our ability to compete effectively or do business in certain markets

may be adversely affected. In addition, our financial results may also be adversely affected.

Finally, in January 2013, MetLife was the subject of a Supervisory College meeting. The meeting, which was chaired by the Department of Financial Services, was attended by MetLife s key U.S. and international insurance regulators. A Supervisory College is a group of key insurance regulators that is formed to facilitate information sharing and to enhance the member regulators understanding of an insurance group s risk profile.

***Policy and Contract Reserve Adequacy Analysis***

Annually, our U.S. insurance subsidiaries are required to conduct an analysis of the adequacy of all statutory reserves. In each case, a qualified actuary must submit an opinion which 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 inception of this requirement, our U.S. insurance subsidiaries which are required by their states of domicile to provide these opinions have provided such opinions without qualifications.

***NAIC***

The NAIC is an organization, the mandate of which is to benefit state insurance regulatory authorities and consumers by promulgating model insurance laws and regulations for adoption by the states. The NAIC provides standardized insurance industry accounting and reporting guidance through its Accounting Practices and Procedures Manual (the Manual ). However, statutory accounting principles continue to be established by individual state laws, regulations and permitted practices. Changes to the Manual or modifications by the various state insurance departments may impact the statutory capital and surplus of MetLife, Inc. s U.S. insurance subsidiaries.

The NAIC currently has in place its Solvency Modernization Initiative, which is designed to review the U.S. financial regulatory system and all aspects of financial regulation affecting insurance companies. Though broad in scope, the NAIC has stated that the Solvency Modernization Initiative will focus on: (1) capital requirements; (2) corporate governance and risk management; (3) group supervision; (4) statutory accounting and financial reporting; and (5) reinsurance. This initiative has resulted in the recent adoption by the NAIC of the NAIC Risk Management and Own Risk and Solvency Assessment model act which, following enactment at the state level, will require larger insurers, at least annually beginning in 2015, to assess the adequacy of their and their group s risk management and current and future solvency position. We cannot predict the additional capital requirements or compliance costs these requirements may impose.

In addition, in December 2012, the NAIC approved a new valuation manual containing a principles-based approach to life insurance company reserves. Principles-based reserving is designed to tailor the reserving process to specific products to result in more precise reserving. The valuation manual containing the principles-based approach will not become effective unless it is enacted into law by a minimum number of state legislatures. A number of insurance commissioners, including New York, have opposed the current form of the principles-based approach. The NAIC has formed a working group to study and address these concerns.

***Surplus and Capital; Risk-Based Capital***

Insurers are required to maintain their capital and surplus at or above minimum levels. Regulators have discretionary authority, in connection with the continued licensing of our U.S. insurance subsidiaries, to limit or prohibit an insurer s sales to policyholders if, in their judgment, the regulators determine that such insurer has not maintained the minimum surplus or capital or that the further transaction of business will be hazardous to policyholders. Most of our U.S. insurance subsidiaries are subject to risk-based capital ( RBC ) requirements and report their RBC based on a formula calculated by applying factors to various asset, premium and statutory

reserve items, as well as taking into account the risk characteristics of the insurer. 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 RBC ratio 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 RBC of each of our subsidiaries subject to these requirements was in excess of each of those RBC levels. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources The Company Capital.

The NAIC will examine RBC requirements in 2013. We are not aware of any potential NAIC actions that would have a material impact on the RBC of our U.S. insurance subsidiaries**.**

***Regulation of Investments***

Each of our U.S. insurance subsidiaries is subject to state laws and regulations that require diversification of our investment portfolios and limit the amount of investments in certain asset categories, such as below investment grade fixed income securities, equity real estate, 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, 2012. See Federal Initiatives for information regarding the impact on our investments of the Dodd-Frank Wall Street Reform and Consumer Protection Act ( Dodd-Frank ).

***Regulation of Over-the-Counter Derivatives***

Dodd-Frank includes a new framework of regulation of the over-the-counter ( OTC ) derivatives markets which will require clearing of certain types of transactions currently traded OTC and is likely to impose additional costs, including new capital, reporting and margin requirements and additional regulation on the Company. The derivative clearing requirements of Dodd-Frank could increase the cost of our risk mitigation. For example, increased margin requirements, combined with restrictions on securities that will qualify as eligible collateral, could reduce our liquidity and require increased holdings of cash and highly liquid securities with lower yields causing a reduction in income. Centralized clearing of certain OTC derivatives exposes MetLife, Inc. to the risk of a default by a clearing member or clearinghouse with respect to our cleared derivative transactions. MetLife, Inc. uses derivatives to mitigate a wide range of risks in connection with its businesses, including the impact of increased benefit exposures from 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 enactment and implementation of Dodd-Frank.

***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 which may significantly affect the insurance business. These 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.

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Dodd-Frank effected the most far-reaching overhaul of financial regulation in the U.S. in decades. The full impact of Dodd-Frank on us will depend on the numerous rulemaking initiatives required or permitted by Dodd-Frank and the various studies mandated by Dodd-Frank, many of which remain to be completed.

Dodd-Frank 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 Financial Stability Oversight Council ( FSOC ) and making recommendations to the FSOC regarding insurers to be designated for more stringent regulation. The director is also required to submit a report to Congress regarding how to modernize and improve the system of insurance regulation in the United States, including by increasing national uniformity through either a federal charter or effective action by the states.

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. Such provisions and regulations include, but are not limited to, the regulation of the OTC derivatives markets and prohibition or regulation of proprietary trading and sponsoring or investing in hedge funds or private equity funds by certain kinds of financial institutions (commonly known as the Volcker Rule). See Potential Regulation as a Non-Bank SIFI Volcker Rule.

***Potential Regulation as a Non-Bank SIFI***

MetLife, Inc. has de-registered as a bank holding company. As a result, MetLife, Inc. is no longer regulated as a bank holding company or subject to enhanced supervision and prudential standards as a bank holding company with assets of $50 billion or more. However, if, in the future, MetLife, Inc. is designated by the FSOC as a non-bank systemically important financial institution ( non-bank SIFI ), it could once again be subject to regulation by the Board of Governors of the Federal Reserve System (the Federal Reserve Board ) and the Federal Reserve Bank of New York (collectively, with the Federal Reserve Board, the Federal Reserve ) and to enhanced supervision and prudential standards. See Enhanced Prudential Standards.

The FSOC issued final rules in April 2012, outlining the process it will follow and the criteria it will use to assess whether a non-bank financial company should be subject to enhanced supervision by the Federal Reserve as a non-bank SIFI. The FSOC will follow a three-stage process. In Stage 1, a set of uniform quantitative metrics will be applied to a broad group of non-bank financial companies in order to identify non-bank financial companies for further evaluation. If a non-bank financial company, such as MetLife, Inc., meets the total consolidated assets threshold and at least one of the other five quantitative thresholds used in the first stage, the FSOC will continue with two stages of further analysis using additional sources of data and qualitative and quantitative factors. As of December 31, 2012, MetLife, Inc. met the total consolidated assets threshold and at least one of the other Stage 1 quantitative thresholds. The International Association of Insurance Supervisors ( IAIS ) has been tasked by the Financial Stability Board ( FSB ), an international entity established to coordinate, develop and promote effective regulatory, supervisory and other financial sector policies in the interest of financial stability, with devising a process for designating global systemically important insurers ( G-SIIs ) and has proposed an assessment methodology. See International Regulation.

If MetLife, Inc. is designated as a non-bank SIFI, it will be subject to a number of Dodd-Frank requirements that are also applicable to bank holding companies with assets of $50 billion or more.

***Enhanced Prudential Standards***

Currently, the Federal Reserve Board is considering how to apply the enhanced prudential standards required by Dodd-Frank to non-bank SIFIs. The Federal Reserve Board has proposed a set of prudential standards that would apply to non-bank SIFIs, as well as bank holding companies with assets of $50 billion or more, but has not

adopted final rules for most of these standards. As proposed, these enhanced prudential standards would impose (i) enhanced risk-based capital requirements, (ii) leverage limits, (iii) liquidity requirements, (iv) single counterparty exposure limits, (v) governance requirements for risk management, (vi) stress test requirements, and (vii) special debt-to-equity limits for certain companies, and would establish a procedure for early remediation based on the failure to comply with these requirements. The Federal Reserve Board has stated its intention to take a tailored approach to applying the prudential standards to non-bank SIFIs, but has not provided any details on how it intends to do so.

The stress testing requirements have been implemented and require non-bank SIFIs (as well as bank holding companies with $50 billion or more of assets) to undergo three stress tests each year: an annual supervisory stress test conducted by the Federal Reserve Board and two company-run stress tests (an annual test which coincides with the timing of the supervisory stress test, and a mid-cycle test). Companies will be required to take the results of the stress tests into consideration in their annual capital planning and resolution and recovery planning. If MetLife, Inc. is designated by the FSOC as a non-bank SIFI, its competitive position and its ability to pay dividends, repurchase common stock or other securities or engage in other transactions that could affect its capital or need for capital could be adversely affected by any additional capital requirements that might be imposed as a result of the enactment of Dodd-Frank, enhanced prudential standards, stress testing and other regulatory initiatives.

Non-bank SIFIs would also be required to submit a resolution plan setting forth how the company could be resolved under the Bankruptcy Code in the event of material financial distress. Resolution plans would have to be resubmitted annually and promptly following any event, occurrence, change in conditions or circumstances, or other change that results in, or could reasonably be foreseen to have, a material effect on the resolution plan. A failure to submit a credible resolution plan could result in the imposition of a variety of measures, including additional capital, leverage, or liquidity requirements, and forced divestiture of assets or operations.

In addition, if it were determined that MetLife, Inc. posed a substantial threat to U.S. financial stability, the applicable federal regulators would have the right to require it to take one or more other mitigating actions to reduce that risk, including limiting its ability to merge with or acquire another company, terminating activities, restricting its ability to offer financial products or requiring it to sell assets or off-balance sheet items to unaffiliated entities. Enhanced standards would also permit, but not require, regulators to establish requirements with respect to contingent capital, enhanced public disclosures and short-term debt limits. These standards are described as being more stringent than those otherwise imposed on bank holding companies; however, the Federal Reserve Board is permitted to apply them on an institution-by-institution basis, depending on its determination of the institution s level of risk.

***Orderly Liquidation Authority***

Under the provisions of Dodd-Frank relating to the resolution or liquidation of certain types of financial institutions, if MetLife, Inc. 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. If the FDIC were to be appointed as the receiver for such a company, the liquidation of that company would occur under the provisions of the new liquidation authority, and not under the Bankruptcy Code. 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 provides for the assessment of bank holding companies with assets of $50 billion or more, non-bank SIFIs, and other financial companies with assets of $50 billion or more to cover the costs of liquidating any financial company subject to the new liquidation authority.

***Volcker Rule***

Under the Volcker Rule, Dodd-Frank restricts the ability of insured depository institutions and of companies that control an insured depository institution, and their affiliates, to engage in proprietary trading and to sponsor or invest in funds (hedge funds and private equity funds) that rely on certain exemptions from the Investment Company Act of 1940, as amended (the Investment Company Act ). Because MetLife Bank s FDIC insurance has been terminated, MetLife, Inc. and its affiliates will not be subject to the bans on proprietary trading and fund activities under the Volcker Rule. However, because the Volcker Rule nevertheless imposes additional capital requirements and quantitative limits on such trading and activities by a non-bank SIFI, MetLife, Inc. and its affiliates could be subject to such requirements and limits were MetLife, Inc. to be designated a non-bank SIFI. Regulations defining and governing such requirements and limits on non-bank SIFIs have not been proposed. Commencing from the date of designation, a non-bank SIFI will have a two-year period, subject to further extension by the Federal Reserve Board, to conform to any such requirements and limits. Subject to safety and soundness determinations as part of rulemaking that could require additional capital requirements and quantitative limits, Dodd-Frank provides that the exemptions under the Volcker Rule also are available to exempt any additional capital requirements and quantitative limits on non-bank SIFIs. Until the rulemaking is complete, it is unclear whether MetLife, Inc., were it designated as a non-bank SIFI, may have to alter any of its future activities to comply, including continuing to invest in private investment funds for its general accounts or to issue certain insurance products backed by its separate accounts.

***Consumer Protection Laws***

Numerous other federal and state laws also affect MetLife, Inc. s earnings and activities, including federal and state consumer protection laws. As part of Dodd-Frank, Congress established the Consumer Financial Protection Bureau ( CFPB ) to supervise and regulate institutions that provide certain financial products and services to consumers. Although the consumer financial services subject to the CFPB s jurisdiction generally exclude insurance business of the kind in which we engage, the CFPB does have authority to regulate non-insurance consumer services we provide.

***Banking Regulation***

MetLife, Inc. s subsidiary, MetLife Bank, a federally chartered, non-deposit taking, uninsured national banking association, is subject to a wide variety of banking laws, regulations and guidelines. Federal banking and consumer financial protection laws regulate most aspects of the business of MetLife Bank, but certain state laws may apply as well. MetLife Bank is principally regulated by the Office of the Comptroller of the Currency ( OCC ) and the CFPB and secondarily by the Federal Reserve. Federal banking laws and regulations address various aspects of MetLife Bank s business and operations with respect to, among other things, chartering to carry on business as a bank; the permissibility of certain activities; maintaining minimum capital ratios; capital management in relation to the bank s assets; dividend payments and repurchases of securities, including common stock; safety and soundness standards; loan loss and other related liabilities; liquidity; financial reporting and disclosure standards; counterparty credit concentration; restrictions on related party and affiliate transactions; lending limits; payment of interest; unfair or deceptive acts or practices; privacy; and relationships with MetLife, Inc. and potentially with other investors in connection with a change of control of MetLife Bank. Dodd-Frank established a statutory standard for Federal preemption of state consumer financial protection laws, which standard will require national banks to comply with many state consumer financial protection laws that previously were considered preempted by Federal law. Federal and state banking regulators regularly re-examine existing laws and regulations applicable to banks and their products. Changes in these laws and regulations, or in interpretations thereof, are often made for the benefit of the consumer at the expense of the bank.

***Change of Control and Restrictions on Mergers and Acquisitions***

As a result of MetLife, Inc. s ownership of MetLife Bank, approval from the OCC would be required in connection with a change of control (generally presumed upon the acquisition of 10% or more of any class of voting securities) of MetLife, Inc. If MetLife, Inc. were designated as a non-bank SIFI, it would need to obtain Federal Reserve approval before acquiring, merging or consolidating with a financial company having more than $10 billion of assets or acquiring 5% or more of any voting class of securities of a bank or bank holding company.

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***Securities, Broker-Dealer and Investment Adviser Regulation***

Some of our subsidiaries and their activities in offering and selling variable insurance products are subject to extensive regulation under the federal securities laws administered by the SEC. These subsidiaries issue variable annuity contracts and variable life insurance policies through separate accounts that are registered with the SEC as investment companies under the Investment Company Act. Each registered separate account is generally divided into sub-accounts, each of which invests in an underlying mutual fund which is itself a registered investment company under the Investment Company Act. In addition, the variable annuity contracts and variable life insurance policies issued by these registered separate accounts are registered with the SEC under the Securities Act of 1933, as amended. Other subsidiaries are registered with the SEC as broker-dealers under the Securities Exchange Act of 1934, as amended (the Exchange Act ), and are members of, and subject to regulation by, FINRA. Further, some of our subsidiaries are registered as investment advisers with the SEC under the Investment Advisers Act of 1940, as amended, and are also registered as investment advisers in various states, as applicable. 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.

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.

Federal and state securities laws and regulations are primarily intended to protect investors in the securities markets and generally grant regulatory agencies broad rulemaking and enforcement powers, including the power to limit or restrict the conduct of business for failure to comply with such laws and regulations. Dodd-Frank also authorizes the SEC to establish a standard of conduct applicable to brokers and dealers when providing personalized investment advice to retail and other customers. This standard of conduct would be to act in the best interest of the customer without regard to the financial or other interest of the broker or dealer providing the advice. See Risk Factors Regulatory and Legal Risks Changes in U.S Federal and State Securities Laws and Regulations, and State Insurance Regulations Regarding Suitability of Annuity Product Sales, May Affect Our Operations and Our Profitability. We may also be subject to similar laws and regulations in the foreign countries in which we provide investment advisory services, offer products similar to those described above, or conduct other activities.

***Environmental Considerations***

As an owner and operator of real property, we are subject to extensive federal, state and local environmental laws and regulations. Inherent in such ownership and operation is also the risk that there may be potential environmental liabilities and costs in connection with any required remediation of such properties. In addition, we hold equity interests in companies that could potentially be subject to environmental liabilities. We routinely have environmental assessments performed with respect to real estate being acquired for investment and real property to be acquired through foreclosure. We cannot provide assurance that unexpected environmental liabilities will not arise. However, based on information currently available to us, we believe that any costs associated with compliance with environmental laws and regulations or any remediation of such properties will not have a material adverse effect on our business, results of operations or financial condition.

***Employee Retirement Income Security Act of 1974 ( ERISA ) Considerations***

We provide products and services to certain employee benefit plans that are subject to ERISA, or 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 the requirement under ERISA and the Code that fiduciaries may not cause a covered plan to engage in prohibited transactions with persons who have certain relationships with respect to such plans. 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 Internal Revenue 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 the individual advisor, his or her firm or their affiliates that vary according to the investment recommendation chosen. In October 2011, the DOL issued final regulations that provide limited relief from these investment advice restrictions. If no additional relief is provided regarding these investment advice restrictions, the ability of our affiliated broker-dealers and their registered representatives to provide investment advice to ERISA plans and participants, and with respect to IRAs, would likely be significantly restricted. Also, the fee and revenue arrangements of certain advisory programs may be required to be revenue neutral, resulting in potential lost revenues for these broker-dealers and their affiliates.

Other proposed investment advice regulatory initiatives under ERISA also may negatively impact the current business model of our broker-dealers. In particular, the DOL issued a proposed regulation in October 2010 that would, if adopted as proposed, significantly broaden the circumstances under which a person or entity providing investment advice with respect to ERISA plans or IRAs would be deemed a fiduciary under ERISA or the Internal Revenue Code. If adopted, the proposed regulations may make it easier for the DOL in enforcement actions, and for plaintiffs attorneys in ERISA litigation, to attempt to extend fiduciary status to advisors who would not be deemed fiduciaries under current regulations. In September 2011, the DOL announced it will re-propose these fiduciary definition regulations, and a new proposal is expected in 2013.

In addition, the DOL has issued a number of regulations recently that increase the level of disclosure that must be provided to plan sponsors and participants. The participant disclosure regulations and the regulations which require service providers to disclose fee and other information to plan sponsors took effect in 2012. These ERISA disclosure requirements will likely increase the regulatory and compliance burden upon us, resulting in increased costs.

In *John Hancock Mutual Life Insurance Company v. Harris Trust and Savings Bank (1993),* the U.S. Supreme Court held that certain assets in excess of amounts necessary to satisfy guaranteed obligations under a participating group annuity general account contract are plan assets. Therefore, these assets are subject to certain fiduciary obligations under ERISA, which requires fiduciaries to perform their duties solely in the interest of ERISA plan participants and beneficiaries. On January 5, 2000, the Secretary of Labor issued final regulations indicating, in cases where an insurer has issued a policy backed by the insurer s general account to or for an employee benefit plan, the extent to which assets of the insurer constitute plan assets for purposes of ERISA and the Code. The regulations apply only with respect to a policy issued by an insurer on or before December 31, 1998 ( Transition Policy ). No person will generally be liable under ERISA or the Code for conduct occurring prior to July 5, 2001, where the basis of a claim is that insurance company general account assets constitute plan assets. An insurer issuing a new policy that is backed by its general account and is issued to or for an employee benefit plan after December 31, 1998 will generally be subject to fiduciary obligations under ERISA, unless the policy is a guaranteed benefit policy.

The regulations indicate the requirements that must be met so that assets supporting a Transition Policy will not be considered plan assets for purposes of ERISA and the Code. These requirements include detailed disclosures to be made to the employee benefits plan and the requirement that the insurer must permit the policyholder to terminate the policy on 90 day 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.

We cannot predict what other proposals may be made, what legislation may be introduced or enacted or the impact of any such legislation on our business, results of operations and financial condition.

**International Regulation**

Our international insurance operations are principally regulated by insurance regulatory authorities in the jurisdictions in which they are located or operate. This regulation includes minimum capital, solvency and operational requirements. The authority of our international operations to conduct business is subject to licensing requirements, permits and approvals, and these authorizations are subject to modification and revocation. Periodic examinations of insurance company books and records, financial reporting requirements, market conduct examinations and policy filing requirements are among the techniques used by regulators to supervise our non-U.S. insurance businesses. We also have investment and pension companies in certain foreign jurisdictions that provide mutual fund, pension and other financial products and services. Those entities are subject to securities, investment, pension and other laws and regulations, and oversight by the relevant securities, pension and other authorities of the countries in which the companies operate. In some jurisdictions, some of our insurance products are considered securities under local law and may be subject to local securities regulations and oversight by local securities regulators.

Our international operations are exposed to increased political, legal, financial, operational and other risks. A significant portion of our revenues is generated through operations in foreign jurisdictions, including many countries in early stages of economic and political development. Our international operations may be materially adversely affected by the actions and decisions of foreign authorities and regulators, such as through nationalization or expropriation of assets, the imposition of limits on foreign ownership of local companies, changes in laws (including tax laws and regulations), their application or interpretation, political instability, dividend limitations, price controls, changes in applicable currency, currency exchange controls or other restrictions that prevent us from transferring funds from these operations out of the countries in which they operate or converting local currencies we hold into U.S. dollars or other currencies, as well as other adverse actions by foreign governmental authorities and regulators. This may also impact many of our customers and independent sales intermediaries. Changes in the laws and regulations that affect them or their operations also may affect our business relationships with them and their ability to purchase or distribute our products. Such actions may negatively affect our business in these jurisdictions. See Risk Factors Risks Related to Our Business Our International Operations Face Political, Legal, Operational and Other Risks, Including Exposure to Local and Regional Economic Conditions, That Could Negatively Affect Those Operations or Our Profitability.

Certain of our international insurance operations may be subject to assessments, generally based on their proportionate share of business written in the relevant jurisdiction, for certain obligations to policyholders and claimants resulting from the insolvency of insurance companies. We cannot predict the timing and scope of any assessments that may be made in the future, which may materially affect the results of operations of our international insurance operations in particular quarterly or annual periods.

Annually, many of our international insurance operations are required to conduct an analysis of the sufficiency of all statutory reserves. In most of those cases, a locally qualified actuary must submit an analysis of the likelihood that the reserves make good and sufficient provision for the associated contractual obligations and related expenses of the insurer. Local regulatory and actuarial standards for this vary widely; the required implied certainty of the signing actuary s opinion varies equally widely.

Our insurance business throughout the European Economic Area is also subject to the evolving Solvency II insurance regulatory directive established by the European Parliament in 2009 to codify and harmonize European Union insurance regulation. While this directive provides for new risk management practices, solvency capital standards and disclosure requirements, disagreement surrounding Omnibus II (legislation amending certain provisions of Solvency II, including the implementation date) has created uncertainty regarding the ultimate content and effective date of this directive. The European Insurance and Occupational Pensions Authority ( EIOPA ) is developing final proposals for standards and guidelines to be published once Omnibus II is finalized. Although the effective date of the directive is currently January 1, 2014, ongoing debate on Omnibus II has caused regulators to reassess their own implementation strategies as Solvency II implementation is generally

expected to be delayed until at least 2016. Since EIOPA and European Union member states have started to consider what aspects could be adopted during the next three years to continue the development of a more risk-based prudential framework, while avoiding more controversial aspects of Solvency II (the debate on long-term guarantees), we may need to accelerate or adjust our implementation accordingly.

Our Solvency II program is governed by a steering committee comprised of senior management. Solvency II encompasses solvency capital requirements, allows for both standard model and internal model calculations, requires a robust governance and risk management framework fully embedded in day-to-day decision making and greater quarterly and annual reporting disclosures. As requirements are finalized by the regulators, capital requirements might be impacted in a number of jurisdictions. Compliance with these new capital standards may impact the level of capital required to be held at individual legal entities. In addition, our legal entity structure throughout Europe may impact our capital requirements, risk management infrastructure and reporting by country. The efforts required to comply with these regulations may increase operating costs at these entities.

As part of the global initiative to identify global systemically important financial institutions, the FSB tasked the IAIS with devising an assessment methodology for designating G-SIIs. The methodology has yet to be finalized but is intended to identify those insurers whose distress or disorderly failure, because of their size, complexity and interconnectedness, would cause significant disruption to the global financial system and economic activity. The proposed methodology has three steps: (i) data collection; (ii) assessment using a quantitative indicator-based assessment (addressing five categories: size, extent of global activity, degree of interconnectedness within the financial system, amount of non-traditional and non-insurance activities and substitutability) and a more qualitative business segment assessment; and (iii) supervisory judgment and validation process, including quantitative and qualitative assessments. Based on information obtained from the IAIS, the IAIS will make recommendations to the FSB in consultation with national supervisory authorities. The FSB has stated that it expects to publish the first list of G-SIIs in April 2013. Any insurers identified as G-SIIs would be subject to additional policy measures. These policy measures were outlined in an October 2012 IAIS consultation paper and the IAIS has stated that it intends to finalize them within the first six months of 2013. Comments on the measures were submitted December 16, 2012. The proposed policy measures, which would need to be implemented by legislation or regulation in relevant jurisdictions, include higher capital requirements (that could be applied both as an additional charge on activities causing systemic importance and as a group level charge), enhanced supervision (including more detailed and frequent reporting, removal of barriers to orderly resolution of the G-SII and reduction of the G-SII s systemic risk over time). Enhanced supervision includes systemic risk reduction plans ( SRRPs ) that could require separation of activities causing systemic importance into legally and financially self-sufficient entities. Under the proposed policy measures, designated G-SIIs would have 18 months to develop an SRRP and 18 months to implement it. It is possible that if SRRP risk levels are met no additional capital will be required. If MetLife, Inc. were identified as a G-SII, its competitive position relative to other life insurers that were not so designated could be adversely affected.

We expect the scope and extent of regulation outside of the U.S., as well as regulatory oversight, generally to continue to increase. The regulatory environment in the countries in which we operate and changes in laws could have a material adverse effect on our results of operations. See Risk Factors Risks Related to Our Business Our International Operations Face Political, Legal, Operational and Other Risks, Including Exposure to Local and Regional Economic Conditions, That Could Negatively Affect Those Operations or Our Profitability.

***Japan***

Our operations in Japan are subject to regulation and examination by Japan s Financial Services Agency ( FSA ). Our operations in Japan are required to file with the FSA annual reports for each fiscal year (ending March 31) which include financial statements. These annual reports are not prepared on a U.S. GAAP basis. Similar to the U.S., Japanese law provides that insurers in Japan must maintain specified solvency standards for the protection of policyholders and to support the financial strength of licensed insurers. As of December 31, 2012, the date of our most recent regulatory filing in Japan, the solvency margin ratio of our Japan operations was in excess of four times the 200% solvency margin ratio that would require corrective action. Most Japanese life insurers maintain a solvency margin ratio well in excess of the legally mandated minimum.

A portion of the annual earnings of our Japan operations may be repatriated each year, and may further be distributed to MetLife, Inc. as a dividend. We may determine not to repatriate profits from the Japan operations or to repatriate a reduced amount in order to maintain or improve the solvency margin of the Japan operations or for other reasons. In addition, the FSA may limit or not permit profit repatriations or other transfers of funds to the U.S. if such transfers would be detrimental to the solvency or financial strength of our Japan operations or for other reasons.

Our operations in Japan are subject to assessments to cover obligations to policyholders in the event of insolvency of other insurance companies. Under the Japanese Insurance Business Law, all licensed life insurers in Japan are assessed on an annual basis by the Life Insurance Policyholders Protection Corporation of Japan. These assessments are aggregated across all licensed life insurers in Japan and used to satisfy certain obligations to policyholders and claimants of insolvent life insurance companies. We cannot predict the amount of future assessments, which may materially affect our results of operations in Japan in particular quarterly or annual periods.

**Competition**

We believe that competition faced by our segments 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 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 U.S. 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 in particular areas in which they are active. 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, its impact on the capital position of many competitors, and subsequent actions by regulators and rating agencies have altered the competitive environment. In particular, we believe that these factors have highlighted financial strength as the most significant differentiator from the perspective of some customers and certain distributors. We believe the Company is well positioned to compete in this environment. In particular, the Company distributes many of its individual products through other financial institutions such as banks and broker-dealers. These distribution partners are currently placing greater emphasis on the financial strength of the company whose products they sell. In addition, the financial market turbulence has highlighted the extent of the risk associated with certain variable annuity products and has led us, along with many companies in our industry, to re-examine the pricing and features of the products offered. The effects of current market conditions may also lead to consolidation in the life insurance industry. Although we cannot predict the ultimate impact of these conditions, we believe that the strongest companies will enjoy a competitive advantage as a result of the current circumstances.

We must attract and retain productive sales representatives to sell our insurance, annuities and investment products. Insurance companies compete for sales representatives with demonstrated ability. We compete with other insurance companies for sales representatives primarily on the basis of our financial position, support services and compensation and product features. See Sales Distribution. 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. Sales of individual insurance, annuities and investment products and our results of operations and financial position could be materially adversely affected if we are unsuccessful in attracting and retaining productive agents.

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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.

**Employees**

At December 31, 2012, we had approximately 64,000 employees. We believe that our relations with our employees are satisfactory.

**Executive Officers**

Set forth below is information regarding the executive officers of MetLife, Inc.:

| Name | Age | Position with MetLife and Business Experience |
|---|---|---|
| Steven A. Kandarian | 60 | Chairman of the Board (January 2012-present) and President and Chief Executive Officer (May 2011-present) of MetLife, Inc.<br>Executive Vice President and Chief Investment Officer of MetLife, Inc. (April 2005-April 2011)<br>Additional Experience: Executive director, Pension Benefit Guaranty Corporation (2001-2004); founder and managing partner, Orion Capital Partners, where he managed a private equity fund specializing in venture capital and corporate acquisitions |
| Ricardo A. Anzaldua | 59 | Executive Vice President and General Counsel of MetLife, Inc. (December 2012-present)<br>Associate general counsel and senior vice president, director of commercial and consumer markets law, The Hartford Financial Services Group (October 2010-December 2012)<br>Associate general counsel and senior vice president, director of corporate law, The Hartford Financial Services Group (February 2007-October 2010); corporate secretary, The Hartford Financial Services Group (February 2008-October 2010)<br>Additional Experience: Partner, Cleary Gottlieb Steen & Hamilton LLP (January 1999-January 2007) |
| Steven J. Goulart | 54 | Executive Vice President and Chief Investment Officer of MetLife, Inc. (May 2011-present)<br>Treasurer, MetLife, Inc. (July 2009-April 2011)<br>Head of the Portfolio Management Unit as Senior Managing Director of MLIC (January 2011-April 2011)<br>Head of the Mergers & Acquisitions Unit as Senior Vice President of MLIC (November 2006-July 2009)<br>Additional Experience: Director of MetLife Group, Inc. (June-November 2006); senior managing director, financial institutions group, Bear Stearns; managing director, global insurance group, Morgan Stanley; managing director, financial institutions group, Merrill Lynch |
| John C.R. Hele | 54 | Executive Vice President and Chief Financial Officer of MetLife, Inc. (September 2012-present)<br>Executive vice president, chief financial officer and treasurer, Arch Capital Group Ltd. (April 2009-August 2012)<br>Chief financial officer, ING Group, N.V. (April 2007-March 2009)<br>Additional Experience: Deputy chief financial officer, ING Group, N.V. (April 2006-April 2007); chief risk officer, insurance, ING Group, N.V. (October 2003 to March 2006); Founder, president and chief executive officer, Worldinsure Limited (February 1999-August 2003); 11 years with Merrill Lynch in investment banking, marketing and finance positions in the U.S.; various actuarial, finance and business roles with Crown Life in Canada |

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| Name | Age | Position with MetLife and Business Experience |
|---|---|---|
| Frans Hijkoop | 52 | Executive Vice President and Chief Human Resources Officer of MetLife, Inc. (August 2011-present)<br>Chief personnel officer and senior vice president of human resources, American Foods division of PepsiCo Inc. (January 2008-August 2011)<br>Chief personnel officer and senior vice president of human resources, PepsiCo International (February 2007-January 2008)<br>Additional Experience: Executive committee member and group human resources director, Lloyds TSB (January 2004-February 2007) |
| Beth M. Hirschhorn | 48 | Executive Vice President, Global Brand, Marketing and Communications of MetLife, Inc. (November 2011-present)<br>Chief Marketing Officer and Senior Vice President of MetLife, Inc. (November 2006-October 2011)<br>Additional Experience: Managed marketing for MetLife s U.S. Individual and Institutional businesses as Vice President of MLIC (January 2003-November 2006); led the consumer financial services marketing unit of JPMorgan Chase before joining MetLife in 2002 |
| Michel Khalaf | 49 | President, EMEA, of MetLife, Inc. (November 2011-present)<br>Executive Vice President, MLIC (January 2011-November 2011)<br>Regional President, Middle East, Africa and South Asia, Alico (November 2008-November 2011) (Mr. Khalaf joined MetLife as a result of the ALICO Acquisition)<br>Deputy president and chief operating officer, Philamlife, the operating company of AIG in the Philippines (August 2006-October 2008)<br>Additional Experience: Leadership roles with Alico in various markets around the world, including Poland, Egypt, Italy, France, and the Caribbean |
| Martin Lippert | 53 | Executive Vice President and Head of Global Technology and Operations of MetLife, Inc. (November 2011-present)<br>Executive Vice President and Head of Global Technology of MetLife, Inc. (September 2011-November 2011)<br>Chief operations and technology officer for Citigroup (July 2008-March 2009)<br>Vice chairman and group head of global technology and operations, Royal Bank of Canada (RBC) (August 1997-July 2008) |
| Maria R. Morris | 50 | Executive Vice President and Head of Global Employee Benefits of MetLife, Inc. (November 2011-present)<br>Executive Vice President, Global Operations, Integration of MetLife, Inc. (September 2011-November 2011)<br>Executive Vice President, Technology and Operations of MetLife, Inc. (January 2008-September 2011)<br>Executive Vice President, Employee Benefits Sales of MLIC (December 2005-January 2008)<br>Additional Experience: Senior Vice President of Group Insurance and Voluntary Benefits Sales and Service Operations of MLIC (July 2003-December 2005); Vice President of MLIC (March 1997-July 2003) |
| Christopher G. Townsend | 44 | President,Asia, of MetLife, Inc. (August 2012-present)<br>Chief executive officer of the Asia Pacific region, Chartis (January 2010-April 2012)<br>Chief executive officer, Chartis Australasia (February 2007-January 2010)<br>Additional Experience: Chief executive officer, Chartis Hong Kong (January 2006-January 2007); various senior leadership roles for Chartis, including regional vice president, commercial line, Chartis Asia Pacific, senior vice president of mergers and acquisitions, and other leadership roles in London and Sydney (1991-2006) |

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| Name | Age | Position with MetLife and Business Experience |
|---|---|---|
| William J. Wheeler | 51 | President, Americas, MetLife, Inc. (November 2011-present)<br>Executive Vice President and Chief Financial Officer of MetLife, Inc. (December 2003-November 2011)<br>Additional Experience: Senior Vice President of MLIC (1997-December 2003); oversaw business development, product management and marketing activities for Individual Business (2002-2003); Chief Financial Officer for Individual Business (2000-2002); senior vice president, Donaldson, Lufkin & Jenrette |

**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 and healthcare benefit services under an advertising and premium agreement with Peanuts Worldwide, LLC until December 31, 2014. We also have a non-exclusive license to use certain Citigroup-owned trademarks in connection with the marketing, distribution or sale of life insurance and annuity products under a licensing agreement with Citigroup until June 30, 2015. Furthermore, as a result of the ALICO Acquisition, we acquired American Life and its trademarks, including the "ALICO" trademark. We believe that our rights in our trademarks and under our Peanuts® characters license and our Citigroup license are well protected.

**Available Information**

MetLife files periodic reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information may be obtained by visiting the Public Reference Room of the SEC at its Headquarters Office, 100 F Street, N.E., Washington D.C. 20549 or by calling the SEC at 1-202-551-8090 or 1-800-SEC-0330 (Office of Investor Education and Advocacy). In addition, the SEC maintains an internet website (www.sec.gov) that contains reports, proxy statements, and other information regarding issuers that file electronically with the SEC, including MetLife, Inc.

MetLife makes available, free of charge, on its website (www.metlife.com) through the Investor Relations page, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to all those reports, as soon as reasonably practicable after filing (furnishing) such reports to the SEC. Other information found on the website is not part of this or any other report filed with or furnished to the SEC.

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**Item 1A. Risk Factors**

**Economic Environment and Capital Markets-Related Risks**

***If Difficult Conditions in the Global Capital Markets and the Economy Generally Persist, They May Materially Adversely Affect Our Business and Results of Operations***

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility and disrup