Metropolitan Life Global Funding I

$17,000,000,000 Global Note Issuance Program

Metropolitan Life Global Funding I, a statutory trust organized in series under the laws of the State of Delaware (the **"Issuer"**), may from time to time issue notes (the **"Notes"**) pursuant to this program (the **"Program"**) denominated in U.S. Dollars or in such other currencies as may be set forth in one or more applicable final terms (each such final terms, the **"Final Terms"**) supplemental to this Offering Circular (the **"Offering Circular"**). Notes will be offered in separate series (each, a **"Series"** or **"Series of Notes"**) which may comprise one or more tranches (each, a **"Tranche"**). The specific terms of each Series and Tranche will be set forth in the relevant Final Terms. Each Series will be secured by (i) one or more funding agreements (each, a **"Funding Agreement"** and, collectively, the **"Funding Agreements"**) issued by Metropolitan Life Insurance Company (**"Metropolitan Life"**), a New York stock life insurance company, in respect of the Tranches of Notes comprising such Series and (ii) one or more support and expenses agreements (each, a **"Support and Expenses Agreement"** and, collectively, the **"Support and Expenses Agreements"**) entered into between Metropolitan Life and the Issuer in respect of the Tranches of Notes comprising such Series. The payments under the Funding Agreement entered into in connection with a Tranche of Notes will be structured to meet in full the Issuer's scheduled payment obligations under the relevant Tranche of Notes. Payment of the principal of, and interest on, the Notes will be made solely from payments received by the Issuer under the applicable Funding Agreement. The Holders (as defined below) of Notes will have no direct rights against Metropolitan Life under any Funding Agreement or any Support and Expenses Agreement.

The Issuer is not an affiliate of Metropolitan Life. The obligations of the Issuer evidenced by the Notes will not be obligations of, and will not be guaranteed by, any other person, including, but not limited to, Metropolitan Life, its parent company MetLife, Inc. (the ''Holding Company''), or any of their respective subsidiaries or affiliates. The obligations of Metropolitan Life under the Funding Agreements and the Support and Expenses Agreements will not be obligations of, and will not be guaranteed by, the Holding Company or any other person.

Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC (the **"Prospectus Directive"**), for the Offering Circular to be approved. Application has been made to the Irish Stock Exchange for the Notes issued during the period of 12 months from the date of this Offering Circular to be admitted to the Official List and trading on the regulated market of the Irish Stock Exchange. **Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or any other European Union regulated market for the purposes of Directive 93/22/EEC or which are to be offered to the public in any Member State of the European Economic Area. For the purposes of the Prospectus Directive, this Offering Circular comprises a base prospectus.**

For a discussion of certain factors that should be considered in connection with an investment in the Notes, see ''Risk Factors'' beginning on page 18.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE OR FOREIGN SECURITIES LAWS, AND MAY NOT BE OFFERED OR SOLD EXCEPT TO (1) PERSONS REASONABLY BELIEVED BY THE DEALER(S) TO BE QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A) OR (2) PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S.

All transfers of the Notes in the United States, whether in the initial distribution or in secondary trading, will be limited to transferees who are Qualified Institutional Buyers. The Notes are not transferable except as described in this Offering Circular and in the relevant Terms and Conditions of the Notes.

This Offering Circular amends and restates in its entirety the offering circular dated June 4, 2004 as supplemented by the supplemental offering circular dated March 18, 2005 in relation to the Program and increases the authorized amount (as defined below) to $17,000,000,000. These documents were not approved by the Irish Stock Exchange or the Irish Financial Services Regulatory Authority.

Arranger for the Program

Credit Suisse

U.S. Dealers	European Dealers
ABN AMRO Incorporated	**ABN AMRO**
Banc of America Securities LLC	**Banc of America Securities Limited**
Barclays Capital	**Barclays Capital**
Bear, Stearns & Co. Inc.	**Bear, Stearns International Limited**
Citigroup	**Citigroup**
Credit Suisse	**Credit Suisse**
Deutsche Bank Securities	**Deutsche Bank**
Goldman, Sachs & Co.	**Goldman Sachs International**
JPMorgan	**JPMorgan**
Lehman Brothers	**Lehman Brothers**
Merrill Lynch & Co.	**Merrill Lynch International**
Morgan Stanley	**Morgan Stanley**
RBS Greenwich Capital	**The Royal Bank of Scotland**
UBS Investment Bank	**UBS Investment Bank**
Wachovia Securities	**Wachovia Securities**

Offering Circular dated January 19, 2006

Notes may be issued in registered form (**"Registered Notes"**) or in bearer form (**"Bearer Notes"**). Notes offered and sold in reliance on Rule 144A (**"Rule 144A"**) under the United States Securities Act of 1933, as amended (the **"Securities Act"**), to "qualified institutional buyers" within the meaning of Rule 144A (each, a **"Qualified Institutional Buyer"**) may only be issued as Registered Notes **("Rule 144A Notes")**. Subject to the provisions of the applicable Final Terms, Rule 144A Notes of any Tranche will initially be represented by one or more permanent Registered Notes in global form (each, a **"Rule 144A Permanent Global Registered Note"**) without Coupons, Talons or Receipts (each as defined below) which will be (i) in the case of U.S. Dollar denominated Notes, registered in the name of a nominee for, and deposited with a custodian for, The Depository Trust Company (**"DTC"**), and (ii) in the case of non-U.S. Dollar denominated Notes, registered in the name of a nominee for, and deposited with a depositary or common depositary for, Euroclear Bank S.A./N.V. (**"Euroclear"**) and/or Clearstream Banking, société anonyme (**"Clearstream Luxembourg"**). References to Euroclear and/or Clearstream Luxembourg in this Offering Circular shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative clearing system (including SIS SEGAINTERSETTLE AG, the Swiss Securities Services Corporation (**"SIS"**)) approved by the Issuer and the Indenture Trustee (as defined below) and specified in the applicable Final Terms.

Notes offered and sold in reliance on Regulation S (**"Regulation S"**) under the Securities Act may be issued as either Registered Notes (**"Regulation S Registered Notes"**) or Bearer Notes. Subject to the provisions of the applicable Final Terms and except as set forth below with respect to certain Notes issued in an "overseas directed offering" within the meaning of Regulation S (each, an **"Overseas Directed Offering"**), including each Series of Notes listed on any Swiss stock exchange denominated in Swiss Francs (**"Listed Swiss Franc Notes"**), Regulation S Registered Notes of any Tranche will initially be represented by one or more temporary Regulation S Registered Notes in global form (each, a **"Regulation S Temporary Global Registered Note"**), which will be registered in the name of the nominee of, and deposited with a depositary or common depositary for, Euroclear and/or Clearstream Luxembourg.

Subject to the provisions of the applicable Final Terms, on or after the date (the **"Exchange Date"**) that is the first day following the expiration of a period of 40 days after the date of the completion of the distribution of the relevant Tranche of Notes as determined and certified by the Relevant Dealer (the **"Distribution Compliance Period"**), beneficial interests in each Regulation S Temporary Global Registered Note will be exchangeable (i) for beneficial interests in one or more permanent Regulation S Registered Notes in global form (each, a **"Regulation S Permanent Global Registered Note,"** together with the Rule 144A Permanent Global Registered Notes, the **"Permanent Global Registered Notes"** and, together with the Regulation S Temporary Global Registered Notes, the **"Global Registered Notes"**) without Coupons, Talons or Receipts and (ii) upon and to the extent of the certification of non-U.S. beneficial ownership of the relevant Notes as required by Regulation S, in whole but not in part, for Registered Notes in definitive form (**"Definitive Registered Notes"**) in the event of any of the following: (a) if DTC, Euroclear, Clearstream Luxembourg or any other applicable clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays), announces an intention permanently to cease business, or notifies the Issuer that it is unwilling or unable to continue as the depositary and a successor clearing corporation is not appointed within 90 days, (b) if an Event of Default as described in Condition 9 of the Terms and Conditions (as defined below under "Terms and Conditions of the Notes") occurs and the maturity of the Notes of the relevant Series is accelerated in accordance with the Terms and Conditions of the relevant series of Notes, (c) if the Issuer determines in its sole discretion that the Notes of such Series should no longer be evidenced solely by one or more Notes in global form, or (d) to the extent provided in the relevant Final Terms, at any time at the request of the relevant Holder (each, a **"Definitive Notes Exchange Event"**).

Subject to the provisions of the applicable Final Terms, each Regulation S Permanent Global Registered Note will be registered in the name of a nominee of, and deposited with a depositary or common depositary for, Euroclear and/or Clearstream Luxembourg.

Subject to the provisions of the applicable Final Terms, beneficial interests in each Permanent Global Registered Note may be exchanged in whole, but not in part, for Definitive Registered Notes upon the occurrence and during the continuation of a Definitive Notes Exchange Event.

Subject to the provisions of the applicable Final Terms and except as set forth below with respect to certain Notes issued in an Overseas Directed Offering, including any Listed Swiss Franc Notes, Bearer Notes of any Tranche will initially be represented by one or more temporary Bearer Notes in global form (each, a **"Temporary Global Bearer Note"**), which will be deposited with a depositary or common depositary for Euroclear and/or Clearstream Luxembourg.

Subject to the provisions of the applicable Final Terms, on or after the Exchange Date, upon and to the extent of the certification of the non-U.S. beneficial ownership of the relevant Notes as required by United States Treasury Regulations and Regulation S, beneficial interests in each Temporary Global Bearer Note will be exchangeable (i) for beneficial interests in a permanent global bearer note (each, a **"Permanent Global Bearer Note"** and, together with a Temporary Global Bearer Note, the **"Global Bearer Notes"**) or (ii) upon the occurrence and during the continuation of a Definitive Notes Exchange Event, in whole but not in part, for Bearer Notes in definitive form (**"Definitive Bearer Notes"**) and, if so specified in the relevant Final Terms, Definitive Registered Notes.

No payments shall be made in respect of a Regulation S Temporary Global Bearer Note or a Regulation S Temporary Global Registered Note (collectively, the **"Regulation S Temporary Global Notes"**) unless a payment of interest falls due prior to the Exchange Date, in which case such payment shall be made in respect of the relevant Regulation S Temporary Global Note only upon, and to the extent of, provision of the certification of the non-U.S. beneficial ownership of the relevant Notes as provided above.

Subject to the provisions of the applicable Final Terms, beneficial interests in each Permanent Global Bearer Note will be exchangeable (i) if so specified in the applicable Final Terms, for beneficial interests in Permanent Global Registered Notes and (ii) upon the occurrence and during the continuation of a Definitive Notes Exchange Event, in whole but not in part, for Definitive Bearer Notes and, if so specified in the relevant Final Terms, Definitive Registered Notes.

Subject to the provisions of the applicable Final Terms, each Tranche of Regulation S Registered Notes issued in an Overseas Directed Offering will initially be represented by one or more Regulation S Permanent Global Registered Notes, beneficial interests in which will be exchangeable for Definitive Registered Notes in the circumstances set forth therein and in the relevant Final Terms.

Subject to the provisions of the applicable Final Terms, each Tranche of Bearer Notes issued in an Overseas Directed Offering into a foreign country designated by the Commissioner of the Internal Revenue Service (**"IRS"**) as a foreign country in which the certification as to the non-U.S. beneficial ownership of the relevant Notes is not required (including Listed Swiss Franc Notes) will initially be represented by one or more Permanent Global Bearer Notes, beneficial interests in which will be exchangeable (i) if so specified in the applicable Final Terms, for beneficial interests in the Global Registered Notes and (ii) for Definitive Bearer Notes and, if so specified in the relevant Final Terms, Definitive Registered Notes, in each case only in the circumstances set forth therein and in the relevant Final Terms.

Notes in bearer form are subject to United States tax law requirements and, subject to certain exceptions, may not be offered, sold or delivered within the United States or to "United States persons" as defined in Section 7701(a)(30) of the United States Internal Revenue Code of 1986, as amended, including any successor or amendatory statutes (the **"Code"**).

Each of the Issuer and Metropolitan Life accepts responsibility that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of their knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

Because the primary assets of the Issuer will be one or more Funding Agreements issued by Metropolitan Life (together with Support and Expenses Agreements entered into between Metropolitan Life and the Issuer, in each case related to such Funding Agreements), there is a risk that any transfer of the Notes could subject the parties to such transfer to regulation under the insurance laws of jurisdictions implicated by the transfer. Among other things, it is likely that if the Notes were deemed to be contracts of insurance, the ability of a Holder (as defined below) to sell the Notes in secondary market transactions or otherwise would be substantially impaired and, to the extent any such sales could be effected, the proceeds realized from any such sales could be materially and adversely affected. See "Risk Factors — Notes Could Be Deemed to Be Participations in the Funding Agreements or Could Otherwise Be Deemed to Be Contracts of Insurance." No person is permitted to distribute, market, sell, represent or otherwise refer to the Notes as an insurance product, contract or policy or funding agreement or as a direct interest in any insurance product, contract or policy or funding agreement.

References herein to (the **"Holders"**) of Notes in registered form are to the persons in whose name such Notes are so registered in the relevant register. References herein to (the **"Holders"**) of Notes in bearer form or of receipts or coupons are to the bearers of such Notes, receipts or coupons.

This Offering Circular should be read and construed in accordance with any amendment or supplement hereto and with any documents incorporated by reference herein or therein and, in relation to any Tranche of Notes, should be read and construed in accordance with the relevant Final Term(s).

Each of the Issuer and Metropolitan Life has confirmed to the arranger named in "Summary of the Program" (the **"Arranger"**) and the dealers named under "Subscription and Sale" or in the applicable Final Terms (each, a **"Dealer"** and, collectively, the **"Dealers"**) that this Offering Circular (read as a whole with any amendment or supplement thereto, any applicable Final Terms and any other documents incorporated by reference herein or therein) does not and, at the issue date for the sale of a particular Tranche of Notes, will not contain any untrue statement of a material fact or fail to state any material fact necessary in order to make the statements herein, in light of the circumstances under which they were made, not misleading.

No person has been authorized by the Issuer, Metropolitan Life or any Dealer to give any information or to make any representation except as contained in this Offering Circular, in any amendment or supplement hereto (including any applicable Final Terms) and in any documents incorporated by reference herein or therein and, if given or made, such unauthorized information or representation should not be relied upon as having been authorized by the Issuer, Metropolitan Life or any Dealer.

The distribution of this Offering Circular and any Final Terms and the offering, sale and delivery of Notes in certain jurisdictions may be restricted or prohibited by law. In particular, except for the listing of certain Notes on the relevant stock exchange as may be specified in the applicable Final Terms, the Issuer, the Arranger and the Dealers have not and will not take any action that would permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular and any amendments or supplements hereto (including any Final Terms) nor any other offering material may be distributed or published, in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Notwithstanding anything expressed or implied to the contrary, each prospective Holder and actual Holder of the Notes, and each of their employees, representatives and agents, are hereby expressly authorized to disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Offering Circular and all materials of any kind (including opinions or other tax analyses) that are provided to any such persons relating to such tax treatment and tax structure; provided, that any such disclosure of the tax treatment and tax structure and materials related thereto may not be made (i) in a manner that would constitute an offer to sell or the solicitation of an offer to buy the securities offered herein under applicable securities laws or (ii) when nondisclosure is reasonably necessary to comply with applicable securities laws. Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Circular and any amendments or supplements hereto (including any Final Terms) or any other offering material and must obtain any consent, approval or permission required of it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither the Issuer nor the Dealers shall have responsibility therefor. Persons into whose possession this Offering Circular and any amendments or supplements hereto (including any Final Terms) or any other offering material comes are required by the Issuer, the Arranger and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Offering Circular and any amendments or supplements hereto (including any Final Terms) or any other offering material relating to the Notes, see "Notice to Investors" and "Subscription and Sale."

Except as otherwise provided in the Dealership Agreement (as defined below), no representation or warranty is made or implied by any of the Dealers or any of their respective affiliates, and none of the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular and any amendments or supplements hereto (including any Final Terms). Neither the delivery of this Offering Circular and any amendments or supplements hereto (including any Final Terms) nor the offering, sale or delivery of any Notes shall create, in any circumstances, any implication that (i) the information contained in this Offering Circular and any amendments or supplements hereto (including any Final Terms) is true subsequent to the latest of the date hereof or thereof, as applicable, or the date upon which this Offering Circular and any amendments or supplements hereto (including any Final Terms), as applicable, have been most recently amended or supplemented, (ii) there has been no material adverse change in the financial situation of the Issuer or Metropolitan Life and its consolidated subsidiaries (collectively, **"MetLife"** or the **"Company"**) since the later of the date of this Offering Circular or the date on which this Offering Circular has been most recently amended or supplemented or (iii) any other information supplied in connection with the Program is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any amendments or supplements hereto (including any Final Terms) constitutes an offer or an invitation to subscribe for or purchase any Notes in any jurisdiction in which it is unlawful to make such an offer or an invitation to subscribe and should not be considered as a recommendation by the Issuer, Metropolitan Life or any of the Dealers that any recipient of this Offering Circular or any amendments or supplements hereto (including any Final Terms) should subscribe for or purchase any Notes. Each recipient of this Offering Circular and any amendments or supplements hereto (including any Final Terms) shall have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and MetLife.

NOTICE TO ARKANSAS RESIDENTS ONLY

The Notes may not be purchased by, offered, resold, pledged or otherwise transferred to an insurer domiciled in the State of Arkansas, a health maintenance organization, farmers' mutual aid association or other Arkansas domestic company regulated by the Arkansas Insurance Department.

NOTICE TO INDIANA RESIDENTS ONLY

The Indiana Insurance Department has stated that Indiana domestic insurers should contact the Indiana Insurance Department before purchasing the Notes.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

Neither the fact that a registration statement or an application for a license has been filed under RSA 421-B with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

In connection with the issue of any Tranche of Notes under the Program, the Dealers have reserved the right to appoint one or more of them to act as stabilizing agents (each, a "**Stabilizing Agent**"). In connection with the issue of any Tranche of Notes under the Program, each Stabilizing Agent (or any person acting on behalf of any Stabilizing Agent), may over-allot Notes (provided that, in the case of any Tranche of Notes to be admitted to trading on the regulated market of the Irish Stock Exchange or any other regulated market (within the meaning of Directive 93/22/EEC) in the European Economic Area, the aggregate principal amount of the Notes allotted does not exceed 105 percent of the aggregate principal amount of the relevant Tranche of Notes) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Agent (or any person acting on behalf of any Stabilizing Agent) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it shall, in any event, end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any such stabilizing shall be conducted in compliance with all applicable laws, rules and regulations.

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NOTICE TO INVESTORS

Because of the following restrictions, investors are advised to consult legal counsel before making any offer, resale, pledge or other transfer of Notes.

The distribution of this Offering Circular and any Final Terms and the offering, sale and delivery of Notes in certain jurisdictions may be restricted or prohibited by law. In particular, except for the listing of certain Notes on the relevant stock exchange as may be specified in the applicable Final Terms, the Issuer, the Arranger and the Dealers have not and will not take any action that would permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material in any jurisdiction where action for that purpose is required.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular and any amendments or supplements hereto (including any Final Terms) nor any other offering material may be distributed or published, in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Each prospective purchaser of the Notes must obtain any consent, approval or permission required of it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and neither the Issuer nor the Dealers shall have responsibility therefor.

Persons into whose possession this Offering Circular and any amendments or supplements hereto (including any Final Terms) or any other offering material comes are required by the Issuer, the Arranger and the Dealers to inform themselves about and to observe any such restrictions.

Selling and transfer restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this Offering Circular.

Each Holder of Notes and each person purchasing or holding a beneficial interest in any Notes will be deemed to have represented and warranted or, in the case of purchases by an agent or fiduciary acting for the beneficial owner of an account for which such agent or fiduciary exercises investment discretion, such agent or fiduciary will be deemed to have confirmed on behalf of such beneficial owner as follows:

- It (i) is purchasing the Notes for its own account or for a beneficial owner for which such person is acting as a fiduciary or agent with investment discretion with respect to each account maintained for such beneficial owner, and (ii) has full power and authority to make the acknowledgments, representations, warranties and agreements contained herein on behalf of each such account.
- It understands that the Notes have not been and will not be registered under the Securities Act or any applicable state or foreign securities laws and that the Issuer has not been and will not be registered as an investment company under the United States Investment Company Act of 1940, as amended (the **"Investment Company Act"**).
- It acknowledges that this Offering Circular is personal to it and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes.
- It is not purchasing the Notes with a view to any public resale or distribution thereof.
- It either is (A)(i) not a "U.S. person" as defined under Regulation S (a **"U.S. Person"**); and (ii) not purchasing the Notes in the United States or any of its territories or possessions; or (B) a Qualified Institutional Buyer.
- Either (i) it is not an employee benefit or other Plan (as defined below), subject to the Employee Retirement Income Security Act of 1974, as amended (**"ERISA"**), or Section 4975 of the Code or a person who is a fiduciary with respect to a Plan, and acting on behalf or using plan assets (**"Plan**

Assets") or (ii) acquisition and holding of the Notes is exempt pursuant to one or more prohibited transaction exemptions issued by the U.S. Department of Labor (**"DOL"**).

- It is not an insurer domiciled in the State of Arkansas, a health maintenance organization, farmers' mutual aid association or other Arkansas domestic company regulated by the Arkansas Insurance Department.
- It is its intent and it understands it is the intent of the Issuer, for purposes of United States federal, state and local income taxes, that the Notes be treated as debt of Metropolitan Life, agrees to such treatment and agrees to take no action inconsistent with such treatment.
- It will inform each person to whom the Notes or any interests therein are offered, resold, pledged or otherwise transferred of the restrictions on the transfer of the Notes set forth in this "Notice to Investors."
- It understands and agrees that if in the future it decides to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may only be offered, sold, pledged or otherwise transferred to (a) (i) in the United States, a person reasonably believed by it to be a Qualified Institutional Buyer, in a transaction in compliance with Rule 144A; or (ii) a person who is not a U.S. Person outside the United States or any of its territories or possessions, in accordance with Regulation S; and (b) in each case, in accordance with all applicable securities laws of the United States, any state of the United States and any other applicable jurisdiction.
- It understands that the Notes may not be offered, sold, pledged or otherwise transferred to an insurer domiciled in the State of Arkansas, a health maintenance organization, farmers' mutual aid association or other Arkansas domestic company regulated by the Arkansas Insurance Department. Any Person described in the foregoing sentence who acquires a Note shall not be entitled to receive any payments thereunder. It also understands that the Indiana Insurance Department has stated that Indiana domestic insurers should contact the Indiana Insurance Department before purchasing the Notes.
- It understands that the Notes in bearer form are subject to United States tax law requirements and, subject to certain exceptions, may not be offered, sold or delivered within the United States or to United States persons (within the meaning of Section 7701(a)(30) of the Code).
- It understands that the Notes will bear a legend substantially to the following effect, unless the Issuer determines otherwise consistent with applicable law, and that the transfer restrictions contained therein apply to the Notes:

THE NOTES EVIDENCED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED AS AN INVESTMENT COMPANY UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT").

THE NOTES EVIDENCED HEREBY SHALL ONLY BE OFFERED, SOLD, DELIVERED, PLEDGED OR OTHERWISE TRANSFERRED TO OR HELD BY (A) (1) A PERSON WHO IS (I) A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), AND (II) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF PERSONS WHO ARE QUALIFIED INSTITUTIONAL BUYERS, AND (III) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A SO LONG AS THE NOTES EVIDENCED HEREBY ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A IN ACCORDANCE WITH RULE 144A; OR (2) A PERSON THAT IS NOT A U.S. PERSON OUTSIDE THE UNITED STATES OR ANY OF ITS TERRITORIES OR POSSESSIONS IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT; AND (B) IN EACH CASE, IN ACCORDANCE WITH ALL APPLICABLE

SECURITIES LAWS OF THE UNITED STATES, ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION.

THE NOTES EVIDENCED HEREBY SHALL NOT BE OFFERED, SOLD, DELIVERED, PLEDGED OR OTHERWISE TRANSFERRED TO A PERSON WHO IS AN INSURER DOMICILED IN THE STATE OF ARKANSAS, A HEALTH MAINTENANCE ORGANIZATION, FARMERS' MUTUAL AID ASSOCIATION OR OTHER ARKANSAS DOMESTIC COMPANY REGULATED BY THE ARKANSAS INSURANCE DEPARTMENT. ANY PERSON DESCRIBED IN THE FOREGOING SENTENCE WHO ACQUIRES A NOTE SHALL NOT BE ENTITLED TO RECEIVE ANY PAYMENTS THEREUNDER. THE INDIANA INSURANCE DEPARTMENT HAS STATED THAT INDIANA DOMESTIC INSURERS SHOULD CONTACT THE INDIANA INSURANCE DEPARTMENT BEFORE PURCHASING THE NOTES.

BY ITS ACCEPTANCE OF THE NOTES, EACH HOLDER OF THE NOTES SHALL BE DEEMED TO HAVE REPRESENTED TO THE ISSUER THAT (A) SUCH HOLDER IS EITHER (1) (I) NOT A U.S. PERSON; AND (II) NOT PURCHASING THE NOTES IN THE UNITED STATES OR ANY OF ITS TERRITORIES OR POSSESSIONS; OR (2) (I) A QUALIFIED INSTITUTIONAL BUYER; (II) PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF PERSONS WHO ARE QUALIFIED INSTITUTIONAL BUYERS; AND (III) EITHER (X) IT IS NOT AN EMPLOYEE BENEFIT OR OTHER PLAN SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AN ENTITY USING (OR WHOSE ASSETS CONSTITUTE) ASSETS OF SUCH A PLAN, NOR A GOVERNMENTAL PLAN SUBJECT TO PROVISIONS OF FEDERAL, STATE OR LOCAL LAW SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (Y) THE ACQUISITION, HOLDING AND DISPOSITION OF THE NOTES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW) UNLESS AN EXEMPTION IS AVAILABLE, ALL THE CONDITIONS OF WHICH HAVE BEEN SATISFIED; (B) SUCH HOLDER IS NOT AN INSURER DOMICILED IN THE STATE OF ARKANSAS, A HEALTH MAINTENANCE ORGANIZATION, FARMERS' MUTUAL AID ASSOCIATION OR OTHER ARKANSAS DOMESTIC COMPANY REGULATED BY THE ARKANSAS INSURANCE DEPARTMENT; AND (C) IT IS ITS INTENT AND IT UNDERSTANDS IT IS THE INTENT OF THE ISSUER, FOR PURPOSES OF UNITED STATES FEDERAL, STATE AND LOCAL INCOME TAXES THAT THE NOTES BE TREATED AS DEBT, AGREES TO SUCH TREATMENT AND AGREES TO TAKE NO ACTION INCONSISTENT WITH SUCH TREATMENT.

IN CONNECTION WITH ANY TRANSFER OF THE NOTES, THE PROPOSED TRANSFEREE WILL BE REQUIRED TO DELIVER TO THE INDENTURE TRUSTEE SUCH CERTIFICATES, OPINIONS AND OTHER INFORMATION AS THE ISSUER (BASED ON THE WRITTEN ADVICE OF THE ISSUER'S COUNSEL) MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

The following legend will also appear on any Bearer Notes, whether global or definitive, and any Coupons appertaining thereto:

NOTES IN BEARER FORM, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO UNITED STATES PERSONS, AS DEFINED IN SECTION 7701(a)(30) OF THE CODE.

ANY UNITED STATES PERSON (AS DEFINED IN SECTION 7701(a)(30) OF THE CODE) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO THE LIMITATIONS UNDER

THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE CODE.

- It acknowledges that no person has been authorized to give any information or to make any representation concerning the Issuer, MetLife or the Notes other than those contained in this Offering Circular, any amendment or supplement hereto (including any applicable Final Terms) and any documents incorporated by reference herein or therein and, if given or made, such other information or representation was not relied upon in making its decision to invest in the Notes.
- It has the legal power, authority and right to purchase the Notes.
- It has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of investing in and holding the Notes.
- It has (i) been given the opportunity to ask questions of, and receive answers from, the Issuer concerning the terms and conditions of the offering of, and other matters pertaining to an investment in, the Notes; (ii) been given the opportunity to request and review such additional information necessary to evaluate the merits and risks of a purchase of the Notes and to verify the accuracy of or to supplement the information contained in this Offering Circular to the extent the Issuer possesses such information; and (iii) received all documents and information reasonably necessary to make such an investment decision.
- It understands that there is no market for the Notes and there is no assurance that such a market will develop. The Dealers are not under any obligation to make a market in the Notes and, to the extent that such market making is commenced by any Dealer, it may be discontinued at any time, and there is no assurance that a secondary trading market for the Notes will develop and the purchaser must be able to bear the risks of holding the Notes until their maturity.
- It understands that the Notes have not been approved or disapproved by the United States Securities and Exchange Commission (the **"Commission"**), the Insurance Department of the State of New York (the **"New York Department"**), the Delaware Department of Insurance, or any other regulatory authority, nor have any of them passed upon the adequacy or accuracy of this Offering Circular or any Final Terms.
- It understands that each Series of Notes is a non-recourse obligation of the Issuer, payable only from the relevant Trust Estate (as defined below) relating to such Series of Notes under the Indenture (as defined below), and that if an Event of Default (as defined below) under the Indenture shall occur with respect to a particular Series of Notes, the relevant Series Agent (as defined below) and the Indenture Trustee, on behalf of the relevant Holders, will be limited to a proceeding against the relevant Trust Estate. The relevant Trust Estate for each Series of Notes will consist primarily of (i) one or more Funding Agreements issued by Metropolitan Life and (ii) one or more Support and Expenses Agreements (subject to the subrogation rights of Metropolitan Life set forth therein) entered into between Metropolitan Life and the Issuer; provided, however, the Holders of Notes are not holders of the Funding Agreements, or parties under any Support and Expenses Agreements, have no direct rights against Metropolitan Life under any Funding Agreement or any Support and Expenses Agreement and will not be entitled to exercise the rights of a holder of any Funding Agreement or a party under any Support and Expenses Agreement.
- It understands that, in the event of Metropolitan Life's insolvency, (i) the claims under each Funding Agreement would rank (a) *pari passu* with the claims of policyholders of Metropolitan Life and in a superior position to the claims of general creditors of Metropolitan Life with respect to payments of principal and interest under the Funding Agreement and (b) *pari passu* with the claims of general creditors of Metropolitan Life with respect to any payment of Additional Amounts under the Funding Agreement and (ii) the claims under the Support and Expenses Agreements would rank *pari passu* with the claims of general creditors of Metropolitan Life.

- IT UNDERSTANDS THAT (I) CLAIMS UNDER THE FUNDING AGREEMENTS IN EXCESS OF STATUTORILY PRESCRIBED AMOUNTS AND (II) ALL CLAIMS UNDER THE SUPPORT AND EXPENSES AGREEMENTS WILL NOT BE, COVERED BY THE NEW YORK LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION.
- IT FURTHER UNDERSTANDS THAT THE OBLIGATIONS OF METROPOLITAN LIFE UNDER THE FUNDING AGREEMENTS AND THE SUPPORT AND EXPENSES AGREEMENTS ARE NOT OBLIGATIONS OF, AND ARE NOT GUARANTEED BY, ANY OTHER PERSON.
- IT FURTHER UNDERSTANDS THAT BECAUSE EACH SERIES OF NOTES WILL BE SECURED BY ONE OR MORE FUNDING AGREEMENTS ISSUED BY A LIFE INSURANCE COMPANY, THERE IS A RISK THAT IF THE NOTES WERE DEEMED TO BE CONTRACTS OF INSURANCE, THE TRANSFER OF THE NOTES COULD SUBJECT THE PARTIES TO SUCH TRANSFER TO REGULATION UNDER THE INSURANCE LAWS OF THE JURISDICTION IMPLICATED BY THE TRANSFER. AMONG OTHER THINGS, IF THE NOTES WERE DEEMED TO BE CONTRACTS OF INSURANCE, THE ABILITY OF A HOLDER TO OFFER, SELL OR OTHERWISE TRANSFER THE NOTES IN SECONDARY MARKET TRANSACTIONS OR OTHERWISE WOULD BE SUBSTANTIALLY IMPAIRED AND, TO THE EXTENT SUCH OFFER, SALE OR TRANSFER COULD BE EFFECTED, THE PROCEEDS REALIZED FROM SUCH OFFER, SALE OR TRANSFER COULD BE MATERIALLY AND ADVERSELY AFFECTED. SEE "RISK FACTORS — NOTES COULD BE DEEMED TO BE PARTICIPATIONS IN THE FUNDING AGREEMENTS OR COULD OTHERWISE BE DEEMED TO BE CONTRACTS OF INSURANCE."
- IT FURTHER UNDERSTANDS THAT NO PERSON IS PERMITTED TO DISTRIBUTE, MARKET, SELL, REPRESENT OR OTHERWISE REFER TO THE NOTES AS AN INSURANCE PRODUCT, CONTRACT OR POLICY OR FUNDING AGREEMENT OR AS A DIRECT INTEREST IN ANY INSURANCE PRODUCT, CONTRACT OR POLICY OR FUNDING AGREEMENT.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise specified, the financial information of MetLife contained in this Offering Circular is based on (i) the audited consolidated financial statements of MetLife as of December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004 (including the notes thereto, the **"2004 Consolidated Financial Statements"**) and (ii) the unaudited interim condensed consolidated financial statements of MetLife for the nine months ended September 30, 2005 and 2004 and at September 30, 2005 (including the notes thereto, the **"Unaudited Interim Condensed Consolidated Financial Statements"** and, together with the 2004 Consolidated Financial Statements and any other consolidated financial statements of MetLife at any other date or for any other period prepared in accordance with GAAP (as defined below), the **"Consolidated Financial Statements"**). The 2004 Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements were prepared in conformity with accounting principles generally accepted in the United States of America (**"GAAP"**).

Metropolitan Life submits to the New York Department certain reports regarding its statutory financial condition (each, a **"Statutory Financial Statement"** and collectively, the **"Statutory Financial Statements"**) on a quarterly basis. Each Statutory Financial Statement consists of financial statements and other supporting schedules (as of the end of and for the period to which such financial statements and other supporting schedules relate) prepared in conformity with statutory accounting practices (**"SAP"**) prescribed or permitted by the New York Department (such SAP referred to herein as **"NY SAP"**). SAP vary in certain significant respects from GAAP. The effects on the financial statements of the variances between GAAP and NY SAP are material. See Note 12 of Notes to the 2004 Consolidated Financial Statements "— Statutory Equity and Income". GAAP varies in certain significant respects from international financial reporting standards (**"IFRS"**). See "Summary of Principal Differences Between GAAP and IFRS."

GENERAL DESCRIPTION OF THE PROGRAM

The following is a brief description only and should be read in conjunction with the rest of this Offering Circular, any amendments or supplements hereto, and, in relation to the Notes of any Tranche, in conjunction with the relevant Final Terms and, to the extent applicable, the Terms and Conditions of the Notes set out herein.

Issuer	Metropolitan Life Global Funding I, a statutory trust organized in series (each, a **"Series of the Issuer"**) under the laws of the State of Delaware, may from time to time issue separate Series of Notes. The Issuer will not have any assets other than the Deposit (as defined below) and each Series of the Issuer will not have any assets other than the Funding Agreement(s) and the relevant Support and Expenses Agreement(s) acquired and entered into in connection with the issuance of each Tranche of Notes for such Series under the Program (subject to the subrogation rights of Metropolitan Life set forth in the relevant Support and Expenses Agreement(s)). Each Series of Notes will be a non-recourse obligation payable only from the relevant Trust Estate relating to such Series of Notes under the Indenture. The Issuer is not an affiliate nor a subsidiary of Metropolitan Life, the Holding Company or any of their respective subsidiaries or affiliates.
Delaware Trustee	Delaware Trust Company, National Association is the sole trustee of the Issuer and each Series of the Issuer (the **"Delaware Trustee"**). The Delaware Trustee is not obligated in any way to make payments under or in respect of the Notes. The Delaware Trustee has not participated in the preparation of this Offering Circular.
Administration of the Issuer	AMACAR Pacific Corp. is the sole administrator of the Issuer and each Series of the Issuer, and agreed, under the terms of an administrative services agreement entered into with the Delaware Trustee on behalf of the Issuer dated as of June 7, 2002 (the **"Administrative Services Agreement"**) to provide certain administrative services on behalf of the Issuer and each Series of the Issuer (in such capacity, the **"Administrator"**). The Administrator is not obligated in any way to make any payments under or in respect of the Notes. The Administrator is not affiliated with Metropolitan Life, the Holding Company or any of their respective subsidiaries or affiliates.
Deposit	An amount of U.S.$1,000 contributed by the Beneficial Owner (as defined below) to the Issuer (the **"Deposit"**)
Beneficial Owner and Series Beneficial Owner	AMACAR Pacific Corp. (the **"Beneficial Owner"**) is the sole owner of a beneficial interest in the Deposit. The American National Red Cross (the **"Series Beneficial Owner"**) is the sole "beneficial owner" of each Series of the Issuer (as defined and used in Sections 3801(b) and 3806(b)(2) of the Delaware Statutory Trust Act (the **"Trust Act"**)). Neither the Beneficial Owner nor the Series Beneficial Owner is affiliated with Metropolitan Life, the Holding Company or any of their respective subsidiaries or affiliates.

Provider of Funding Agreements and Support and Expenses Agreements . . .	Metropolitan Life Insurance Company, a New York stock life insurance company.
Arranger	Credit Suisse Securities (Europe) Limited
Dealers	ABN AMRO Incorporated; ABN AMRO Bank N.V.; Banc of America Securities LLC; Banc of America Securities Limited; Barclays Capital Inc.; Barclays Bank PLC; Bear, Stearns & Co. Inc.; Bear, Stearns International Limited; Citigroup Global Markets Inc.; Citigroup Global Markets Limited; Credit Suisse Securities (USA) LLC; Credit Suisse Securities (Europe) Limited; Deutsche Bank Securities Inc.; Deutsche Bank AG, London Branch; Goldman, Sachs & Co.; Goldman Sachs International; J.P. Morgan Securities Inc.; J.P. Morgan Securities Ltd.; Lehman Brothers Inc.; Lehman Brothers International (Europe); Merrill Lynch, Pierce, Fenner & Smith Incorporated; Merrill Lynch International; Morgan Stanley & Co. Incorporated; Morgan Stanley & Co. International Limited; Greenwich Capital Markets, Inc.; The Royal Bank of Scotland plc; UBS Securities LLC; UBS Limited; Wachovia Capital Markets, LLC; Wachovia Securities International Limited; and certain other dealers appointed from time to time by the Issuer either in respect of the Program generally or in relation to a particular Series or Tranche only
Relevant Dealer	In relation to a written agreement between the Issuer and any Dealer(s) for the sale by the Issuer and the purchase or, as the case may be, subscription as principal as a member of a syndicate by such Dealer(s) (or on such other basis as may be agreed between the Issuer and the relevant Dealer(s) at the relevant time), of any Tranche of Notes (a **"Relevant Agreement"**) which is made between the Issuer and more than one Dealer, the relevant Dealer (the **"Relevant Dealer"**) is the institution specified as such or as the lead manager in the relevant Final Terms and/or in such Relevant Agreement; and, in relation to a Relevant Agreement which is made between the Issuer and a single Dealer, the Relevant Dealer is such Dealer.
Indenture Trustee	Citibank, N.A.
Irish Listing Agent	Arthur Cox Listing Services Limited
Irish Paying Agent	Citibank International plc
Principal Paying Agent, Registrar and Transfer Agent	Citibank, N.A.
Additional Transfer, Paying and Listing Agents	As specified from time to time in the relevant Final Terms
Authorized Amount	The maximum aggregate principal amount of Notes permitted to be outstanding at any one time under the Program (the **"Authorized Amount"**) is U.S.$17,000,000,000. For this purpose, any Notes denominated in another currency shall be translated into U.S. Dollars at the date of the Relevant Agreement using the spot rate of exchange for the purchase of such currency

	against payment of U.S. Dollars being quoted by the Principal Paying Agent on such date. The Authorized Amount may be increased from time to time, subject to compliance with the relevant provisions of the dealership agreement among the Issuer, the Arranger and the Dealers dated as of June 7, 2002, as amended, modified, restated, supplemented and/or replaced from time to time (the **"Dealership Agreement"**).
Indenture	The Issuer will issue Notes in Series pursuant to the indenture dated as of June 7, 2002 (the **"Base Indenture"**), as supplemented by a first supplemental indenture dated as of May 30, 2003 (the **"First Supplemental Indenture"** and, together with the Base Indenture, as amended, modified, restated, supplemented and/or replaced from time to time, the **"Indenture"**), among the Issuer, Citibank, N.A., in its capacities as Indenture Trustee (the **"Indenture Trustee"**), Principal Paying Agent (the **"Principal Paying Agent"**), Registrar (the **"Registrar"**) and Transfer Agent (the **"Transfer Agent"**) and Kredietbank S.A. Luxembourgeoise, in its capacities as Luxembourg Paying Agent (the **"Luxembourg Paying Agent"**), Luxembourg Transfer Agent (the **"Luxembourg Transfer Agent"**) and Luxembourg Listing Agent (the **"Luxembourg Listing Agent"**).
Issuance in Series and Tranches	Notes will be issued in Series. Each Series of Notes will have its own terms including, without limitation, its own final maturity, interest rate, if any, and issue date. Each Series of Notes may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date, the issue price and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects except that a Tranche may comprise Notes of different denominations. A Series of Notes will be secured solely by the Trust Estate for such Series of Notes. Each Series of Notes is subject to acceleration upon the occurrence of certain Events of Default and to Mandatory Early Redemption upon the occurrence of a Mandatory Early Redemption Event (as defined below). If an Event of Default shall occur, the relevant Series Agent (as defined below) and the Indenture Trustee, on behalf of the relevant Holders, will be limited to a proceeding against the relevant Trust Estate.
Program Structure	Each Series of Notes will be secured by, among other things, the Issuer's estate, right, title and interest in and to each and all of (i) the Funding Agreement(s) issued by Metropolitan Life to the Relevant Dealer (or an affiliate thereof) in respect of the Tranches of Notes comprising such Series and (ii) the Support and Expenses Agreement(s) entered into between Metropolitan Life and the Issuer relating to the Tranches of Notes of such Series. The Relevant Dealer (or an affiliate thereof) will immediately novate each Funding Agreement to the Issuer, who will pledge each Funding Agreement relating to such Series as security to the Indenture Trustee or such other person identified

in the relevant Tranche Supplement (as defined below), in its capacity as agent for the benefit of the Holders of the Notes of the relevant Series of Notes (with respect to each Series, a **"Series Agent"**), as described below. The Issuer will also pledge each Support and Expenses Agreement for such Series (subject to the subrogation rights of Metropolitan Life set forth therein) as security to such Series Agent.

The currency of denomination, maturity, redemption and interest rate provisions of the Funding Agreement(s) entered into in connection with each Tranche of Notes will be structured to provide the relevant Series of the Issuer with such payments as are necessary for such Series of the Issuer to meet in full its scheduled payment obligations under the relevant Tranche of Notes.

Any amendment or modification of the Notes and the Terms and Conditions thereof made after the effective date of a relevant Funding Agreement will not affect Metropolitan Life's payment and other obligations under such Funding Agreement.

The Notes of a Tranche and the related Funding Agreement will be denominated in the same currency, and the balance of the relevant Funding Agreement at maturity (including any early maturity date) (the **"Funding Account Balance"**) will be equal to the outstanding aggregate principal amount of the relevant Tranche of Notes at maturity (including any early maturity date due to a Mandatory Early Redemption or an Event of Default) plus accrued and unpaid interest. Each Funding Agreement shall become effective immediately upon the receipt by Metropolitan Life of an amount equal to the net proceeds of the issuance of the related Tranche of Notes (the **"Net Deposit Amount"**).

The Relevant Dealer (or an affiliate thereof) in its capacity as the initial holder of the Funding Agreement (the **"Funding Agreement Holder"**) shall novate all of its right, title, benefits, remedies, interests (including the power to give a good discharge for same) and obligations under, in and to such Funding Agreement to the Issuer for the benefit of the relevant Series of Notes, with the consent and agreement of Metropolitan Life, which novation will become effective simultaneously with the Funding Agreement becoming effective. The Issuer will then convey (i) the Funding Agreement and (ii) the Support and Expenses Agreement for each Tranche of the relevant Series of Notes (subject to the subrogation rights of Metropolitan Life set forth therein) to the relevant Series Agent to hold in trust pursuant to the terms of the Indenture, and will grant to such Series Agent for the benefit and security of the Holders of the Notes of such Series of Notes and, solely with respect to any obligations owing to them relating to such Series of Notes, the Indenture Trustee, the relevant Series Agent, the Agents (as defined in the Indenture), the Delaware Trustee and the Administrator (collectively, the **"Secured Parties"**), a security interest in, among other things, such Funding Agreement and the relevant Support and Expenses Agreement pursuant to the terms of the relevant Tranche Supplement (each, a **"Tranche Supplement"**) to the Indenture entered into by the Issuer, the relevant Series Agent and the Indenture Trustee, which shall also become effective simultaneously with the Funding Agreement and the relevant Support and Expenses Agreement becoming effective. Metropolitan Life will acknowledge and consent to the foregoing conveyance and grant of security interest in such Funding Agreement and the Support and Expenses Agreement and will record in its bookkeeping account any such conveyance and grant of security interest in such Funding Agreement and the Support and Expense Agreement and will treat the relevant Series Agent as successor Funding Agreement Holder.

Upon issuance of a Tranche of Notes, the Issuer will transfer the net proceeds of the Issuance of the Notes of such Tranche to or as directed by such Relevant Dealer (or an affiliate thereof), as consideration for the sale by such Relevant Dealer (or an affiliate thereof) of the relevant Funding Agreement to the Issuer. The Relevant Dealer (or an affiliate thereof) will pay, or cause to be paid, such net proceeds to Metropolitan Life as the Net Deposit Amount due under the Funding Agreement.

The Issuer's estate, right, title and interest in and to each Funding Agreement and each Support and Expenses Agreement relating to the same Series of Notes (subject to the subrogation rights of Metropolitan Life set forth in such Support and Expenses Agreements) will be included in the Trust Estate for the benefit and security of the Secured Parties. No Holders of one Series of Notes, however, will have any security or other interest in a Trust Estate related to any other Series of Notes.

The Funding Agreements are unsecured obligations of Metropolitan Life and, in the event of Metropolitan Life's insolvency, will be subject to the provisions of Article 74 of the New York Insurance Law. LeBoeuf, Lamb, Greene & MacRae LLP, special counsel for Metropolitan Life, has opined that, subject to the limitations, qualifications and assumptions set forth in its opinion letter, in any rehabilitation, liquidation, conservation, dissolution or reorganization relating to Metropolitan Life, under New York law as in effect on the date of this Offering Circular, the claims with respect to payments of principal and interest under each Funding Agreement would be accorded a priority in liquidation equal to that of policyholders of Metropolitan Life (i.e., would rank *pari passu* with the claims of policyholders) and superior to the claims of general creditors of Metropolitan Life, payments of Additional Amounts (as defined below) under the Funding Agreement would rank *pari passu* with claims of the general creditors of Metropolitan Life, and claims under each relevant Support and Expenses Agreement would rank *pari passu* with claims of general creditors of Metropolitan Life.

No Guarantee .... The Issuer is neither an affiliate nor a subsidiary of Metropolitan Life or any other insurance company. The obligations of the Issuer evidenced by the Notes will not be obligations of, and will not be guaranteed by, any other person, including, but not limited to, Metropolitan Life, the Holding Company or any of their respective subsidiaries or affiliates. The obligations of Metropolitan Life under the Funding Agreements and the Support and Expenses Agreements will not be obligations of, and will not be guaranteed by, any other person.

Collateral .... The obligations of a Series of the Issuer to the Holders of the Notes of such Series and to the Indenture Trustee, the Series Agent for such Series, the Principal Paying Agent, the Transfer Agent, the Registrar and any other agents appointed in connection with such Series of Notes, as well as the Delaware Trustee and the Administrator, will be secured solely by security interests in the related Trust Estate.

All amounts received by Metropolitan Life as the Net Deposit Amount under any Funding Agreement shall become the exclusive property of Metropolitan Life and remain part of Metropolitan Life's general account without any duty or requirement of segregation.

Expense Account .... To the extent that the current obligation of a Series of the Issuer to pay interest on a particular Tranche of Notes has been satisfied, the excess interest, if any, paid under the related Funding Agreement will be deposited in a separate expense account for each Series (each, an **"Expense Account"**) established by the Indenture Trustee pursuant to the Indenture for the payment of the Issuer's expenses of such Series including both Anticipated Expenses and Unanticipated Expenses (each as defined in the Indenture). Anticipated Expenses shall be paid prior to Unanticipated Expenses. The relevant Expense Account for a Series will not be included in the Trust Estate for the relevant Series of Notes. All Permitted Expenses (as defined in the Indenture) shall be paid in U.S. Dollars.

Status and Non-Recourse Nature of Notes .... The Notes will not be subordinated to any other indebtedness of the relevant Series of the Issuer. The Holders of a Series of Notes will have recourse only to the related Trust Estate that secures such Series of Notes, and neither the Issuer nor its trustee(s), agent(s) or beneficial owner(s) will be personally liable for the payments of any principal, interest or other sums now or hereafter owing under the terms of such Notes. All claims of the Holders of a Series of Notes in excess of amounts received by the relevant Series of the Issuer under the related Funding Agreement and remaining property comprising the related Trust Estate will be extinguished.

Form of Notes .... Notes may be issued as Registered Notes or Bearer Notes. Subject to the provisions of the applicable Final Terms, Rule 144A Notes of any Tranche will initially be represented by one or more Rule 144A Permanent Global Registered Notes without Coupons, Talons or Receipts, which will be (i) in the case of U.S. Dollar denominated Notes, registered in the name of a nominee for, and deposited with a custodian for, DTC, and

(ii) in the case of non-U.S. Dollar denominated Notes, registered in the name of a nominee for, and deposited with a depositary or common depositary for, Euroclear and/or Clearstream Luxembourg.

Subject to the provisions of the applicable Final Terms and except as set forth below with respect to certain Notes issued in an Overseas Directed Offering, including Listed Swiss Franc Notes, Regulation S Registered Notes of any Tranche will initially be represented by one or more Regulation S Temporary Global Registered Notes, which will be registered in the name of the nominee of, and deposited with a depositary or common depositary for, Euroclear and/or Clearstream Luxembourg.

Subject to the provisions of the applicable Final Terms, on or after the Exchange Date, beneficial interests in each Regulation S Temporary Global Registered Note will be exchangeable (i) for beneficial interests in a Regulation S Permanent Global Registered Note without Coupons, Talons or Receipts and (ii) upon the occurrence and during the continuation of a Definitive Notes Exchange Event, upon and to the extent of the certification of the non-U.S. beneficial ownership of the relevant Notes as required by Regulation S, in whole but not in part, for Definitive Registered Notes.

Subject to the provisions of the applicable Final Terms, each Regulation S Permanent Global Registered Note will be registered in the name of a nominee of, and deposited with a depositary or common depositary for, Euroclear and/or Clearstream Luxembourg.

Subject to the provisions of the applicable Final Terms, beneficial interests in each Permanent Global Registered Note may be exchanged, in whole but not in part, for Definitive Registered Notes upon the occurrence and during the continuation of a Definitive Notes Exchange Event.

Subject to the provisions of the applicable Final Terms and except as set forth below with respect to certain Notes issued in an Overseas Directed Offering, including any Listed Swiss Franc Notes, Bearer Notes of any Tranche will initially be represented by one or more Temporary Global Bearer Notes, which will be deposited with a depositary or common depositary for Euroclear and/or Clearstream Luxembourg.

Subject to the provisions of the applicable Final Terms, on or after the Exchange Date, upon and to the extent of the certification of the non-U.S. beneficial ownership of the relevant Notes as required by United States Treasury Regulations and Regulation S, beneficial interests in each Temporary Global Bearer Note will be exchangeable (i) for beneficial interests in a Permanent Global Bearer Note, (ii) if so specified in the applicable Final Terms, for beneficial interests in the Global Registered Notes, or (iii) upon the occurrence and during the continuation of a Definitive Notes Exchange Event, in whole but not in part, for Definitive Bearer Notes and, if so specified in the relevant Final Terms, for Definitive Registered Notes.

No payments shall be made in respect of a Regulation S Temporary Global Note unless a payment of interest falls due prior to the Exchange Date, in which case such payment shall be made in respect of the relevant Regulation S Temporary Global Note only upon and to the extent of the certification as to the non-U.S. beneficial ownership of the relevant Notes as provided above.

Subject to the provisions of the applicable Final Terms, beneficial interests in each Permanent Global Bearer Note will be exchangeable (i) if so specified in the applicable Final Terms, for beneficial interests in a Permanent Global Registered Note and (ii) upon the occurrence and during the continuation of a Definitive Notes Exchange Event, in whole but not in part, for Definitive Bearer Notes and, if so specified in the applicable Final Terms, for Definitive Registered Notes.

Subject to the provisions of the applicable Final Terms, each Tranche of Regulation S Registered Notes issued in an Overseas Directed Offering will initially be represented by one or more Regulation S Permanent Global Registered Notes, beneficial interests in which will be exchangeable for Definitive Registered Notes in the circumstances set forth therein and in the relevant Final Terms.

Subject to the provisions of the applicable Final Terms, each Tranche of Bearer Notes issued in an Overseas Directed Offering into a foreign country designated by the Commissioner of the IRS as a foreign country in which the certification as to the non-U.S. beneficial ownership of the relevant Notes is not required (including Listed Swiss Franc Notes) will initially be represented by one or more Permanent Global Bearer Notes, beneficial interests in which will be exchangeable (i) if so specified in the applicable Final Terms, for beneficial interests in the Global Registered Notes and (ii) for Definitive Bearer Notes and, if so specified in the relevant Final Terms, Definitive Registered Notes, in each case only in the circumstances set forth therein and in the relevant Final Terms.

Currencies .... Each Series of Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may be made in and/or linked to any currency or currencies other than the currency in which such Notes are denominated. All Tranches of Notes within the same Series will be denominated in and made in and/or linked to the same currency or currencies.

Issue Price .... Notes may be issued at any price subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Maturities	Notes may be issued with any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Redemption at Maturity	Notes may be redeemable at par or at such other Redemption Amount (as defined below) (detailed in a formula or otherwise) as may be specified in the relevant Final Terms.
Early Redemption	Unless otherwise specified in the relevant Final Terms, early redemption of the Notes of a Series will only be permitted for taxation reasons as mentioned in "Terms and Conditions of the Notes — Redemption and Purchase" and "Terms and Conditions of the Notes — Payment of Additional Amounts and Early Termination of a Funding Agreement for Taxation Reasons; Income Tax Treatment."
	Notes in respect of which the proceeds are to be accepted by the Issuer in the United Kingdom and which have a maturity of less than one year will constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000 (**"FSMA"**) unless (a) they are issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses and have a minimum redemption value of at least £100,000 or its equivalent in other currencies or (b) they are issued in other circumstances which do not constitute a contravention of Section 19 of the FSMA by the Issuer. See "Subscription and Sale" below. Notes issued on terms which require redemption of such Notes before the first anniversary thereof may be subject to restrictions on their denomination and distribution.
Interest	Each Series of Notes may be interest-bearing or non-interest-bearing. Interest (if any) may accrue at a fixed or floating rate and may vary during the lifetime of the relevant Series of Notes. Notes may also be issued which provide for payments to be determined by reference to specified indices, including commodities, stocks or currency exchange rates or as otherwise specified in any relevant Final Terms.
Denominations	Each Series of Notes will be issued in the denominations specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Any Series of Notes listed on the Irish Stock Exchange or on any other European Union "regulated market" for the purposes of Directive 93/22/EEC (each, a "**regulated market**"), or offered to the public in any Member State of the European Economic Area, will be issued in minimum denominations of €50,000 or greater (or the equivalent thereof in another currency at the time of issue); however, for so long as any Series of Notes is represented by a Global Note and Euroclear and Clearstream Luxembourg so permit, such Series

	of Notes shall be tradeable in minimum denominations of €50,000 and integral multiples of €1,000 thereafter. Unless permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the issue of which otherwise constitutes a contravention of Section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Redenomination	If so specified in the applicable Final Terms, the Issuer may redenominate Notes issued in the currency of a country that subsequently participates in the third stage of the European economic and monetary union, or otherwise participates in the European economic and monetary union in a manner with similar effect to such third stage, into euro. The provisions relating to any such redenomination will be contained in the applicable Final Terms.
Withholding Taxes; Early Redemption for Taxation Reasons	All payments in respect of Notes will be made without withholding or deduction for or on account of any present or future taxes, duties, levies, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any governmental authority in the United States having power to tax unless the withholding or deduction is required by law. If any such withholding or deduction is required, then the Issuer will, subject to certain exceptions set out in full in the Terms and Conditions, pay such additional amounts so that the amounts received by the Holders of Notes will equal the amounts that the Holder of Notes would have received had no such deduction or withholding been required (such amounts, together with additional amounts payable by Metropolitan Life in the subsequent paragraph, **"Additional Amounts"**). Metropolitan Life, pursuant to the relevant Funding Agreement, will pay to the Issuer an amount equal to any such Additional Amounts actually paid (or to be paid concurrently) by the Issuer. The Issuer is required to redeem the Notes of the relevant Series as provided herein if Metropolitan Life exercises its right to terminate the Funding Agreement related to such relevant Series, in each case upon the occurrence of certain tax events. See Condition 11.02.
	Metropolitan Life will agree in each Funding Agreement that payments in respect of such Funding Agreement will be made to the Funding Agreement Holder without withholding or deduction for, or on account of, any present or future taxes, duties, levies, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any governmental authority in the United States having the power to tax, unless such withholding or deduction is required by law. If any such withholding or deduction is or will be required, then Metropolitan Life, under the relevant Funding Agreement will, subject to certain exceptions set out in full in the Terms and Conditions, pay such Additional Amounts so that the amounts received by the

	Funding Agreement Holder will equal the amounts that the Funding Agreement Holder would have received had no such deduction or withholding been required. In addition, Metropolitan Life has certain rights to terminate the Funding Agreement upon the occurrence of certain tax events. See Condition 11.02.
Governing Law	The Indenture, each Tranche Supplement, each Support and Expenses Agreement and, except to the extent otherwise specified in the relevant Final Terms, the Notes, will be governed by, and construed in accordance with, the laws of the State of New York. Each Funding Agreement will provide that it will be governed by, and construed in accordance with, the laws of the State of New York.
Listing	Application has been made to the Irish Stock Exchange to list Notes issued under the Program during the period of 12 months from the date of this Offering Circular to be admitted to the Official List and trading on its regulated market. However, Notes may also be (i) listed on any other regulated market, (ii) listed on a securities exchange which is not a regulated market or (iii) not listed on any regulated market or any other securities exchange. Each applicable Final Terms will indicate whether or not the Notes of that Series will be listed, and if the Notes will be listed, on which securities exchange. This Offering Circular comprises a base prospectus for the purposes of the Prospectus Directive. If any European and/or national legislation is adopted and is implemented or takes effect in Ireland in a manner that would require either Metropolitan Life or the Issuer to publish or produce its financial statements according to accounting principles or standards that are materially different from GAAP or that would otherwise impose requirements on either of Metropolitan Life or the Issuer that such entity in good faith determines are impracticable or unduly burdensome, Metropolitan Life or the Issuer may elect to de-list the Notes. Each of Metropolitan Life and the Issuer will use its reasonable best efforts to obtain an alternative admission to listing, trading and/or quotation for the Notes by such other listing authority, exchange and/or system, within or outside the European Union, as the Issuer, Metropolitan Life and the Relevant Dealer(s) may decide. If such an alternative admission is not available to Metropolitan Life or the Issuer, or is, in either such entity's opinion, unduly burdensome, an alternative admission may not be obtained. Notice of any de-listing and/or alternative admission will be given as described in Condition 17 herein.
Terms and Conditions	Final Terms will be prepared in respect of each Tranche of Notes. If such Notes will be listed, a copy of such Final Terms will be delivered to the Irish Stock Exchange and/or any other relevant stock exchange on or before the date of issue of such

	Notes to be listed on such stock exchange. The terms and conditions applicable to each Series and Tranche of Notes will be those set out herein under "Terms and Conditions of the Notes" as supplemented, modified or replaced by the relevant Final Terms.
Clearing Systems	Depending on where the relevant Notes are offered and whether such Notes are issued in registered or bearer form, the Notes will clear through one or more of DTC, Euroclear and/or Clearstream Luxembourg.
Selling and Transfer Restrictions	The Notes have not been, and will not be, registered under the Securities Act and are subject to the transfer and holding restrictions described under "Notice to Investors" and "Subscription and Sale." All transfers of the Notes in the United States, whether in the initial distribution or in secondary trading, will be limited to Qualified Institutional Buyers. Notes in bearer form are subject to United States tax law requirements and, subject to certain exceptions, may not be offered, sold or delivered within the United States or its possessions or to United States persons (as defined in Section 7701(a)(30) of the Code). For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the United Kingdom and certain other member states of the European Economic Area, Japan and Switzerland see "Subscription and Sale."

RISK FACTORS

Investors should carefully consider the following factors and other information in this Offering Circular before deciding to invest in the Notes. The following is not intended as, and should not be construed as, an exhaustive list of relevant factors. For purposes of this discussion, the terms "MetLife" or the "Company" refers to Metropolitan Life Insurance Company, a New York domiciled stock life insurance company ("Metropolitan Life"), and its subsidiaries. Metropolitan Life is a wholly-owned subsidiary of MetLife, Inc. (the "Holding Company").

Risk Factors Relating to the Notes

Notes Are Non-Recourse Obligations of the Issuer.

The obligations of the Issuer under the Notes of a Series are payable only from the relevant Trust Estate. If any Event of Default shall occur under any Series of the Notes, the right of the Holders of such Series, the relevant Series Agent and the Indenture Trustee on behalf of such Holders will be limited to a proceeding against the relevant Trust Estate (including the exercise of the Collateral Management Rights (as defined in the Indenture) relating to the Notes) for such Series of Notes and none of such Holders or the Series Agent or Indenture Trustee on behalf of such Holders will have the right to proceed against the Trust Estate of any other Series of Notes or the Non-Recourse Parties (as defined in the "Terms and Conditions of the Notes" in the Offering Circular) in the case of any deficiency judgment remaining after foreclosure of any property included in such Trust Estate. All claims of the Holders of a Series of Notes in excess of amounts received by the relevant Series of the Issuer under the related Funding Agreement and the related Trust Estate will be extinguished.

Payments Under Funding Agreements May Be Insufficient to Pay Principal and Interest Under the Notes.

Payments of the principal of and interest on a Tranche of Notes will be made solely from the payments by Metropolitan Life under the relevant Funding Agreement. Metropolitan Life will agree pursuant to each Funding Agreement to pay to the relevant Funding Agreement Holder subject to certain exceptions set out in full in the Terms and Conditions, Additional Amounts, to compensate for any withholding or deduction for or on account of any present or future taxes, duties, levies, assessments or governmental charges of whatever nature imposed or levied on payments in respect of the relevant Funding Agreement by or on behalf of any governmental authority in the United States having the power to tax, so that the net amount received by the Funding Agreement Holder under the relevant Funding Agreement after giving effect to such withholding or deduction, whether or not currently payable, will equal the amount that would have been received under the relevant Funding Agreement were no such deduction or withholding required. Metropolitan Life will also agree to pay, pursuant to a Support and Expenses Agreement entered into in connection with each Tranche of Notes, any and all of the costs, losses, damages, claims, actions, suits, expenses (including reasonable fees and expenses of counsel), disbursements, taxes, penalties and liabilities of any kind or nature whatsoever of the Issuer (collectively, the **"Support Obligations"**), provided that Support Obligations shall not include (i) any obligation of the Issuer to make any payment to any Holder of a Designated Note (as defined in such Support and Expenses Agreement) in accordance with the terms of such Designated Note; (ii) any obligation or expense of the Issuer to the extent that such obligation or expense has actually been paid utilizing funds available to the Issuer from payments under the Designated Funding Agreement (as defined in such Support and Expenses Agreement); (iii) any cost, loss, damage, claim, action, suit, expense, disbursement, tax, penalty and liability of any kind or nature whatsoever resulting from or relating to any insurance regulatory or other governmental authority asserting that: (a) the Notes are, or are deemed to be, (1) participations in the Funding Agreements or (2) contracts of insurance; or (b) the offer, purchase, sale and/or transfer of the Notes (1) constitute the conduct of the business of insurance or reinsurance in any jurisdiction or (2) require the Issuer, any Dealer or any Holder to be licensed as an insurer, insurance agent or broker in any jurisdiction; (iv) any obligation of the Issuer to indemnify Metropolitan Life or any of its Affiliates (as defined in the Indenture) under any other agreement between the Issuer on the one hand and any of them on the other hand; (v) any obligation of Metropolitan Life to pay Additional

Amounts pursuant to the terms of the Designated Funding Agreement; and (vi) any cost, loss, damage, claim, action, suit, expense, disbursement, tax, penalty and liability of any kind or nature whatsoever resulting from or relating to the acts or failures to act of any Service Provider (as defined in such Support and Expenses Agreement) to the extent that such Service Provider would not be entitled to indemnification or payment from the Issuer in connection with any such act or failure to act pursuant to the terms of any arrangements between the Issuer and such Service Provider in effect on the date of the relevant Support and Expenses Agreement. To the extent that the Issuer or any Series of the Issuer thereof incurs costs, losses, damages, claims, actions, suits, expenses, disbursements, taxes, penalties and/or liabilities that are not indemnified by Metropolitan Life, the ability of the Issuer and any such Series of the Issuer to make payments under the Notes may be impaired.

Intervening Creditors May Dilute Security Interests.

The Issuer's estate, right, title and interest in and to all Funding Agreements entered into in connection with Tranches of the same Series of Notes, and each Support and Expenses Agreement for such Tranches, will be included in the Trust Estate in which the Issuer grants a security interest to the relevant Series Agent for the benefit and security of the Secured Parties. Therefore, Holders of Notes of the first Tranche of Notes of a Series will have a security interest in all Funding Agreements and relevant Support and Expenses Agreement issued in connection with the first and any subsequent Tranches of the same Series, if any (subject to the subrogation rights of Metropolitan Life set forth in the relevant Support and Expenses Agreements). Holders of Notes of subsequent Tranches of a Series, if any, will have a security interest in the underlying Funding Agreement and Support and Expenses Agreement relating to that particular Tranche and all other Funding Agreements and each Support and Expenses Agreement previously entered into in connection with earlier Tranches of the same Series or subsequently purchased with respect to subsequent Tranches of the same Series. No Series of Notes will have any security or other interest in a Trust Estate, including the Funding Agreements and the Support and Expenses Agreements included therein, related to any other Series of Notes.

Accordingly, because each Tranche of Notes of a Series will share the security interest of the Series Agent for such Series in each Funding Agreement and each Support and Expenses Agreement for that Series, Holders of Notes of an earlier Tranche may have their security interest in a Funding Agreement and Support and Expenses Agreement relating to such earlier Tranche diluted by the issuance of a later Tranche if a lien creditor or other creditor obtains a lien or security interest on a Funding Agreement and Support and Expenses Agreement relating to such earlier Tranche, which lien or security interest is junior to the security interest for the benefit of the Holders of the earlier Tranche of Notes but may be senior to the security interest for the benefit of the Holders of the new Tranche of Notes.

If an Event of Default Occurs Under the Notes, Amounts Collected Will Be Used to Satisfy Certain Expenses Prior to Payments of Amounts Due Under the Notes.

Any money collected by the Indenture Trustee and Series Agents following an Event of Default, and any monies that may then be held or thereafter received by the Indenture Trustee as security with respect to the Notes or Coupons of any Series of Notes in the Collection Account (as defined in the Indenture) relating to such Series of Notes will be applied first to the payment of Anticipated Expenses with respect to such Series due to the Indenture Trustee and the relevant Series Agent and then to the payment of remaining Anticipated Expenses with respect to such Series of the Issuer (all the foregoing payments, the **"Priority Payments"**). The monies will next be applied toward the payment of Accelerated Unanticipated Expenses (as defined in the Offering Circular). Any remaining balance thereafter will next be applied to the payment of the amounts then due and unpaid upon the Notes and any Coupons for the principal and any premium, interest and Additional Amounts in respect of which or for the benefit of which such amount has been collected, ratably, without preference or priority of any kind, according to the aggregate amounts due and payable on such Notes and Coupons for principal and any premium, interest and Additional Amounts. The remaining monies will be applied to the payment of all Unanticipated Expenses of the Issuer with respect to such Series. The amounts remaining after the payment of such Priority Payments and Accelerated Unanticipated Expenses may be insufficient to satisfy, or satisfy in full, the payment obligations the Issuer has to the Holders of a Series of Notes under the Terms and Conditions following the occurrence of an Event of Default.

There May Be No Established Trading Market for the Notes.

Application has been made to the Irish Stock Exchange to list Notes issued under the Program during the twelve months from the date of the Offering Circular. However, Notes may also be (i) listed on any other regulated market (as defined under the Prospectus Directive), (ii) listed on a securities exchange which is not a "regulated market," or (iii) not listed on any "regulated market" or any other securities exchange. There is currently no secondary market for the Notes. The Dealer(s) and Arranger are under no obligation to make a market in the Notes, and to the extent that such market making is commenced, it may be discontinued at any time. There is no assurance that a secondary market will develop or, if it does develop, that it will provide Holders of the Notes with liquidity of investment or that it will continue for any period of time. The Notes have not been and will not be registered under the Securities Act or any state or foreign securities law and transfers of Notes are subject to substantial transfer restrictions. See "Notice to Investors" and "Subscription and Sale" in the Offering Circular. A Holder of Notes may not be able to liquidate its investment readily, and the Notes may not be readily accepted as collateral for loans. It is likely that if the Notes were to be deemed to be contracts of insurance (see "Notes Could Be Deemed to Be Participations in the Funding Agreements or Could Otherwise Be Deemed to Be Contracts of Insurance" below), the ability of a Holder to offer, sell or transfer the Notes in secondary market transactions or otherwise would be substantially impaired and, to the extent any such sale or transfer could be effected, the proceeds realized from such sale or transfer could be materially and adversely affected. Investors should proceed on the assumption that they may have to hold the Notes until their maturity.

Notes Could Be Deemed to Be Participations in the Funding Agreements or Could Otherwise Be Deemed to Be Contracts of Insurance.

The laws and regulations of each state of the United States and of foreign jurisdictions contain broad definitions of the activities that may constitute the conduct of the business of insurance or reinsurance in such jurisdictions.

Skadden, Arps, Slate, Meagher & Flom LLP had advised in a memorandum dated June 7, 2002 with regard to insurance matters that neither the Issuer nor any persons selling or purchasing the Notes should be subject to regulation as doing an insurance business in any state of the United States or the District of Columbia by virtue of the offer, sale and/or purchase of the Notes. This advice is based upon interpretations (either written or oral) received as of specified dates from the staff of the insurance regulatory body in each of the states of the United States (except the states of Florida, Hawaii, Iowa, Mississippi, Montana, New Mexico, Vermont and Virginia, where the Issuer obtained opinions of local counsel as of specified dates) and is subject to the considerations described below. These interpretations from insurance regulatory bodies and local counsel were obtained in connection with structures which raise some of the same issues as those presented by the Notes. These oral and written interpretations from state insurance regulatory bodies, some of which date back to 1998, were based on general descriptions of the issuance of funding agreements to back instruments such as the Notes and were not specifically based on the Program or the Notes. Information specifically relating to the Program and/or the Notes which was not disclosed to insurance regulators could be considered material by such regulators and, had such factual information been disclosed, could have resulted in different guidance or advice from such regulators. Based on these oral and written interpretations and local counsel opinions and subject to such other considerations as are set forth in its memorandum, Skadden, Arps, Slate, Meagher & Flom LLP believes that (i) the Notes should not be subject to regulation as participations in the Funding Agreements themselves or otherwise constitute insurance contracts and (ii) the Issuer and any persons offering, selling or purchasing the Notes should not be subject to regulation as doing an insurance business by virtue of their activities in connection with the offer, sale and/or purchase of the Notes.

The staff of the Arkansas Insurance Department has qualified its confirmation of the legal conclusions set forth in the immediately preceding paragraph. Arkansas has requested that the Notes not be sold to

Arkansas insurers, HMOs, farmers' mutual aid associations and other domestic companies regulated by the Arkansas Insurance Department.

All written or oral communications with insurance regulatory bodies reflect only the interpretation of the staff of such regulatory bodies with respect to the laws and regulations of their respective jurisdictions, and do not purport to be, nor should they be relied upon as, binding legal authority. Such interpretations and advice by local counsel may be subject to challenge in administrative or judicial proceedings.

Insurance regulatory authorities in the United States have broad discretionary powers to modify or withdraw regulatory interpretations, and such interpretations and the advice of local counsel received with respect to the laws of any particular state are not binding on a court or any third party and may be subject to challenge in administrative or judicial proceedings. In addition, such interpretations have not been obtained with respect to any foreign jurisdictions. There can be no assurance that such interpretations and advice will remain in effect, or that such interpretations would be given any effect by a court.

The Issuer will not be registered or licensed as an insurance or reinsurance company in any jurisdiction. In the event it is determined that the Issuer should have been licensed under the insurance laws of a jurisdiction in connection with the issuance of the Notes, the Issuer will be in violation of such laws or regulations and could be subject to the fines, penalties and other sanctions provided for therein. Such violation(s) would have a material adverse impact on the Issuer's ability to meet its obligations under the Notes.

Similarly, if the Notes are deemed to be subject to regulation as participations in Funding Agreements or otherwise constitute contracts of insurance, there can be no assurance that Holders of the Notes who subsequently offer, sell, transfer or purchase Notes could not be found to be acting as insurance agents or brokers under the laws of certain jurisdictions or otherwise be subject to the applicable insurance laws. Acting without a required insurance agent or broker license or other violations of applicable insurance laws and regulations could subject such Holder of Notes to substantial civil and criminal fines and charges.

It is likely that if the Notes were to be deemed to be subject to regulation as participations in Funding Agreements or otherwise constitute contracts of insurance, the ability of the Holder to offer, sell or otherwise transfer the Notes in secondary market transactions or otherwise would be substantially impaired and, to the extent such offer, sale or transfer could be effected, the proceeds realized from such sale or transfer would be materially and adversely affected.

Certain Holders of Notes Will Not Be Entitled to the Payment of Additional Amounts and the Notes of a Series May Be Redeemed upon the Occurrence of Certain Tax Events.

The Issuer and Metropolitan Life are not required to pay Additional Amounts to Holders of Notes to compensate for any withholding or deduction for taxes imposed by or on behalf of any governmental authority in the United States having the power to tax, unless such Holder meets certain requirements. For example, a Holder of Notes that is not a United States person (as defined in Section 7701(a)(30) of the Code) and actually or constructively owns ten percent or more of the total combined voting power of all classes of stock of Metropolitan Life entitled to vote would not be entitled to the payment of Additional Amounts as a result of the imposition of any United States withholding tax.

The Issuer is required to redeem the Notes of the relevant Series as provided in the Offering Circular if Metropolitan Life exercises its right to terminate the Funding Agreement related to such relevant Series upon the occurrence of certain tax events, including, without limitation, if Metropolitan Life is required to pay Additional Amounts or withhold or deduct any United States taxes as a result of a change or amendment in any United States tax laws.

An Investment in Foreign Currency Notes Entails Significant Risks.

An investment in Notes that are denominated in, or the payment of which is related to the value of, a specified currency (the **"Specified Currency"**) other than the currency of the country in which the purchaser is a resident or the currency (including any composite currency) in which the purchaser conducts its business or activities (the **"Home Currency"**) entails significant risks that are not associated with a similar investment in a security denominated in the Home Currency. Such risks include, without limitation, the possibility of significant changes in rates of exchange between the Home Currency and the various foreign currencies (or composite currencies) and the possibility of the imposition or modification of exchange controls by either the United States or foreign governments. Such risks generally depend on economic and political events over which none of the Issuer, Metropolitan Life or any Dealer has control. In recent years rates of exchange for certain currencies have been highly volatile and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past, however, are not necessarily indicative of fluctuations in such rate that may occur during the term of any Note. Depreciation of the Specified Currency for a Note against the relevant Home Currency would result in a decrease in the effective yield of such Note below its coupon rate and, in certain circumstances, could result in a loss to the investor on a Home Currency basis.

Foreign exchange rates can either float or be fixed by sovereign governments. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to the U.S. Dollar. National governments, however, rarely voluntarily allow their currencies to float freely in response to economic forces. From time to time governments use a variety of techniques, such as intervention by a country's central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rates or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing non-Home Currency-denominated Notes is that their Home Currency-equivalent yields or payouts could be affected by governmental actions which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces, and the movement of currencies across borders. There will be no adjustment or change in the terms of such Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting the U.S. Dollar or any applicable Specified Currency.

Governments have imposed from time to time, and may in the future impose, exchange controls that could affect exchange rates as well as the availability of a specified foreign currency (or of securities denominated in such currency). Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note not denominated in U.S. Dollars would not be available when payments on such Note are due. In that event, the Issuer would make required payments in U.S. Dollars on the basis of the market rate of exchange on the date of such payment or, if such rate of exchange is not then available, on the basis of the market rate of exchange as of the most recent practicable date.

Each prospective investor should consult its own financial, legal and tax advisors as to any specific risks entailed by an investment by such investor in Notes that are denominated in, or the payment of which is related to the value of a currency other than such prospective investor's Home Currency. Such Notes are not an appropriate investment for investors who are unsophisticated with respect to foreign currency transactions.

An Investment in Indexed Notes Entails Significant Risks.

Notes may be issued with the principal amount payable at maturity or interest to be paid thereon, or both, to be determined with reference to the price or prices of specified commodities or stocks, the exchange rate of one or more currencies (including a composite currency) relative to one or more other currencies (including a composite currency), or such other price or exchange rate as may be specified in such Notes (the **"Indexed Notes"**), as set forth in the relevant Final Terms. An investment in Indexed Notes entails significant risks that are not associated with similar investments in a conventional fixed-rate debt security. If the interest rate of an Indexed Note is indexed, it may result in an interest rate that is less than that payable on a conventional fixed-rate debt security issued by the Issuer at the same time, including the possibility that no interest will be paid, and, if the principal amount of an Indexed Note is indexed, the principal amount payable at maturity may be less than the original purchase price of such Indexed Note, including the possibility that no principal will be paid out (but in no event shall the amount of interest or principal paid with respect to an Indexed Note be less than zero). The secondary market for

Indexed Notes will be affected by a number of factors, independent of the creditworthiness of the Issuer or Metropolitan Life, as the case may be, and the value of the applicable currency, commodity or interest rate index, including but not limited to, the volatility of the applicable currency or interest rate index, the time remaining to the maturity of such Indexed Notes, the amount outstanding of such Indexed Notes and market interest rates. The value of the applicable currency, commodity or interest rate index depends on a number of interrelated factors, including economic, financial and political events, over which the Issuer does not have control. Additionally, if the formula used to determine the principal amount or interest payable with respect to such Indexed Notes contains a multiple or leverage factor, the effect of any change in the applicable currency, commodity or interest rate index may be increased. The historical experience of the relevant currencies, commodities or interest rate indices should not be taken as an indication of future performance of such currencies, commodities or interest rate indices during the term of any Indexed Note. Accordingly, prospective investors should consult their own financial and legal advisors as to the risks entailed by an investment in Indexed Notes and the suitability of Indexed Notes in light of their particular circumstances.

An Event of Default under the Notes May Not Constitute an "Event of Default" under the Applicable Funding Agreement.

In certain circumstances an event of default under a Series of Notes may not constitute an event of default under the applicable funding agreement. To the extent that (i) the Issuer fails to observe or perform in any material respect any covenant contained in the Indenture or any Series of Notes; (ii) the Indenture ceases to be in full force and effect or the Indenture Trustee's security interest in the collateral is successfully challenged or is determined to be defective; or (iii) a Series of the Issuer or the collateral is subject to certain actions under applicable bankruptcy, insolvency or other similar laws or any receivership, liquidation dissolution or other similar action or a Series of the Issuer is unable to pay its debts, it is possible that the obligations of the Series of the Issuer under its Series of Notes may be accelerated while the obligations of Metropolitan Life under the applicable Funding Agreement may not be similarly accelerated. If this occurs, the Indenture Trustee may have no or limited ability to proceed against the applicable Funding Agreement and the related collateral and Holders of that Series of Notes may not be paid in full, or in a timely manner upon such acceleration. See Condition 9(b) in "Terms and Conditions of the Notes" and "Description of Collateral — Termination for Other Reasons; Demand for Payment" in the Offering Circular.

Holders of Notes Below Certain Minimum Denominations May Not Be Able to Receive Definitive Notes and in Such Situations May Not Be Entitled to the Rights in Respect of Such Notes.

Any Notes admitted to trading on the Irish Stock Exchange or any other European Union regulated market for the purposes of Directive 93/22/EEC, or which are to be offered to the public in any Member State of the European Economic Area, will be issued in minimum denominations of €50,000 or greater (or the equivalent thereof in another currency at the time of issue) (the **"Minimum Denominations"**). The applicable Final Terms may provide that, for so long as the Notes are represented by a Global Note and Euroclear and Clearstream Luxembourg so permit, the Notes may be tradeable in minimum denominations of €50,000 and integral multiples of €1,000 thereafter (or the equivalent thereof in another currency at the time of issue). However, if definitive Notes are required to be issued in accordance with the terms of the Regulation S Temporary Global Registered Note or Regulation S Permanent Global Registered Note, they will only be printed and issued in the Minimum Denomination. In these circumstances, a holder of Notes holding Notes having a nominal amount which cannot be represented by a definitive Note in the Minimum Denomination will not be able to receive a definitive Note in respect of such Notes and will not be able to receive interest or principal or be entitled to vote in respect of such Notes. As a result, a holder of Notes who holds Notes in Euroclear or Clearstream Luxembourg in an amount less than the Minimum Denominations may need to purchase or sell, on or before the relevant date on which the Regulation S Temporary Global Registered Note or Regulation S Permanent Global Registered Note are to be exchanged for definitive Notes, a principal amount of Notes such that the holders hold the Notes in an aggregate principal amount of at least the Minimum Denominations.

Risk Factors Relating to the Issuer

The Issuer Has Limited Resources and a Limited Operating History, and the Notes Are Issued in Series.

The net worth of the Issuer on the date hereof is approximately U.S.$1,000. The net worth of the Issuer is not expected to increase materially. The ability of the Issuer, with respect to a Series of the Issuer, to make timely payments on the Notes issued with respect to such Series of the Issuer is entirely dependent upon Metropolitan Life's timely making the related payments under the relevant Funding Agreements and Metropolitan Life's fulfilling its obligations under the applicable Support and Expenses Agreements. The Issuer is a statutory trust, organized in series under the laws of the State of Delaware and the debts, liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to each Series of the Issuer shall be enforceable against only the assets of the relevant Series of the Issuer and not against the assets of the Issuer generally or the assets of any other Series of the Issuer. Each Series of Notes will be secured by, among other things, one or more separate Funding Agreements and one or more Support and Expenses Agreements for each Tranche of such Series (subject to the subrogation rights of Metropolitan Life set forth in the relevant Support and Expenses Agreements). No Series of Notes will have any right to receive payments under a Funding Agreement or a Support and Expenses Agreement, as the case may be, related to any other Series of Notes.

The obligations of the Issuer evidenced by the Notes will not be obligations of, and will not be guaranteed by, any other person, including, but not limited to, Metropolitan Life, the Holding Company or any of their respective subsidiaries or affiliates. None of these entities nor any agent, trustee or beneficial owner of the Issuer or of any Series of the Issuer are under any obligation to provide funds or capital to the Issuer of such Series.

The Issuer is a statutory trust formed on May 29, 2002 under the laws of the State of Delaware, the primary business purpose of which is the issuance of the Notes in Series, the purchase of the related Funding Agreements and engaging in activities incidental thereto.

The Issuer's Debt Ratings May Not Regain the Stable Outlook That Existed Prior to the Holding Company's Announcement of Its Acquisition of the Citigroup Life & Annuity Business.

On July 1, 2005, the Holding Company consummated its acquisition (the "***Acquisition***") of all the outstanding shares of capital stock held by Citigroup Inc. and its affiliates of certain of the domestic and international life insurance subsidiaries of Citigroup, referred to as the Citigroup Life Insurance and Annuities business ("***Citigroup L&A***"). In connection with the announcement of the Acquisition on January 31, 2005, Moody's Investor Service ("***Moody's***") changed the Issuer's debt rating outlook to negative from stable, while Standard & Poor's ("***S&P***") placed credit ratings of each Series of Notes issued by the Issuer on CreditWatch with negative implications. Subsequently, on July 1, 2005, S&P removed the CreditWatch and affirmed the Issuer's ratings with a negative outlook. A failure of the ratings to regain the stable outlook that existed prior to the announcement of the Acquisition, or a decline in such ratings, could materially adversely affect the liquidity and value of the Notes.

Risk Factors Relating to Collateral

The Issuer May Not Receive Payments under Funding Agreements If Metropolitan Life Were to Enter Insolvency Proceedings.

Any combination or all of the factors discussed below under "— Risks Relating to Metropolitan Life, as Provider of the Funding Agreements and as Provider of Certain Indemnities Under the Support and Expenses Agreements" may cause Metropolitan Life to become the subject of administrative supervision, insolvency, liquidation, rehabilitation, reorganization, conservation or other similar proceedings (collectively, **"Insolvency Proceedings"**) under any applicable laws. Should Metropolitan Life become the subject of Insolvency Proceedings, the Indenture Trustee for the benefit of the Holders of any Series of Notes then outstanding may be stayed during the pendency of Insolvency Proceedings from collecting any payments under the relevant Funding Agreements and from exercising any collateral management rights that would otherwise be available to the Indenture Trustee as the secured party. Collateral management rights permit the Indenture Trustee to manage the assets held in a Series of the Issuer. The Indenture

Trustee may not be able to recover any payments under the Funding Agreements from Metropolitan Life should there be insufficient assets to provide for these payments.

In addition, under certain circumstances, payments made by Metropolitan Life to the Indenture Trustee or to the Issuer with respect to a Series of Notes may be sought to be recovered in Insolvency Proceedings as preferential payments or pursuant to other similar theories. Therefore, Insolvency Proceedings with respect to Metropolitan Life could cause a significant delay in receiving payments due under the Notes and could materially and adversely affect the timing and the amounts, if any, to be paid to Holders of the Notes.

Status of Collateral Upon Insolvency of Metropolitan Life.

The Funding Agreements and the Support and Expenses Agreements are unsecured obligations of Metropolitan Life and, in the event of Metropolitan Life's insolvency, will be subject to the provisions of Article 74 of the New York Insurance Law, which establishes the priority of claims from the estate of an insolvent New York insurance company. LeBoeuf, Lamb, Greene & MacRae LLP, special counsel for Metropolitan Life, has opined that in any liquidation proceeding relating to Metropolitan Life, under New York law as in effect on the date of this Offering Circular, (i) the claims under each Funding Agreement would rank (a) *pari passu* with the claims of policyholders of Metropolitan Life and in a superior position to the claims of general creditors of Metropolitan Life with respect to payments of principal and interest under the Funding Agreement and (b) *pari passu* with the claims of general creditors of Metropolitan Life with respect to any payment of Additional Amounts under the Funding Agreement and (ii) the claims under the Support and Expenses Agreements would rank *pari passu* with the claims of general creditors of Metropolitan Life. LeBoeuf, Lamb, Greene & MacRae LLP has noted in its opinion that the priority status of claims of policyholders (including claims under funding agreements) does not include claims for interest. Such opinion of counsel is based upon certain facts, assumptions and qualifications (as set forth therein), is only an opinion and does not constitute a guarantee, and is not binding upon any court, including without limitation a court presiding over a liquidation proceeding of Metropolitan Life under the New York Insurance Law.

Risks Relating to Metropolitan Life, as Provider of the Funding Agreements and as Provider of Certain Indemnities Under the Support and Expenses Agreements

Changes in Market Interest Rates May Significantly Affect the Company's Profitability.

Some of the Company's products, principally traditional whole life insurance, fixed annuities and guaranteed interest contracts (**"GICs"**), expose it to the risk that changes in interest rates will reduce its "spread," or the difference between the amounts that the Company is required to pay under the contracts in its general account and the rate of return it is able to earn on general account investments. The Company's spread is a key component of its net income.

If interest rates decrease or remain at low levels, the Company may be forced to reinvest proceeds from investments that have matured or have been prepaid or sold at lower yields, reducing its investment margin. Moreover, borrowers may prepay or redeem the fixed-income securities, commercial mortgages and mortgage-backed securities in the Company's investment portfolio with greater frequency in order to borrow at lower market interest rates, which increases the amount of proceeds the Company may be forced to reinvest at lower yields. Lowering interest crediting rates can help offset decreases in investment margins on some products. However, the Company's ability to lower these rates could be limited by competition or contractually guaranteed minimum rates and might not match the timing or magnitude of changes in asset yields. As a result, the Company's spread could decrease or potentially become negative. The Company's expectation for future spreads is an important component in the amortization of deferred policy acquisition costs (**"DAC"**) and significantly lower spreads may cause the Company to accelerate amortization, thereby reducing net income in the affected reporting period. In addition, during periods of declining interest rates, life insurance and annuity products may be relatively more attractive investments to consumers, resulting in increased premium payments on products with flexible premium features, repayment of policy loans and increased persistency, or a higher percentage of insurance policies remaining in force from year to year, during a period when the Company's new investments carry lower returns. A decline in market interest rates could also reduce the Company's return on investments that do not support particular policy obligations. Accordingly, declining interest rates may materially adversely affect the Company's results of operations and financial condition and significantly reduce its profitability.

Increases in market interest rates could also negatively affect the Company's profitability. In periods of rapidly increasing interest rates, the Company may not be able to replace, in a timely manner, the assets in its general account with higher yielding assets needed to fund the higher crediting rates necessary to keep interest-sensitive products competitive. The Company may have to accept a lower spread and thus lower profitability or face a decline in sales and greater loss of existing contracts and related assets. In addition, policy loans, surrenders and withdrawals may tend to increase as policyholders seek investments with higher perceived returns as interest rates rise. This process may result in cash outflows requiring that the Company sell invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which may result in realized investment losses. Unanticipated withdrawals and terminations may cause the Company to accelerate the amortization of DAC, which would increase its current expenses and reduce net income. An increase in market interest rates could also have a material adverse effect on the value of the Company's investment portfolio, for example, by decreasing the fair values of the fixed income securities that comprise a substantial majority of its investment portfolio.

The Holding Company's Financing and Integration Plans for Its Acquisition of the Citigroup Life & Annuity Business May Affect the Future Profitability of the Company.

In connection with the financing plan for the Acquisition, Metropolitan Life paid an aggregate cash dividend of $3.20 billion to the Holding Company on May 26, 2005, of which $2.32 billion was an extraordinary dividend approved by the State of New York Insurance Department and the remaining $880 million was an ordinary dividend. The ordinary dividend represented the entire amount that the Company was permitted to distribute as a dividend in 2005 without obtaining regulatory approval under the New York Insurance Law. In order to fund the dividend, Metropolitan Life used a combination of cash, short-term investments, sales of fixed maturity securities and the sale of real estate assets. Shareholder's equity of Metropolitan Life has been reduced by $3.20 billion as a result of the payment of this dividend. The reduction of assets and shareholder's equity of Metropolitan Life may materially adversely affect the Company's results of operations and financial condition.

The Holding Company's integration plan for the Acquisition includes integration expenses over a two year period (2005-2006) estimated to be $242 million, $157 million net of income taxes. The majority of the expenses will be charged to the Consolidated Statement of Income of Metropolitan Life. These expenses include system migration, product integration, infrastructure, employee incentives, and other integration costs. The allocation of these merger related costs to the Company may have a material effect on the Company's business consolidated results of operations and financial condition.

The Holding Company will also incur an estimated $123 million in costs related to completing the acquisition. These acquisition costs include banking fees, legal fees, Travelers employee severance, Travelers employee relocation, and other acquisition-related costs. These acquisition costs will be capitalized to goodwill and will not negatively affect the Company's Consolidated Statement of Income.

A Decline in Equity Markets or an Increase in Volatility in Equity Markets May Adversely Affect Sales of the Company's Investment Products and the Company's Profitability.

Significant downturns and volatility in equity markets could have a material adverse effect on the Company's financial condition and results of operations in three principal ways.

First, market downturns and volatility may discourage purchases of separate account products, such as variable annuities, variable life insurance and mutual funds that have returns linked to the performance of the equity markets and may cause some existing customers to withdraw cash values or reduce investments in those products.

Second, downturns and volatility in equity markets could have a material adverse effect on the revenues and returns from the Company's savings and investment products and services. Because these products and services depend on fees related primarily to the value of assets under management, a decline in the equity markets could reduce the Company's revenues by reducing the value of the investment assets it manages. The retail annuity business in particular is highly equity market sensitive, and a sustained weakness in the markets will decrease revenues and earnings in variable annuity products.

Third, the Company provides certain guarantees within some of its products that protect policyholders against significant downturns in the equity markets. For example, the Company offers variable annuity products with guaranteed features, such as minimum death and withdrawal benefits. These guarantees may be more costly than expected in volatile or declining equity market conditions, causing the Company to increase reserves and negatively affecting net income.

The Performance of the Company's Investments Depends on Conditions That Are Outside Its Control, and the Company's Net Investment Income Can Vary from Period to Period.

The performance of the Company's investment portfolio depends in part upon the level of and changes in interest rates, equity prices, real estate values, the performance of the economy generally, the performance of the specific obligors included in the Company's portfolio and other factors that are beyond its control. Changes in these factors can affect the Company's net investment income in any period, and such changes can be substantial.

The Company invests a portion of its invested assets in pooled investment funds that make private equity investments. The amount and timing of income from such investment funds tend to be uneven as a result of the performance of the underlying private equity investments, which can be difficult to predict, as well as the timing of distributions from the funds, which depends on particular events relating to the underlying investments as well as the funds' schedules for making distributions and their needs for cash. As a result, the amount of income that the Company records from these investments can vary substantially from quarter to quarter.

The Company's Business Segments are Subject to Intense Competition.

The Company believes that this competition is based on a number of factors, including service, product features, scale, price, commission structure, financial strength, claims-paying ratings, credit ratings, business capabilities and name recognition. The Company competes with a large number of other insurers, as well as non-insurance financial services companies, such as banks, broker-dealers and asset managers, for individual consumers, employers and other group customers and agents and other distributors of insurance and investment products. Some of these companies offer a broader array of products, are regulated differently, have more competitive pricing or, with respect to other insurers, have higher claims paying ability ratings. Some may also have greater financial resources with which to compete and a greater market share. National banks, which may sell annuity products of life insurers in some circumstances, also have pre-existing customer bases for financial services products.

Many of the Company's insurance products, particularly those offered by its Institutional segment, 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 the Company. The effect of competition may, as a result, adversely affect the persistency of these and other products, as well as the Company's ability to sell products in the future.

In addition, the investment management and securities brokerage businesses have relatively few barriers to entry and continually attract new entrants. Many of the Company's competitors in these businesses offer a broader array of investment products and services and are better known than the Company is as sellers of annuities and other investment products.

The Company May Be Unable to Attract and Retain Sales Representatives for Its Products.

The Company must attract and retain productive sales representatives to sell the Company's insurance, annuities and investment products. Strong competition exists among insurers for sales representatives with demonstrated ability. The Company competes with other insurers for sales representatives primarily on the basis of its financial position, its products, the marketing and support services it provides to the representatives and compensation. The Company continues to undertake initiatives to grow its career agency force while continuing to enhance the efficiency and production of its existing sales force. The Company cannot provide assurance that these initiatives will succeed in attracting and retaining new agents. Sales of individual insurance, annuities and investment products and the Company's results of operations and financial condition could be materially adversely affected if the Company is unsuccessful in attracting and retaining productive agents.

Differences Between Actual Claims Experience and Underwriting and Reserving Assumptions May Adversely Affect the Company's Financial Results.

The Company's earnings significantly depend upon the extent to which its actual claims experience is consistent with the assumptions it uses in setting prices for products and establishing reserves. The Company's reserves for future policy benefits and claims are established based on estimates by actuaries of how much the Company will need to pay for future benefits and claims. For life insurance and annuity products, the Company calculates these reserves based on many 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 assets the Company purchases with the premiums it receives. To the extent that actual claims experience is less favorable than the Company's underlying assumptions used in establishing such reserves, the Company could be required to increase its reserves.

Due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of reserves, the Company cannot determine precisely the amounts which it will ultimately pay to settle its liabilities. Such amounts may vary from the estimated amounts, particularly when those payments may not occur until well into the future. The Company evaluates reserves periodically based on changes in the assumptions used to establish the reserves, as well as its actual experience. The Company charges or credits changes in reserves to expenses in the period the reserves are established or re-estimated. If the reserves originally established for future benefit payments prove inadequate, the Company must increase them. Such increases would negatively affect the Company's earnings and could have a material adverse effect on the Company's business, consolidated results of operations and financial condition.

The Company's Risk Management Policies and Procedures May Leave It Exposed to Unidentified or Unanticipated Risk, Which Could Negatively Affect Its Business.

Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events. The Company has devoted significant resources to develop its risk management policies and procedures and expects to continue to do so in the future. Nonetheless, the Company's policies and procedures may not be fully effective. Many of the Company's methods for managing risk and exposures are based upon its use of observed historical market behavior or statistics based on historical models. As a result, these methods may not predict new exposures or accurately quantify the amounts of future exposures, which could be significantly greater than that predicted by historical measures. Other risk management methods depend upon the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that are publicly available or otherwise accessible to the Company. This information may not always be accurate, complete, up-to-date or properly evaluated.

Catastrophes May Materially Adversely Impact Liabilities for Policyholder Claims and Reinsurance Availability.

The Company's life insurance operations are exposed to the risk of catastrophic mortality events, such as a pandemic or other catastrophe that causes a large number of deaths. In the Company's group insurance operations, a localized event that affects the workplace of one or more of its group insurance customers could cause a significant loss due to mortality or morbidity claims. These events could cause a material adverse effect on the Company's results of operations in any period and, depending on their severity, could also materially and adversely affect the Company's consolidated financial condition.

Terrorism is an emerging risk. A major terrorist attack not only could cost lives and destroy property, but could also have a material adverse effect on the value of investments that the Company holds, which could in turn have a material adverse impact on investment income and on fees the Company earns that are based on the value of investments the Company manages for others. It is possible that both the frequency and severity of man-made catastrophic events will increase.

A Downgrade or Potential Downgrade in the Company's Insurer Financial Strength or Issuer Credit Ratings Could Result in a Loss of Business and Adversely Affect the Company's Consolidated Financial Condition and Results of Operations.

Financial strength ratings, which various Nationally Recognized Statistical Rating Organizations (**"NRSROs"**) publish as opinions of an insurance company's ability to meet contractholder and policyholder obligations, are important to maintaining public confidence in the Company's products, its ability to market products and its competitive position. Metropolitan Life has a financial strength rating of A+ from A.M. Best Company, AA from Fitch Ratings, Aa2 from Moody's and AA from S&P.

A downgrade in Metropolitan Life's financial strength ratings, or an announced or a perceived potential for a downgrade, could have a material adverse effect on its consolidated financial condition and results of operations in many ways, including:

- reducing new sales of insurance products, annuities and other investment products;
- adversely affecting the Company's relationships with the Company's sales force and independent sales intermediaries;
- materially increasing the number or amount of policy surrenders and withdrawals by contractholders and policyholders;
- requiring the Company to reduce prices for many of its products and services to remain competitive; and
- adversely affecting the Company's ability to obtain reinsurance at reasonable prices or at all.

In addition to the financial strength ratings of Metropolitan Life, NRSROs also publish issuer credit ratings for Metropolitan Life. A downgrade in Metropolitan Life's issuer credit ratings could increase its cost of borrowing, which could have a material adverse effect on its consolidated financial condition and results of operations.

Following the announcement and closing of the Acquisition, Moody's and S&P changed the rating outlook on the issuer financial strength rating to "negative" from "stable." The Company does not expect Moody's or S&P to return the outlook back to "stable" until the Holding Company has established, to their satisfaction, a successful track record of integrating the Citigroup L&A business into the operations of the Company and its affiliates and the Holding Company has reduced its financial leverage and increased its interest coverage to levels closer to those which existed prior to the Acquisition.

Rating agencies assign ratings based upon several factors, some of which relate to general economic conditions and circumstances outside of the Company's control. In addition, rating agencies may employ different models and formulas to assess the Company's financial strength, and may alter these models from time to time in their discretion. The Company cannot predict what actions rating agencies may take, or what actions it may be required to take in response to the actions of rating agencies, which could adversely affect its business.

Defaults, Downgrades or Other Events Impairing the Value of the Company's Fixed Maturity Securities Portfolio May Reduce the Company's Earnings.

The Company is subject to the risk that the issuers of the fixed maturity securities it owns may default on principal and interest payments they owe the Company. At September 30, 2005, the fixed maturity securities of $153.3 billion in the Company's investment portfolio represented 72.2% of the Company's total cash and invested assets. The occurrence of a major economic downturn, acts of corporate malfeasance or other events that adversely affect the issuers of these securities could cause the value of the Company's fixed maturities portfolio and the Company's net earnings to decline and the default rate of the fixed maturity securities in the Company's investment portfolio to increase. A ratings downgrade affecting particular issuers or securities could also have a similar effect. With recent downgrades in the automotive sector, as well as economic uncertainty and increasing interest rates, credit quality of issuers could be adversely affected. Any event reducing the value of these securities other than on a temporary basis could have a material adverse effect on the Company's business, consolidated results of operations and financial condition.

Defaults on the Company's Mortgage and Consumer Loans May Adversely Affect Its Profitability.

The Company's mortgage and consumer loan investments face default risk. The Company's mortgage and consumer loans are principally collateralized by commercial, agricultural and residential properties, as well as automobiles. At September 30, 2005, the Company's mortgage and consumer loan investments of $32.1 billion represented 15.1% of the Company's total cash and invested assets. At September 30, 2005, loans that were either delinquent or in the process of foreclosure totaled less than 1% of the Company's mortgage and consumer loan investments. The performance of the Company's mortgage and consumer loan investments, however, may fluctuate in the future. In addition, substantially all of the Company's mortgage loan investments have balloon payment maturities. An increase in the default rate of the Company's mortgage and consumer loan investments could have a material adverse effect on the Company's business, consolidated results of operations and financial condition.

Some of the Company's Investments Are Relatively Illiquid.

The Company's investments in private placement bonds, mortgage and consumer loans, and equity real estate, including real estate joint ventures and other limited partnership interests, are relatively illiquid. These asset classes represented 27.9% of the carrying value of the Company's total cash and invested assets as of September 30, 2005. If the Company requires significant amounts of cash on short notice in excess of the Company's normal cash requirements, the Company may have difficulty selling these investments in a timely manner and may be forced to sell them for less than it otherwise would have been able to realize.

Fluctuations in Foreign Currency Exchange Rates and Foreign Securities Markets Could Negatively Affect the Company's Profitability.

The Company is exposed to risks associated with fluctuations in foreign currency exchange rates against the U.S. dollar resulting from its holdings of non-U.S. dollar denominated securities and investments in foreign subsidiaries. The principal currencies which create foreign exchange rate risk in the Company's investment portfolios are Euro, Canadian dollars and pound sterling. If the currencies of the non-U.S. dollar denominated securities the Company holds in its investment portfolios decline against the U.S. dollar, the Company's investment returns, and thus its profitability, may be adversely affected. Although the Company uses foreign currency swaps and forward contracts to mitigate foreign currency exchange rate risk, there is no assurance that these methods will be effective or that the Company's counterparties will perform their obligations.

Through the Company's investments in foreign subsidiaries, it is primarily exposed to the Canadian dollar and Chinese Yuan. The Company has matched substantially all of its foreign currency liabilities with foreign currency assets to limit the effect of currency exchange rate fluctuation on local operating results; however, fluctuations in such rates affect the translation of these results into the Company's consolidated financial statements. Although the Company takes certain actions to address this risk, foreign currency exchange rate fluctuation could materially adversely affect the Company's reported results due to unhedged positions or the failure of the Company's hedges to effectively offset the impact of the foreign currency exchange rate fluctuation.

Reinsurance May Not Be Available, Affordable or Adequate to Protect the Company Against Losses.

As part of the Company's overall risk and capacity management strategy, the Company purchases reinsurance for certain risks underwritten by its various business segments. For example, the Company currently reinsures up to 90% of the mortality risk for all new individual life insurance policies. Market conditions beyond the Company's control determine the availability and cost of the reinsurance protection the Company purchases. Any decrease in the amount of the Company's reinsurance will increase its risk of loss and any increase in the cost of the Company's reinsurance will, absent a decrease in the amount of reinsurance, reduce its earnings. Accordingly, the Company may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect its ability to write future business or result in its assuming more risk with respect to those policies it issues.

As a result of consolidation of the life reinsurance market and other market factors, capacity in the life reinsurance market has decreased. Further, life reinsurance is currently available at higher prices and on less favorable terms than those prevailing between 1997 and 2003. It is likely that this trend will continue, although the Company cannot predict to what extent. Further consolidation, regulatory developments, catastrophic events or other significant developments affecting the pricing and availability of reinsurance could materially harm the reinsurance market and the Company's ability to enter into reinsurance contracts.

If the Counterparties to the Company's Reinsurance Arrangements or to the Derivative Instruments the Company Uses to Hedge Its Business Risks Default or Fail to Perform, the Company May Be Exposed to Risks It Had Sought to Mitigate, Which Could Materially Adversely Affect Its Consolidated Financial Condition and Results of Operations.

The Company uses reinsurance and derivative instruments to mitigate its risks in various circumstances. Reinsurance does not relieve the Company of its direct liability to policyholders, even when the reinsurer is liable to the Company. Accordingly, the Company bears credit risk with respect to its reinsurers. The Company cannot assure you that its reinsurers will pay the reinsurance recoverables owed to the Company on a timely basis or at all. A reinsurer's insolvency, inability or unwillingness to make payments under the terms of its reinsurance agreement with the Company could have a material adverse effect on its consolidated financial condition and results of operations.

In addition, the Company uses derivative instruments to hedge various business risks. The Company enters into a variety of derivative instruments, including options, forwards, interest rate and currency swaps and options to enter into interest rate and currency swaps with a number of counterparties. If the Company's counterparties fail or refuse to honor their obligations under these derivative instruments, the Company's hedges of the related risk will be ineffective. Such failure could have a material adverse effect on the Company's consolidated financial condition and results of operations.

The Company Is Heavily Regulated, and Changes in Regulation May Reduce Profitability and Limit Growth.

The Company's insurance operations are subject to a wide variety of insurance and other laws and regulations. State insurance laws regulate most aspects of the Company's U.S. insurance businesses, and Metropolitan Life and its insurance subsidiaries are regulated by the insurance departments of the states in which they are domiciled and the states in which they are licensed. The Company's non-U.S. insurance operations are principally regulated by insurance regulatory authorities in the jurisdictions in which they are domiciled and operate.

State laws in the United States grant insurance regulatory authorities broad administrative powers with respect to, among other things:

- licensing companies and agents to transact business;
- calculating the value of assets to determine compliance with statutory requirements;
- mandating certain insurance benefits;
- regulating certain premium rates;
- reviewing and approving 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;
- 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;
- 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.

State insurance guaranty associations have the right to assess insurance companies doing business in their state for funds to help pay the obligations of insolvent insurance companies to policyholders and claimants. Because the amount and timing of an assessment is beyond the Company's control, the reserves that the Company has currently established for these potential liabilities may not be adequate.

State insurance regulators and the National Association of Insurance Commissioners (**"NAIC"**), regularly re-examine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof, are often made for the benefit of the consumer at the expense of the insurer and, thus, could have a material adverse effect on the Company's consolidated financial condition and results of operations.

The NAIC and several states have recently proposed regulations and/or laws that would prohibit agent or broker practices that have been the focus of recent investigations of broker compensation in the State of New York and elsewhere. The NAIC has adopted a Compensation Disclosure Amendment to its Producers Licensing Model Act which, if adopted by the states, would require disclosure by agents or brokers to customers that insurers will compensate such agents or brokers for the placement of insurance and documented acknowledgement of this arrangement in cases where the customer also compensates the agent or broker. Some larger states, including California and New York, are considering additional provisions that would require the disclosure of the amount of compensation and/or require (where an agent or broker represents more than one insurer) placement of the "best coverage." The Company cannot predict how many states, if any, may promulgate the NAIC amendment or similar regulations or the extent to which these regulations may have a material adverse impact on the Company's business.

Currently, the U.S. federal government does not directly regulate the business of insurance. However, federal legislation and administrative policies in several areas can significantly and adversely affect insurance companies. These areas include financial services regulation, securities regulation, pension regulation, privacy, tort reform legislation and taxation. In addition, various forms of direct federal regulation of insurance have been proposed. These proposals include "The State Modernization and

Regulatory Transparency Act," which would maintain state-based regulation of insurance, but would affect state regulation of certain aspects of the business of insurance, including rates, agent and company licensing and market conduct examinations. The Company cannot predict whether these or other proposals will be adopted, or what impact, if any, such proposals or, if enacted, such laws, could have on its business, consolidated financial condition or results of operations.

From time to time, regulators raise issues during examinations or audits of Metropolitan Life and its subsidiaries that could, if determined adversely, have a material impact on the Company. The Company cannot predict whether or when regulatory actions may be taken that could adversely affect the Company's operations. In addition, the interpretations of regulations by regulators may change and statutes may be enacted with retroactive impact, particularly in areas such as accounting or reserve requirements.

Legal and Regulatory Investigations and Actions Are Increasingly Common in the Insurance Business and May Result in Financial Losses and Harm the Company's Reputation.

The Company faces a significant risk of litigation and regulatory investigations and actions in the ordinary course of operating its businesses, including the risk of class action lawsuits. The Company's pending legal and regulatory actions include proceedings specific to the Company and others generally applicable to business practices in the industries in which it operates. In connection with the Company's insurance operations, plaintiffs' lawyers may bring or are bringing class actions and individual suits alleging, among other things, issues relating to sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, additional premium charges for premiums paid on a periodic basis, denial or delay of benefits and breaches of fiduciary or other duties to customers. Plaintiffs in class action and other lawsuits against the Company may seek very large or indeterminate amounts, including punitive and treble damages, and the damages claimed and the amount of any probable and estimable liability, if any, may remain unknown for substantial periods of time.

Due to the vagaries of litigation, the outcome of a litigation matter and the amount or range of potential loss at particular points in time may normally be inherently impossible to ascertain with any degree of certainty. Estimates of possible additional losses or ranges of loss for particular matters cannot in the ordinary course be made with a reasonable degree of certainty. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. It is possible that some of the matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be estimated as of a balance sheet date.

Metropolitan Life and its affiliates are currently defendants in approximately 450 lawsuits raising allegations of improper marketing and sales of individual life insurance policies or annuities. These lawsuits are generally referred to as "sales practices claims." Metropolitan Life is also a defendant in numerous lawsuits seeking compensatory and punitive damages for personal injuries allegedly caused by exposure to asbestos or asbestos-containing products. These lawsuits are principally based upon allegations relating to certain research, publication and other activities of one or more of Metropolitan Life's employees during the period from the 1920's through approximately the 1950's and have alleged that Metropolitan Life learned or should have learned of certain health risks posed by asbestos and, among other things, improperly publicized or failed to disclose those health risks. Additional litigation relating to these matters may be commenced in the future. The ability of MetLife to estimate its ultimate asbestos exposure is subject to considerable uncertainty due to numerous factors. The availability of data is limited and it is difficult to predict with any certainty numerous variables that can affect liability estimates, including the number of future claims, the cost to resolve claims, the disease mix and severity of disease, the jurisdiction of claims filed, tort reform efforts and the impact of any possible future adverse verdicts and their amounts. The number of asbestos cases that may be brought or the aggregate amount of any liability that MetLife may ultimately incur is uncertain. Accordingly, it is reasonably possible that MetLife's total exposure to asbestos claims may be greater than the liability recorded by MetLife in its financial statements and that future charges to income may be necessary. The potential future charges could be material in particular quarterly or annual periods in which they are recorded. In addition, Metropolitan

Life has been named as a defendant in several lawsuits brought in connection with its demutualization in 2000.

The Company is also subject to various regulatory inquiries, such as information requests, subpoenas and books and records examinations, from state and federal regulators and other authorities. A substantial legal liability or a significant regulatory action against the Company could have a material adverse effect on its business, financial condition and results of operations. Moreover, even if the Company ultimately prevails in the litigation, regulatory action or investigation, it could suffer significant reputational harm, which could have a material adverse effect on its business, financial condition and results of operations, including its ability to attract new customers, retain its current customers and recruit and retain employees. Regulatory inquiries may cause increased volatility in the price of stocks of companies in the Company's industry.

Recently, the insurance industry has become the focus of increased scrutiny by regulatory and law enforcement authorities concerning certain practices within the insurance industry. This scrutiny includes the commencement of investigations and other proceedings by the New York State Attorney General and other governmental authorities relating to allegations of improper conduct in connection with the payment of, and disclosure with respect to, contingent commissions paid by insurance companies to intermediaries, the solicitation and provision of fictitious or inflated quotes, the use of inducements to brokers or companies in the sale of insurance products and the accounting treatment for finite insurance and reinsurance or other nontraditional or loss mitigation insurance and reinsurance products.

One possible result of these investigations and attendant lawsuits is that many insurance industry practices and customs may change, including, but not limited to, the manner in which insurance is marketed and distributed through independent brokers and agents. The Company's business strategy contemplates that the Company will rely heavily on both intermediaries and its internal sales force to market and distribute insurance products. The Company cannot predict how industry regulation with respect to the use of intermediaries may change. Such changes, however, could adversely affect the Company's ability to implement its business strategy, which could materially affect its growth and profitability.

Recent industry-wide inquiries also include those regarding market timing and late trading in mutual funds and variable annuity contracts, variable annuity sales practices/exchanges and electronic communication document retention practices. The Securities and Exchange Commission (the **"SEC"**) has commenced an investigation with respect to market timing and late trading in a limited number of privately-placed variable insurance contracts that were sold through the Company's subsidiary, General American Life Insurance Company (**"General American"**). In May 2004, General American received a so called "Wells Notice" stating that the SEC staff is considering recommending that the SEC bring a civil action alleging violations of the U.S. securities laws against General American. General American has responded to the Wells Notice, and the Company is fully cooperating with the SEC with regard to this investigation. In addition, new laws and regulations have been enacted affecting the mutual fund industry generally, and it is difficult to predict at this time whether changes resulting from those new laws and regulations will affect the Company's business and, if so, to what degree.

Other recent industry-wide inquiries include those relating to finite insurance and reinsurance. On May 27, 2005, the Holding Company announced that it received a subpoena from the Connecticut Attorney General requesting information regarding participation by the Holding Company and/or its affiliates in any finite reinsurance transactions. The Holding Company and/or its affiliates have also received information requests relating to finite insurance or reinsurance from other regulatory and governmental authorities. The Holding Company believes it has appropriately accounted for these transactions and intends to cooperate fully with these information requests. The Company believes that a number of other industry participants have received similar requests from various regulatory and investigative authorities. It is reasonably possible that the Holding Company and/or its affiliates may receive additional requests. The Company will fully cooperate with all such requests.

The Company cannot assure the investor that current claims, litigation, unasserted claims probable of assertion, investigations and other proceedings against the Company will not have a material adverse effect on its business, financial condition or results of operations. It is also possible that related or unrelated claims, litigation, unasserted claims probable of assertion, investigations and proceedings may be commenced in the future, and the Company could become subject to further investigations and have lawsuits filed or enforcement actions initiated against it. In addition, increased regulatory scrutiny and any resulting investigations or proceedings could result in new legal actions and precedents and industry-wide regulations that could adversely affect the Company's business, financial condition and results of operation. For further details regarding the litigation in which the Company is involved, see Note 10 to the Company's 2004 Consolidated Financial Statements and Note 5 to the Company's Unaudited Interim Condensed Consolidated Financial Statements included elsewhere herein.

Changes in U.S. Federal and State Securities Laws May Affect the Company's Operations and Profitability.

U.S. federal and state securities laws apply to investment products that are also "securities," including variable annuities and variable life insurance policies. As a result, the Company and the policies and contracts that Metropolitan Life and its subsidiaries offer are subject to regulation under these federal and state securities laws. Metropolitan Life's and its insurance subsidiaries' separate accounts are registered as investment companies under the Investment Company Act of 1940, as amended. Some variable annuity contracts and variable life insurance policies issued by Metropolitan Life and its insurance subsidiaries also are registered under the Securities Act of 1933, as amended (the **"Securities Act"**). Other subsidiaries are registered as broker-dealers under the United States Securities Exchange Act of 1934, as amended, (the **"Exchange Act"**), and are members of, and subject to, regulation by the National Association of Securities Dealers, Inc. (the **"NASD"**). In addition, the Company and some of its subsidiaries also are registered as investment advisers under the Investment Advisers Act of 1940, as amended.

Securities laws and regulations are primarily intended to ensure the integrity of the financial markets and to protect investors in the securities markets or investment advisory or brokerage clients. These laws and regulations generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the conduct of business for failure to comply with those laws and regulations. Changes to these laws or regulations that restrict the conduct of the Company's business could have a material adverse effect on the Company's consolidated financial condition and results of operations.

Changes in Tax Laws Could Make Some of the Company's Products Less Attractive to Consumers.

Changes in tax laws could make some of the Company's products less attractive to consumers. For example, reductions in the federal income tax that investors are required to pay on long-term capital gains and on some dividends paid on stock may provide an incentive for some of the Company's customers and potential customers to shift assets into mutual funds and away from products, including life insurance and annuities, designed to defer taxes payable on investment returns. Because the income taxes payable on long-term capital gains and some dividends paid on stock have been reduced, investors may decide that the tax-deferral benefits of annuity contracts are less advantageous than the potential after-tax income benefits of mutual funds or other investment products that provide dividends and long-term capital gains. A shift away from life insurance and annuity contracts and other tax-deferred products would reduce the Company's income from sales of these products, as well as the assets upon which the Company earns investment income.

The Company cannot predict whether any other legislation will be enacted, what the specific terms of any such legislation will be or how, if at all, this legislation or any other legislation could have a material adverse effect on its financial condition and results of operations.

Metropolitan Life May Need to Fund Deficiencies in Its Closed Block; Assets Allocated to the Closed Block Benefit Only the Holders of Closed Block Policies.

The plan of reorganization entered into in connection with Metropolitan Life's 2000 demutualization required that Metropolitan Life establish and operate an accounting mechanism, known as a closed block, to ensure that the reasonable dividend expectations of policyholders who own certain individual insurance policies of MetLife are met. Metropolitan Life allocated assets to the closed block in an amount that will produce cash flows which, together with anticipated revenue from the policies included in the closed block, are reasonably expected to be sufficient to support obligations and liabilities relating to these policies, including, but not limited to, provisions for the payment of claims and certain expenses and taxes, and to provide for the continuation of the policyholder dividend scales in effect for 1999, if the experience underlying such scales continues, and for appropriate adjustments in such scales if the experience changes. The Company cannot assure that the closed block assets, the cash flows generated by the closed block assets and the anticipated revenue from the policies included in the closed block will be sufficient to provide for the benefits guaranteed under these policies. If they are not sufficient, Metropolitan Life must fund the shortfall. Even if they are sufficient, Metropolitan Life may choose, for competitive or other reasons, to support policyholder dividend payments with its general account funds.

The closed block assets, the cash flows generated by the closed block assets and the anticipated revenue from the policies in the closed block will benefit only the holders of those policies. In addition, to the extent that these amounts are greater than the amounts estimated at the time the closed block was funded, dividends payable in respect of the policies included in the closed block may be greater than they would be in the absence of a closed block. Any excess earnings will be available for distribution over time only to closed block policyholders.

The Continued Threat of Terrorism and Ongoing Military Actions May Adversely Affect the Level of Claim Losses the Company Incurs and the Value of the Company's Investment Portfolio.

The continued threat of terrorism, both within the United States and abroad, ongoing military and other actions and heightened security measures in response to these types of threats may cause significant volatility in global financial markets and result in loss of life, property damage, additional disruptions to commerce and reduced economic activity. Some of the assets in the Company's investment portfolio may be adversely affected by declines in the equity markets and reduced economic activity caused by the continued threat of terrorism. The Company cannot predict whether, and the extent to which, companies in which the Company maintains investments may suffer losses as a result of financial, commercial or economic disruptions, or how any such disruptions might affect the ability of those companies to pay interest or principal on their securities. The continued threat of terrorism also could result in increased reinsurance prices and reduced insurance coverage and potentially cause the Company to retain more risk than the Company otherwise would retain if the Company were able to obtain reinsurance at lower prices. Terrorist actions also could disrupt the Company's operations centers in the United States or abroad. In addition, the occurrence of terrorist actions could result in higher claims under the Company's insurance policies than the Company had anticipated.

The Occurrence of Events Unanticipated in the Company's Disaster Recovery Systems and Management Continuity Planning Could Impair the Company's Ability to Conduct Business Effectively.

In the event of a disaster such as a natural catastrophe, an industrial accident, a blackout, a computer virus, a terrorist attack or war, unanticipated problems with the Company's disaster recovery systems could have a material adverse impact on its ability to conduct business and on its results of operations and financial condition, particularly if those problems affect the Company's computer-based data processing, transmission, storage and retrieval systems and destroy valuable data. Despite the Company's implementation of network security measures, the Company's servers could be subject to physical and electronic break-ins, and similar disruptions from unauthorized tampering with the Company's computer systems. In addition, in the event that a significant number of the Company's managers were unavailable in the event of a disaster, the Company's ability to effectively conduct the Company's business could be severely compromised.

Taxation

In 2001, President Bush signed into law the Economic Growth and Taxpayer Relief Reconciliation Act, which includes the repeal of the federal estate tax over a ten-year period, and the reinstatement, in its entirety, of the estate tax in 2011 and thereafter. President Bush and members of Congress have expressed a desire to modify the existing legislation, which modification could result in faster or more complete reduction or repeal of the estate tax. The Company believes that the reduction and repeal of the federal estate tax has resulted in reduced sales and could continue to impact sales of some of the Company's estate planning products, including survivorship/second to die life insurance policies; however, the Company does not expect the reduction and repeal of the estate tax to have a material adverse impact on its overall business.

On May 28, 2003, President Bush signed into law the Jobs and Growth Tax Relief Reconciliation Act of 2003, which reduces income tax rates for individuals and significantly reduces the individual income tax rate imposed on corporate dividends and long-term capital gains. The reduction of these tax rates may negatively impact the Company's deferred annuities business and business from other tax deferred products.

Under the Code, income tax payable by policyholders on investment earnings is deferred during the accumulation period of certain life insurance and annuity products. This favorable tax treatment may give certain of the Company's products a competitive advantage over other noninsurance products. Congress has, from time to time, considered possible legislation that would reduce or eliminate the benefits to policyowners of the deferral of taxation on the accretion of value within certain annuities and life insurance products or otherwise affect the taxation of annuities and life insurance products and insurance companies. To the extent that the Code is revised to reduce the tax deferred status of life insurance and annuity products, or to increase the tax deferred status of competing products, all life insurance companies, including the Company, could be adversely affected.

AVAILABLE INFORMATION

Upon request, the Issuer will provide, without charge, a copy of all amendments and supplements to this Offering Circular or any new offering circular, as the case may be, prepared by the Issuer from time to time, any or all of the audited or unaudited Statutory Financial Statements of Metropolitan Life filed with the New York Department after the date of this Offering Circular, a copy of each Final Terms relating to Notes listed on the Irish Stock Exchange or any other regulated market, a copy of the Indenture and the Trust Agreement (as defined below), the Charter and By-Laws of Metropolitan Life, as well as copies of the forms of the Funding Agreement and the Support and Expenses Agreement to be entered into in connection with a particular Tranche of Notes. In addition, such documents will be available free of charge from the principal office in Ireland of the Irish Paying Agent.

The Issuer extends to each investor the opportunity, prior to the consummation of the sales of the Notes, to ask questions of, and receive answers from, the Issuer concerning the Issuer, the Notes and the terms and conditions of the Program, and to obtain any further information it may consider necessary in making an informed investment decision or in order to verify the information set forth herein, to the extent the Issuer possesses the same or can acquire such information without unreasonable effort or expense.

The Issuer has undertaken, in connection with the listing of the Notes on the Irish Stock Exchange, that if there shall occur any adverse change in the business or financial position of the Issuer or MetLife or any change in the information set out under "Terms and Conditions of the Notes" that is a significant new factor, material mistake or inaccuracy relating to the information included in this Offering Circular which is capable of affecting the assessment of any Notes under the Program, the Issuer will prepare or procure the preparation of an amendment or supplement to this Offering Circular or publish a new offering circular, as the case may be. This Offering Circular and any amendment or supplement to this Offering Circular, as the case may be, will be published on the website of the Irish Financial Services Regulatory Association at www.ifsra.ie. The information on any web site mentioned in this Offering Circular or any web site directly or indirectly linked to any web site mentioned in this Offering Circular is not a part of, or incorporated by reference into, this Offering Circular and you should not rely on it.

The Issuer is presently not subject to the informational requirements of the Exchange Act. To the extent the Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Issuer has agreed to furnish to Holders of Notes and to prospective purchasers designated by such Holders, upon request, such information as may be required by Rule 144A(d)(4) under the Securities Act.

Requests for available information may be made by contacting the Issuer at Metropolitan Life Global Funding I, c/o AMACAR Pacific Corp., 6525 Morrison Boulevard, Suite 318, Charlotte, North Carolina 28211 or by contacting the Irish Paying Agent.

CURRENCIES

Series of Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may be made in and/or linked to any currency or currencies other than the currency in which such Notes are denominated. All Tranches of Notes within the same Series will be denominated in and made in and/or linked to the same currency or currencies.

In this Offering Circular, references to "***U.S. Dollars,***" "***Dollars,***" "***$,***" and "***U.S.$***" are to the currency of the United States, references to "***euro***" and "***€***" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the treaty establishing the European Community, as amended by the Treaty on European Union, references to "***Swiss Francs,***" "***Sfr***" and "***CHF***" are to the currency of Switzerland, references to "***Japanese Yen,***" "***Yen***" and "***¥***" are to the currency of Japan, references to "***C$***" are to the currency of Canada, and references to **"Sterling"** and "***£***" are to the currency of the United Kingdom on the date hereof.

FORWARD-LOOKING STATEMENTS

This Offering Circular, including the Management's Discussion and Analysis of Financial Condition and Results of Operations of MetLife, may contain information that includes or is based upon forward-looking statements. 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 MetLife's actual future results. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance, and there are no guarantees about the performance of any securities offered by this offering circular. Actual results could differ materially from those expressed or implied in the forward-looking statements. Among factors that could cause actual results to differ materially are:

- changes in general economic conditions, including the performance of financial markets and interest rates;
- heightened competition, including with respect to pricing, entry of new competitors and the development of new products by new and existing competitors;
- unanticipated changes in industry trends;
- deterioration in the experience of the "closed block" established in connection with the reorganization MetLife;
- adverse results from litigation, arbitration or regulatory investigations;
- regulatory, accounting or tax changes that may affect the cost of, or demand for, the Company's products or services;
- downgrades in the ratings of the Notes or in the Company's and its affiliates' claims paying ability, financial strength or credit ratings;
- changes in rating agency policies or practices;
- discrepancies between actual claims, experience, and assumptions used in setting prices for the Company's products and establishing the liabilities for the Company's obligations for future policy benefits and claims;
- discrepancies between actual experience and assumptions used in establishing liabilities related to other contingencies or obligations;
- the effects of business disruption or economic contraction due to terrorism or other hostilities;

- the Company's ability to identify and consummate on successful terms any pending or future acquisitions and to successfully integrate acquired businesses with minimal disruption;
- other risks and uncertainties described herein or in any amendment or supplement to this Offering Circular; and
- other risk and uncertainties that have not been identified at this time.

The Company specifically disclaims any obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

USE OF PROCEEDS

The proceeds, net of expenses, underwriting discounts and commissions or similar compensation payable in connection with the sale of Notes, from each Series of Notes issued under the Program will be used by the Issuer to purchase one or more Funding Agreements identified in the applicable Final Terms.

THE ISSUER

The following includes a summary of certain of the terms of the Trust Agreement and the Certificate of Trust of the Issuer and related documents and is subject to the detailed provisions of the Trust Agreement and the Certificate of Trust and such related documents, copies of which may be inspected during normal business hours at the registered office of the Issuer at c/o Delaware Trust Company, National Association, 300 Delaware Avenue, 9th Floor, Wilmington, DE 19801, and the specified offices of each Paying Agent. Notwithstanding the similarity of their names, the Issuer is not an affiliate or subsidiary of Metropolitan Life, the Holding Company or any of their respective subsidiaries or affiliates.

General

The Issuer is a statutory trust organized in series under the laws of the State of Delaware pursuant to (i) a trust agreement, dated as of May 29, 2002, as amended and restated on June 7, 2002, executed by the Delaware Trustee, the Administrator and the Beneficial Owner (the **"Trust Agreement"**) and (ii) the filing of the certificate of trust with the Secretary of State of the State of Delaware on May 29, 2002 (the **"Certificate of Trust"**). Each Series of Notes will be issued through a Series of the Issuer created pursuant to the relevant supplement to the Trust Agreement under a Tranche Supplement. Each Series of Notes may be comprised of one or more Tranches.

The Issuer will not have any assets other than the Deposit in the amount of $1,000, and the Series of the Issuer will not have any material assets other than the Funding Agreement(s) acquired in connection with the Tranches of such Series of the Issuer, and the Support and Expenses Agreement(s) for the Tranches of such Series of the Issuer (subject to the subrogation rights of Metropolitan Life set forth in such Support and Expenses Agreement(s)). The registered office of the Issuer is located at c/o Delaware Trust Company, National Association, 300 Delaware Avenue, 9th Floor, Wilmington, DE 19801; its telephone number is 302-552-3200; and its facsimile number is 302-552-3129. The organizational identification number of the Issuer is 3530332. The Issuer is a statutory trust organized in series pursuant to Sections 3804 and 3806(b)(2) of the Trust Act. Separate and distinct records shall be maintained for each Series of the Issuer and the assets of the Issuer associated with each Series of the Issuer shall be held and accounted for separately from the other assets of the Issuer. The debts, liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to each Series of the Issuer shall be enforceable against only the assets of the relevant Series of the Issuer, and not against the assets of the Issuer generally or the assets related to any other Series of the Issuer.

Pursuant to the Trust Agreement, the Issuer has one trustee. The Delaware Trustee of the Issuer is Delaware Trust Company, National Association. The Delaware Trustee, on behalf of the Issuer, entered into the Administrative Services Agreement with AMACAR Pacific Corp. in its capacity as Administrator of the Issuer and of each Series of the Issuer. As provided in the Administrative Services Agreement, the Administrator will conduct the business and affairs of the Issuer and each Series of the Issuer pursuant to the Indenture, the Dealership Agreement, the Indemnification Agreement dated as of June 7, 2002, as amended by Amendment No. 1 thereto dated as of June 4, 2004 (the **"Indemnification Agreement"**), among the Issuer, Metropolitan Life and the Permanent Dealers (as defined therein), each Funding Agreement, each Support and Expenses Agreement and the Expense Calculation Agency Agreement dated as of June 7, 2002 (the **"Expense Calculation Agency Agreement"**) between the Issuer and AMACAR Pacific Corp. Under the Administrative Services Agreement, AMACAR Pacific Corp. has agreed to serve as Administrator of the Issuer until such time as the Administrative Services Agreement is terminated. The Administrative Services Agreement may be terminated by AMACAR Pacific Corp. upon 30 days notice and the Issuer may terminate such agreement for reasonable cause upon 30 days notice. Such termination will not become effective until the Issuer has appointed a successor Administrator, the successor Administrator has accepted such appointment and that the appointment of the successor Administrator does not result in a reduction or withdrawal of the credit rating of any Series of the Issuer.

Pursuant to the Trust Agreement, the Issuer has no authorized or issued shares of capital stock. The Beneficial Owner of the Deposit (as defined in the Trust Agreement) of the Issuer is AMACAR Pacific Corp. The Beneficial Owner's only interest in the Issuer is the Deposit. The Series Beneficial Owner is the sole "beneficial owner" of each Series of the Issuer (as defined and used in Sections 3801(b) and 3806(b)(2) of the Trust Act). After the payment in full to the Holders of a Series of Notes of all amounts required to be paid to them and the satisfaction of all other expenses and liabilities of the relevant Series of the Issuer, the Series Beneficial Owner will be entitled to receive any amounts remaining in the Collection Account and the Expense Account for the relevant Series. Neither the Beneficial Owner nor the Series Beneficial Owner will be secured by the Trust Estate relating to any Series of Notes.

None of Metropolitan Life, the Holding Company or any of their respective subsidiaries or affiliates owns any beneficial interest in the Issuer nor has any of these entities entered into any agreement with the Issuer other than (i) the Indemnification Agreement pursuant to which, among other things, Metropolitan Life has indemnified the Issuer for any losses arising out of, or in relation to, any untrue or alleged untrue statement of a material fact contained in this Offering Circular, or any omission or alleged omission from this Offering Circular of a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading (other than any information contained in this Offering Circular which has been supplied in writing by any Dealers for the purpose of including the same in this Offering Circular), (ii) a license agreement pursuant to which, among other things, Metropolitan Life has granted to the Issuer a non-exclusive license to use the name "Metropolitan Life" as provided therein in connection with the Program and (iii) the documents contemplated by this Program in connection with the issuance of each Series of Notes thereunder including, but not limited to, the Support and Expenses Agreements. Neither Metropolitan Life, the Holding Company nor any of their respective subsidiaries or affiliates, is affiliated with the Delaware Trustee, the Beneficial Owner, the Series Beneficial Owner, the Administrator or the Indenture Trustee.

Issuance of Notes

The Issuer was formed as a special purpose vehicle solely for the purposes of (i) issuing Notes (which are considered to be asset backed securities for the purposes of the Prospectus Directive) to investors, the net proceeds of which are to be used to purchase Funding Agreements issued by Metropolitan Life, and entering into Support and Expenses Agreements, (ii) holding the Deposit for the benefit of the Beneficial Owner and (iii) engaging in activities incidental thereto. The activities of the Issuer in connection with the issuance of the Notes are prescribed in the Indenture.

The Indenture contemplates that the Issuer may enter into supplements to such Indenture from time to time pursuant to which the Issuer will issue Tranches of Notes. In connection with the issuance of each Tranche of Notes the Issuer will purchase a Funding Agreement issued by Metropolitan Life with a balance which shall be equal to the outstanding aggregate principal amount of all Notes of the relevant Tranche of Notes at maturity (including any early maturity due to a Mandatory Early Redemption or an Event of Default). The Issuer and Metropolitan Life will enter into a Support and Expenses Agreement in connection with each Tranche.

The Issuer's estate, right, title and interest in and to all Funding Agreements and the Support and Expenses Agreements for the Tranches of a Series of Notes (subject to the subrogation rights of Metropolitan Life set forth in such Support and Expenses Agreements) will be included in the Trust Estate which the Issuer grants to the relevant Series Agent for the benefit and security of the Secured Parties. The Indenture includes a number of restrictive covenants, including a covenant that prohibits the Issuer from engaging in any business activities or incurring any liability, directly or indirectly, for any indebtedness other than the issuance of Notes and the entering into related agreements contemplated under the Indenture. No Series of Notes will have any right to receive payments under any Funding Agreement or Support and Expenses Agreement, as the case may be, related to any other Series of Notes.

Financial Statements

Delaware law does not require that the Issuer, either generally or with respect to any Series of the Issuer, prepare financial statements. Although, the Issuer has commenced operations, it has not prepared financial statements as of the date of this Offering Circular, and it is not anticipated that any such financial statements will be prepared with respect to the Issuer generally or with respect to any Series of the Issuer. Each Final Terms will set forth the capitalization of the Issuer, both actual and as anticipated immediately following the closing of the sale of the relevant Tranche of Notes. If and when prepared copies of the financial statements of the Issuer generally and with respect to any Series of the Issuer, will be made available free of charge from the Issuer at its offices c/o AMACAR Pacific Corp. 6525 Morrison Boulevard, Suite 318, Charlotte, NC 28211, and such financial statements will also be available free of charge from the principal office of the Irish Paying Agent for prospective Holders of Notes listed on the Irish Stock Exchange and from the principal office of the Paying Agent(s) for prospective Holders of Notes not listed on the Irish Stock Exchange, in each case as provided under "Available Information".

The Issuer has paid-in capital in the amount of $1,000, which amount has been paid by AMACAR Pacific Corp. as the Beneficial Owner. AMACAR Pacific Corp. is not affiliated with Metropolitan Life, the Holding Company or any of their respective subsidiaries or affiliates. Other than the indebtedness evidenced by the Notes issued from time to time under the Program, neither the Issuer nor any Series of the Issuer will have any indebtedness.

Expenses

Expenses of the Issuer relating to any Series of the Notes will be paid out of the proceeds of the issuance of any such Series as well as the amount of any interest paid on an ongoing basis under the Funding Agreement relating to such Series that is in excess of the interest due on such Series of Notes. Each Series of the Issuer will have a separate Expense Account from which expenses, including both Anticipated Expenses and Unanticipated Expenses, of the Issuer relating to that Series may be paid. Anticipated Expenses shall be paid prior to Unanticipated Expenses. Any amounts remaining in the Expense Account after any and all obligations of the Issuer for the Series of Notes have been met will be given to the Series Beneficial Owner. The Expense Account for a Series will not be included in the Trust Estate for the related Series of Notes.

CAPITALIZATION OF THE ISSUER

The following table presents the Issuer's capitalization:

	December 5, 2005(1)
Debt:	
Long-term debt(2)	$12,127,706,894
Total debt(2)	12,127,706,894
Equity:	
Paid in capital	1,000
Total equity	1,000
Total capitalization(2)	$12,127,707,894

(1) The numbers in this column reflect the April 8, 2005 maturity of the Issuer's $300,000,000 Floating Rate Notes due 2005 and the August 26, 2005 maturity of the Issuers' $350,000,000 Floating Rate Notes due 2005.

(2) For purposes of calculating long-term debt, total debt and total capitalization of the Issuer, the Notes listed below have been converted to U.S. Dollars using the spot exchange rate for the relevant currency in effect on the date listed below:

Notes	Series	Date of Spot Exchange Rate
£250,000,000 5.25% Notes due 2008	Series 2003-9 (Tranche 1)	December 10, 2003
£100,000,000 5.25% Notes due 2008	Series 2003-9 (Tranche 2)	March 11, 2004
£350,000,000 5.875% Notes due 2009	Series 2004-4	June 15, 2004
¥15,000,000,000 2.945% Notes due 2034	Series 2004-5	June 25, 2004
CHF 250,000,000 2.50% Notes due 2009	Series 2004-6	July 26, 2004
£125,000,000 Floating Rate Notes due 2009	Series 2004-8	September 27, 2004
CHF 350,000,000 2% Notes due 2011	Series 2005-6	September 9, 2005
¥10,000,000,000 2.80% Notes due 2035	Series 2005-9	December 1, 2005
CHF 300,000,000 2% Notes due 2011	Series 2005-6 (Tranche 2)	December 1, 2005

Except as disclosed above, there has been no material change in the capitalization of the Issuer since December 5, 2005.

BUSINESS OF METLIFE

The terms "MetLife" or the "Company" refer to Metropolitan Life Insurance Company, a New York domiciled stock life insurance company ***("Metropolitan Life")****, and its subsidiaries. Metropolitan Life is a wholly-owned subsidiary of MetLife, Inc. (the* ***"Holding Company"****). This section describes the business of the Company in its entirety, whether conducted directly by Metropolitan Life or indirectly through its subsidiaries. The financial results and measures included in the business description are for MetLife on a consolidated GAAP basis, unless noted otherwise. The Notes are obligations of the Issuer, and will not be obligations of, and will not be guaranteed by, any other person, including, but not limited to, Metropolitan Life, MetLife Inc. or any of their respective subsidiaries or affiliates. The obligations of Metropolitan Life under the Funding Agreements and the Support and Expenses Agreements will not be obligations of, and will not be guaranteed by, the Holding Company or any other person.*

Metropolitan Life was incorporated in May 4, 1866 and has been a New York stock life insurance company since 2000, prior to which it was a New York mutual life insurance company. The rights of the Holding Company as a shareholder in Metropolitan Life are set forth in the Charter and By-Laws of Metropolitan Life, the Insurance Law and the Business Corporation Law of the State of New York. Metropolitan Life is managed under the direction of its directors in accordance with the Charter and By-Laws and with the provisions of the Insurance Law and the Business Corporation Law of the State of New York. MetLife further adjusted its post-demutualization corporate structure by selling certain of its significant subsidiaries and certain real estate properties to the Holding Company, other affiliates, and unrelated third parties. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of MetLife — Corporate Restructuring, Acquisitions and Dispositions." The MetLife consolidated financial information shown in this document should be read with an understanding of these and other significant events described elsewhere herein, since they affect the comparability of the information between periods.

The registered office of Metropolitan Life is 200 Park Avenue, New York, New York 10166. The telephone number is (212) 578-2211. The U.S. federal employer identification number of Metropolitan Life is 13-5581829.

MetLife is a leading provider of insurance and other financial services to individual and institutional customers. The Company offers life insurance and annuities to individuals, as well as group insurance, reinsurance, and retirement & savings products and services to corporations and other institutions. MetLife, Inc., through its subsidiaries and affiliate companies, serve individuals in approximately 13 million households in the United States and provide benefits to 37 million employees and family members through their plan sponsors, including 88 of the top one hundred FORTUNE® 500 companies.

According to data compiled by A.M. Best Co., MetLife is one of the largest insurance and financial services companies in the United States. The Company's franchises and brand names uniquely position it to be the preeminent provider of protection and savings and investment products in the United States.

MetLife's well-recognized brand names, 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, MetLife will pursue the following specific strategies to achieve its goals:

- *Build on widely recognized brand names*
- *Capitalize on a large customer base*
- *Enhance capital efficiency*
- *Expand distribution channels*
- *Continue to introduce innovative and competitive products*
- *Maintain balanced focus on asset accumulation and protection products*

- *Manage operating expenses commensurate with revenue growth*
- *Further commitment to a diverse workplace*

Historically, the Company was organized into six business segments: Institutional, Individual, Auto & Home, International, Reinsurance and Asset Management. However, SSRM Holdings, Inc. (**"SSRM"**), which represented substantially all of the operations of the Asset Management segment was sold to a third party in 2005, and Metropolitan Property & Casualty Insurance Company and its subsidiaries, (**"Met P&C"**), the operations of the Auto & Home segment, was sold to the Holding Company in 2003. During the third quarter of 2004, the Company entered into an agreement to sell its wholly-owned subsidiary, SSRM, to a third party, which was sold on January 31, 2005. Accordingly, the assets, liabilities and operations of SSRM have been reclassified into discontinued operations for all periods presented. A realized gain of $165 million, net of income taxes, was recognized on the sale of SSRM. No gain or loss was recognized on the sale of Met P&C. The amount received in excess of book value of $120 million for the sale of Met P&C was recorded as a capital contribution of the Holding Company. Total revenues and policyholder benefits and claims of the Met P&C entities sold included in the consolidated statements of income were $2,343 million and $1,604 million, respectively, for the year ended December 31, 2003. Additionally, the Company completed its sale of Metropolitan Tower Life Insurance Company, MetLife General Insurance Agency Inc. and N.L. Holding Corp. to the Holding Company in 2003. The amount received in excess of book value of $28 million was recorded as a capital contribution from the Holding Company. Total revenues of the remaining entities sold in 2003 included in the consolidated statements of income were $156 million for the year ended December 31, 2003. As a result of these transactions, the Company is currently organized into three business segments, and the remaining operations of International and Asset Management are reported in Corporate & Other. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of MetLife — Corporate Restructuring, Acquisitions and Dispositions."

Financial information, including revenues, expenses, income and loss, and total assets by segment, is provided in Note 14 of the Notes to the 2004 Consolidated Financial Statements. However, the comparability between periods of this financial information by segment has been affected by the aforementioned transactions and other significant events described elsewhere herein. For example, Metropolitan Property and Casualty Insurance Company, Metropolitan Tower Life Insurance Company, MetLife General Insurance Agency, Inc., MetLife Securities, Inc. and N.L. Holding Corp., and their respective subsidiaries, which were sold to the Holding Company in 2003, are included in the accompanying consolidated financial statements until the date of sale. See Note 15 of Notes to the 2004 Consolidated Financial Statements.

Institutional

The Company's Institutional segment offers a broad range of group insurance and retirement & savings products and services to corporations and other institutions.

Group insurance products and services include group life insurance, non-medical health insurance products and related administrative services, as well as other benefits, such as employer-sponsored auto and homeowner's insurance provided by Met P&C and prepaid legal services plans. Non-medical health insurance is comprised of products such as accidental death and dismemberment, long-term care, short and long-term disability and dental insurance. The Company offers group insurance products as employer-paid benefits or as voluntary benefits where all or a portion of the premiums are paid by the employee. Revenues applicable to these group insurance products and services were $11 billion in 2004, representing 69% of total Institutional revenues of $16 billion.

MetLife has built a leading position in the U.S. group insurance market through long-standing relationships with many of the largest corporate employers in the United States. MetLife serves companies and institutions with 37 million employees and family members through their plan sponsors, including 88 of the top one hundred FORTUNE® 500 companies.

MetLife's retirement & savings products and services include an array of annuity and investment products, as well as bundled administrative and investment services sold to sponsors of small- and mid-sized 401(k) and other defined contribution plans, guaranteed interest products and other stable value products, accumulation and income annuities, and separate account contracts for the investment of defined benefit and defined contribution plan assets. Revenues applicable to MetLife's retirement & savings products were $5 billion in 2004, representing 31% of total Institutional revenues.

The employee benefit market served by Institutional is a dynamic one. Employers continue to seek ways to reduce the costs of their benefit plans while still attracting and retaining a motivated workforce. The continued high annual increases in the cost of providing employee medical care benefits and retiree benefits have resulted in many employers reviewing all of their benefit programs. The employee benefit market also reflects employees' increasing concern about the future of government-funded retirement and safety-net programs, an increasingly mobile workforce and the desire of employers to share the market risk of retirement benefits with employees. MetLife believes these trends are facilitating the introduction and increasing employer support of "voluntary" products, such as supplemental group life, long-term care insurance, annuities, auto and homeowner's insurance, and certain critical care products, as well as leading more employers to adopt defined contribution pension arrangements, such as 401(k) plans.

Marketing and Distribution

Institutional markets its products and services through separate sales forces, comprised of MetLife employees, for both its group insurance and retirement & savings lines.

MetLife distributes its group insurance products and services through a regional sales force that is segmented by the size of the target customer. Marketing representatives sell either directly to corporate and other institutional customers or through an intermediary, such as a broker or a consultant. Voluntary products are sold through the same sales channels, as well as by specialists for these products. As of December 31, 2004, the group insurance sales channels had approximately 374 marketing representatives.

MetLife group insurance products and services are distributed through the following channels:

- The national accounts unit focuses exclusively on MetLife's largest customers, generally those having more than 25,000 employees. This unit assigns account executives and other administrative and technical personnel to a discrete customer or group of customers in order to provide them with individualized products and services;
- The mid-sized market and large market are served by a regional sales force which operates from 32 offices and generally concentrates on sales to employers with fewer than 25,000 employees, through selected national and regional brokers, as well as through consultants;
- The small market sales force operates out of 36 individual offices staffed with sales and administrative employees located throughout the United States. These centers provide comprehensive support services on a local basis to brokers and other intermediaries by providing an array of products and services designed for smaller businesses, generally those with fewer than 500 employees; and
- The voluntary benefits sales force is located in the same offices as the mid-large market sales force. It specializes in voluntary benefits for the mid-large market through select brokers and consultants. In addition, there are specialized sales personnel for the sale of individual disability income policies through brokers.

MetLife's retirement & savings organization markets retirement, savings, investment and payout annuity products and services to sponsors and advisors of benefit plans of all sizes. These products and services are offered to private and public pension plans, collective bargaining units, nonprofit organizations, recipients of structured settlements and the current and retired members of these and other institutions.

MetLife distributes retirement & savings products and services through dedicated sales teams and relationship managers located in 21 offices around the country. In addition, the retirement & savings organization works with the distribution channels in the Individual segment and in the group insurance area to better reach and service customers, brokers, consultants and other intermediaries.

The Company has entered into several joint ventures and other arrangements with third parties to expand the marketing and distribution opportunities of institutional products and services. The Company also seeks to sell its institutional products and services through sponsoring organizations and affinity groups. For example, the Company is a preferred provider of long-term care products for the American Association of Retired Persons and the National Long-Term Care Coalition, a group of some of the nation's largest employers. In addition, the Company, together with John Hancock Financial Services, Inc., a wholly owned subsidiary of Manulife Financial, is a provider for the Federal Long-Term Care Insurance program. The program, available to most federal employees and their families, is the largest employer-sponsored long-term care insurance program in the country based on the number of enrollees.

Group Insurance Products and Services

MetLife's group insurance products and services include:

Group life. Group life insurance products and services include group term life (both employer paid basic life and employee paid supplemental life), group universal life, group variable universal life, dependent life and survivor income benefits. These products and services are offered as standard products or may be tailored to meet specific customer needs. This category also includes specialized life insurance products designed specifically to provide solutions for non-qualified benefit and retiree benefit funding purposes.

Non-medical health. Non-medical health insurance consists of short and long-term disability, disability income, long-term care, dental and accidental death and dismemberment coverages. MetLife also sells excess risk and administrative services only arrangements to some employers.

Other products and services. Other products and services include employer-sponsored auto and homeowner's insurance provided through Met P&C and prepaid legal plans.

Retirement & Savings Products and Services

MetLife's retirement & savings products and services include:

Guaranteed interest and stable value products. MetLife offers guaranteed interest contracts **("GICs")**, including separate account and synthetic (trust) GICs, funding agreements and similar products.

Accumulation and income products. MetLife also sells fixed and variable annuity products, generally in connection with defined contribution plans, the termination of pension plans or the funding of structured settlements.

Defined contribution plan services. MetLife provides full service defined contribution programs to small- and mid-sized companies.

Other retirement & savings products and services. Other retirement & savings products and services include separate account contracts for the investment management of defined benefit and defined contribution plans on behalf of corporations and other institutions.

Individual

MetLife's Individual segment offers a wide variety of protection and asset accumulation products aimed at serving the financial needs of its customers throughout their entire life cycle. Products offered by Individual include insurance products, such as traditional, universal and variable life insurance and variable and fixed annuities. In addition, Individual sales representatives distribute disability insurance and long-term care insurance products offered through the Institutional segment, investment products such as mutual funds, as well as other products offered by the Company's other businesses. Individual's principal distribution channels are the MetLife Financial Services career agency system, the New England Financial general agency system, and Independent Distribution. Individual distributes its products through an additional distribution channel, including MetLife Resources. In total, Individual had approximately 9,331 active sales representatives at December 31, 2004.

According to research performed by the Life Insurance Marketing and Research Association **("LIMRA")**, based on sales through December 31, 2004, MetLife was the fourth largest issuer of individual variable life insurance in the United States and the eighth largest issuer of all individual life insurance products in the United States.

Marketing and Distribution

The Company targets the large middle-income market, as well as affluent individuals, owners of small businesses and executives of small- to medium-sized companies. The Company has also been successful in selling its products in various multicultural markets. Individual products are distributed nationwide through multiple channels, with the primary distribution systems being the MetLife Financial Services career agency system, the New England Financial general agency system, and Independent Distribution.

MetLife Financial Services career agency system. The MetLife Financial Services career agency system had 5,597 agents under contract in 126 agencies at December 31, 2004. The career agency sales force focuses on the large middle-income and affluent markets, including multicultural markets. The Company supports its efforts in multicultural markets through targeted advertising, specially trained agents and sales literature written in various languages. Multicultural markets represented approximately 33% of MetLife Financial Services' individual life sales in 2004. The average face amount of a life insurance policy sold through the career agency system in 2004 was approximately $280,000.

Agents in the career agency system are full-time MetLife employees who are compensated primarily with commissions based on sales. As MetLife employees, they also receive certain benefits. Agents in the career agency system are not authorized to sell other insurers' products without MetLife's approval. At December 31, 2004, approximately 87% of the agents in the career agency system were licensed to sell one or more of the following products: variable life insurance, variable annuities and mutual funds.

From 2000 through 2004, the number of agents under contract in the MetLife Financial Services career agency system increased from 5,531 to 5,597. The increase in the number of agents is due to improving retention, which in-turn drives increased productivity. During the same period, the career agency system increased productivity, with net sales credits per agent, an industry measure for agent productivity, growing at a compound annual rate of 17%.

New England Financial general agency system. New England Financial's general agency system targets high net-worth individuals, owners of small businesses and executives of small- to medium-sized companies. The average face amount of a life insurance policy sold through the New England Financial general agency system in 2004 was approximately $460,000.

At December 31, 2004, New England Financial's sales force included 58 general agencies providing support to 2,383 agents and a network of independent brokers throughout the United States. The compensation of agents who are independent contractors and general agents who have exclusive contracts with New England Financial is based on sales, although general agents are also provided with an allowance for benefits and other expenses. At December 31, 2004, approximately 85% of New England Financial's agents were licensed to sell one or more of the following products: variable life insurance, variable annuities and mutual funds.

Independent Distribution. GenAmerica Financial markets a portfolio of individual life insurance, annuity contracts, and related financial services to high net-worth individuals and small- to medium-sized businesses through multiple distribution channels. These distribution channels include independent general agents, financial advisors, consultants, brokerage general agencies and other independent marketing organizations. The average face amount of a life insurance policy sold through the GenAmerica Financial independent general agency system in 2004 was approximately $420,000.

The GenAmerica Financial distribution channel sells universal life, variable universal life, and traditional life insurance products through 1,654 independent general agencies with which it has contractual arrangements. This reflects a 13% increase in independent general agencies from 2003 to 2004. There are 380 independent general agents who produced at least $25,000 in first-year insurance sales in 2004. These agents market GenAmerica Financial products and are independent contractors who are generally responsible for the expenses of operating their agencies, including office and overhead expenses, and the recruiting, selection, contracting, training, and development of agents and brokers in their agencies. Recruiting and wholesaling efforts are directed from a nationwide network of regional offices. GenAmerica Financial is actively developing and implementing programs designed to increase the scale and productivity of its distribution channels.

Additional distribution channels: The Company distributes its individual insurance and investment products through an additional distribution channel, MetLife Resources, a division of MetLife, which markets retirement, annuity and other financial products on a national basis through 427 agents and independent brokers. MetLife Resources targets the nonprofit, educational and healthcare markets.

Products

The Company offers a wide variety of individual insurance, as well as annuities and investment-type products aimed at serving its customers' financial needs throughout their entire life cycle.

Insurance Products

The Company's individual insurance products include variable life products, universal life products, traditional life products, including whole life and term life, and other individual products, including individual disability and long-term care insurance.

The Company continually reviews and updates its products. It has introduced new products and features designed to increase the competitiveness of its portfolio and the flexibility of its products to meet the broad range of asset accumulation, life-cycle protection and distribution needs of its customers. Some of these updates have included new universal life policies, updated variable universal life products, an improved term insurance portfolio, and enhancements to one of MetLife's whole life products.

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 accounts or directed to the Company's general account. In the separate accounts, the policyholder bears the entire risk of the investment results. MetLife collects specified fees for the management of these various investment accounts and any net return is credited directly to the policyholder's account. In some instances, third-party money management firms manage investment accounts that support variable insurance products. 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 MetLife 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. The Company credits premiums to an account maintained for the policyholder. Premiums are credited net of specified expenses and interest, at interest rates it determines, 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.

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.

Term life. Term life provides 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 20 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. Decreasing coverage is used principally to provide for loan repayment in the event of death. 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.

Other individual products. Individual 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.

MetLife's long-term care insurance provides a fixed benefit for certain costs associated with nursing home care and other services that may be provided to individuals unable to perform certain activities of daily living.

In addition to these products, MetLife's Individual segment supports a group of low face amount life insurance policies, known as industrial policies, that its agents sold until 1964.

Annuities and Investment Products

The Company offers a variety of individual annuities and investment products, including variable and fixed annuities, mutual funds, and securities.

Variable annuities. The Company offers variable annuities for both asset accumulation and asset distribution needs. Variable annuities allow the contractholder to make deposits into various investment accounts, as determined by the contractholder. The investment accounts are separate accounts and risks associated with such investments are borne entirely by the contractholder. In certain variable annuity products, contractholders may also choose to allocate all or a portion of their account to the Company's general account and are credited with interest at rates the Company determines, subject to certain minimums. In addition, contractholders may also elect certain minimum death benefit and minimum living benefit guarantees for which additional premium and fees are charged.

Fixed annuities. Fixed annuities are used 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 these contracts are allocated to the general account and are credited with interest at rates the Company determines, subject to certain minimums. Credited interest rates may be guaranteed not to change for certain limited periods of time, ranging from one to ten years.

Mutual funds and securities. MetLife and its broker-dealer affiliates offer a full range of mutual funds and other securities products.

Auto & Home

Until October 2003, the Company included an Auto & Home segment. Auto & Home, operating through Met P&C, offered personal lines property and casualty insurance directly to employees through employer-sponsored programs, as well as through a variety of retail distribution channels. Auto & Home primarily sold auto and homeowners insurance. In October 2003, Metropolitan Life sold the common stock of Metropolitan Property and Casualty Insurance Company to the Holding Company at fair market value. As a result of this transaction, the business operations in the Auto & Home segment ceased to be held by MetLife. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of MetLife — Corporate Restructuring, Acquisitions and Dispositions."

International

The operations of International, which is comprised of the Canadian branch, a subsidiary in Indonesia and a joint venture in China that began operations in March 2004, are reported in Corporate & Other as of January 1, 2004. The remaining operations provide life insurance, accident and health insurance, annuities and savings and retirement products to both individuals and groups. The Company disposed of its operations in Indonesia in September 2005. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of MetLife — Corporate Restructuring, Acquisitions and Dispositions."

Reinsurance

MetLife's Reinsurance segment is primarily comprised of the life reinsurance business of Reinsurance Group of America, Incorporated (**"RGA"**), a publicly traded company (NYSE: RGA), and MetLife's ancillary life reinsurance business. MetLife owns approximately 51.5% of RGA's outstanding common shares at April 22, 2005. In 2003, RGA issued additional common shares in a public offering. MetLife purchased approximately 25% of these newly issued shares.

RGA's operations in North America are its largest and include operations of its Canadian and U.S. subsidiaries. In addition to its North American operations, RGA has subsidiary companies, branch offices, or representative offices in Australia, Barbados, Hong Kong, India, Ireland, Japan, Mexico, South Africa, South Korea, Spain, Taiwan and the United Kingdom.

In addition to its life reinsurance business, RGA provides reinsurance of asset-intensive products and financial reinsurance. RGA and its predecessor, the reinsurance division of General American Life Insurance Company (**"General American"**), have been engaged in the business of life reinsurance since 1973. As of December 31, 2004, RGA had approximately $14 billion in consolidated assets and worldwide life reinsurance in-force of approximately $1,459 billion.

RGA's Products and Services

RGA's operational segments are segregated primarily by geographic region: United States, Canada, Asia/Pacific, Europe and South Africa, and Corporate and Other. The U.S. operations, which represented 66% of RGA's 2004 net premiums, provide traditional life, asset-intensive and financial reinsurance to domestic clients. Traditional life reinsurance involves RGA indemnifying another insurance company for all or a portion of the insurance risk, primarily mortality risk, it has written. Asset-intensive products primarily include the reinsurance of corporate-owned life insurance (**"COLI"**) and annuities. Financial reinsurance involves assisting RGA's clients (other insurance companies) in managing their regulatory capital or in achieving other financial goals. The Canadian operations, which represented 8% of RGA's 2004 net premiums, primarily provide insurers with traditional life reinsurance. The Asia/Pacific, Europe and South Africa operations, which represented, collectively, 26% of RGA's 2004 net premiums, provide primarily traditional life and critical illness reinsurance and, to a lesser extent, financial reinsurance. Traditional life reinsurance pays upon the death of the insured and critical illness coverage pays on the earlier of death or diagnosis of a pre-defined illness.

Corporate & Other

Corporate & Other contains the excess capital not allocated to the business segments, international entities, various start-up and run-off entities, as well as interest expense related to the majority of the Company's outstanding debt and expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of all intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings, as well as intersegment transactions. Additionally, the Company's asset management business, including amounts reported as discontinued operations, is included in the results of operations for Corporate & Other, throughout the date of sale, January 31, 2005.

Policyholder Liabilities

MetLife establishes, and carries as liabilities, actuarially determined amounts that are calculated to meet its policy obligations when an annuitant takes income, a policy matures or surrenders, an insured dies or becomes disabled or upon the occurrence of other covered events. MetLife computes the amounts for actuarial liabilities reported in its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (**"GAAP"**).

The liability for future policy benefits for participating traditional life insurance is the net level reserve using the policy's guaranteed mortality rates and the dividend fund interest rate or nonforfeiture interest rate, as applicable. MetLife amortizes deferred policy acquisition costs (**"DAC"**) in relation to the product's estimated gross margins.

In establishing actuarial liabilities for certain other insurance contracts, MetLife distinguishes between short duration and long duration contracts. The actuarial liability for short duration contracts consists of gross unearned premiums as of the valuation date and the discounted amount of the future payments on pending and approved claims as of the valuation date. Long duration contracts consist of (i) guaranteed renewable term life, (ii) non-participating whole life, (iii) individual disability, (iv) group life, dental and disability, and (v) long-term care contracts. MetLife determines actuarial liabilities for long duration contracts using assumptions based on experience, plus a margin for adverse deviation for these policies. Where they exist, MetLife amortizes DAC, including value of business acquired (**"VOBA"**), in relation to the associated gross profits or premium.

Liabilities for investment-type and universal life-type products primarily consist of policyholders' account balances. Investment-type products include individual annuity contracts in the accumulation phase and certain group pension contracts that have limited or no mortality risk. Universal life-type products consist of universal and variable life contracts and contain group pension contracts. For universal life-type contracts with front-end loads, MetLife defers the charge and amortizes the unearned revenue using the product's estimated gross profits. MetLife amortizes DAC on investment-type and universal life-type contracts in relation to estimated gross profits. Limited pay contracts primarily consist of single premium immediate individual and group pension annuities. Actuarial liabilities for limited pay contracts are equal to the present value of future benefit payments and related expenses less the present value of future net premiums plus premium deficiency reserves, if any. For limited pay contracts, the Company also defers the excess of the gross premium over the net premium and recognizes such excess into income in a constant relationship with insurance in force for life insurance contracts and in relation to anticipated future benefit payments for annuity contracts. The Company amortizes DAC for limited pay contracts over the premium payment period. The Company also establishes actuarial liabilities for future policy benefits (associated with base policies and riders, unearned mortality charges and future disability benefits), for other policyholder liabilities (associated with unearned revenues and claims payable) and for unearned revenue (the unamortized portion of front-end loads charged). The Company also establishes liabilities for minimum death and income benefit guarantees relating to certain annuity contracts and secondary and paid up guarantees relating to certain life policies.

Pursuant to state insurance laws, MetLife'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 generally differ from actuarial liabilities for future policy benefits determined using GAAP.

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 "— Regulation — Insurance Regulation — Policy and contract reserve sufficiency analysis."

Due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of its actuarial liabilities, MetLife cannot precisely determine the amounts that it will ultimately pay with respect to these actuarial liabilities, and the ultimate amounts may vary from the estimated amounts, particularly when payments may not occur until well into the future.

However, MetLife believes its actuarial liabilities for future benefits are adequate to cover the ultimate benefits required to be paid to policyholders. MetLife periodically reviews its estimates of actuarial liabilities for future benefits and compares them with its actual experience. It revises estimates, to the extent permitted or required under GAAP, if it determines that future expected experience differs from assumptions used in the development of actuarial liabilities.

The Company has experienced, and may in the future experience, losses resulting from acts of terrorism that may have an adverse impact on its business, results of operations and financial condition Due to their nature, the Company cannot predict the incidence, timing and severity of acts of terrorism, but the Company makes broad use of reinsurance to manage risk from these perils.

Underwriting and Pricing

Institutional and Individual

The Company's underwriting for the Institutional and Individual segments involves an evaluation of applications for life, disability, dental, retirement & savings, and long-term care insurance products and services by a professional staff of underwriters and actuaries, who determine the type and the amount of risk that the Company is willing to accept. The Company employs 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.

Individual underwriting considers not only an applicant's medical history, but also other factors such as financial profiles, foreign travel, vocations and alcohol, drug and tobacco use. The Company's group underwriters generally evaluate the risk characteristics of each prospective insured group, although with certain voluntary products, employees may be underwritten on an individual basis. Generally, the Company is 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 generally a policy is not issued unless the particular risk or group has been examined and approved for underwriting. Underwriting is generally done by the Company's employees, although some policies are reviewed by intermediaries under strict guidelines established by the Company.

In order to maintain high standards of underwriting quality and consistency, the Company engages in a multilevel series of ongoing internal underwriting audits, and is subject to external audits by its reinsurers, at both its remote underwriting offices and its corporate underwriting office.

The Company has established senior level oversight of the underwriting process that facilitates quality sales and serving the needs of its customers, while supporting its financial strength and business objectives. The Company's goal is to achieve the underwriting, mortality and morbidity levels reflected in the assumptions in its 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 the Company.

Pricing for the Institutional and Individual segments reflects the Company's insurance underwriting standards. Product pricing of insurance products 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. Product specifications are designed to mitigate the risks of greater than expected mortality, and the Company periodically monitors mortality and morbidity assumptions. Investment-oriented products are priced based on various factors, which may include investment return, expenses, persistency, and optionality.

Unique to the Institutional segment's pricing is experience rating. MetLife employs both prospective and retrospective experience rating. Prospective experience rating involves the evaluation of past experience for the purpose of determining future premium rates. Retrospective experience rating involves the evaluation of past experience for the purpose of determining the actual cost of providing insurance for the customer for the period of time in question.

MetLife continually reviews its underwriting and pricing guidelines so that its policies remain competitive and supportive of its marketing strategies and profitability goals. Decisions are based on established actuarial pricing and risk selection principles to ensure that MetLife's underwriting and pricing guidelines are appropriate.

Reinsurance

Reinsurance is written on a facultative basis or an automatic treaty basis. Facultative reinsurance is individually underwritten by the reinsurer for each policy to be reinsured. Factors considered in underwriting facultative reinsurance are medical history, impairments, employment, hobbies and financial information. An automatic reinsurance treaty provides that risks will be ceded on specified blocks of business where the underlying policies meet the ceding company's underwriting criteria. In contrast to facultative reinsurance, the reinsurer does not approve each individual risk. Automatic reinsurance treaties generally provide that the reinsurer will be liable for a portion of the risk associated with specified policies written by the ceding company. Factors considered in underwriting automatic reinsurance are the product's underwriting, pricing, distribution and optionality, as well as the ceding company's retention and financial strength.

Reinsurance Activity

In addition to the activity of the Reinsurance Segment, MetLife cedes premiums to other insurers under various agreements that cover individual risks, group risks or defined blocks of business, on a coinsurance, yearly renewable term, excess or catastrophe excess basis. These reinsurance agreements spread the risk and minimize the effect of losses. The amount of each risk retained by MetLife depends on its evaluation of the specific risk, subject, in certain circumstances, to maximum limits based on the characteristics of coverages. The Company also cedes first dollar mortality risk under certain contracts. It obtains reinsurance when capital requirements and the economic terms of the reinsurance make it appropriate to do so.

Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse MetLife for the ceded amount in the event the claim is paid. However, MetLife remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations assumed by it. Since it bears the risk of nonpayment by one or more of its reinsurers, MetLife cedes reinsurance to well-capitalized, highly rated reinsurers.

Individual

MetLife currently reinsures up to 90% of the mortality risk for all new individual life insurance policies that it writes through its various insurance companies. This practice was initiated for different products starting at various points in time between 1992 and 2000. MetLife evaluates its reinsurance programs routinely and may increase or decrease its retention at any time. The Company retains $25 million on single life policies and up to $30 million on survivorship policies and reinsures 100% of amounts in excess of the Company's retention limits. The Company reinsures a portion of mortality risk on its universal life policies.

MetLife reinsures its business through a diversified group of reinsurers. Placement of reinsurance is done primarily on an automatic basis and also on a facultative basis for risks with specific characteristics.

In addition to reinsuring mortality risk, MetLife reinsures other risks and specific coverages. The Company routinely reinsures certain classes of risks in order to limit its exposure to particular travel, vocation and lifestyle hazards. MetLife's retention limits per life vary by franchise and according to the characteristics of the particular risks. MetLife also reinsures certain guarantees in connection with benefit features offered under some of its individual variable annuities.

Regulation

Insurance Regulation

Metropolitan Life is licensed to transact insurance business in, and is subject to regulation and supervision by, all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Canada. Each of MetLife's other insurance subsidiaries is licensed and regulated in all U.S. and international jurisdictions where it conducts insurance business. The extent of such regulation varies, but most jurisdictions have laws and regulations governing the financial aspects of insurers, including standards of solvency, reserves, reinsurance and capital adequacy, and the business conduct of insurers, including marketing and sales practices and claims handling. In addition, statutes and regulations usually require the licensing of insurers and their agents, the approval of policy forms and certain other related materials and, for certain lines of insurance, the approval of rates. Such statutes and regulations also prescribe the permitted types and concentration of investments.

The New York Insurance Law limits the sales commissions and certain other marketing expenses that may be incurred in connection with the sale of life insurance policies and annuity contracts. MetLife's insurance subsidiaries are each required to file reports, generally including detailed annual financial statements, with insurance regulatory authorities in each of the jurisdictions in which they do business, and their 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.

The National Association of Insurance Commissioners (**"NAIC"**) has established a program of accrediting state insurance departments. NAIC accreditation permits accredited states to conduct periodic examinations of insurers domiciled in such states. NAIC-accredited states will not accept reports of examination of insurers from unaccredited states, except under limited circumstances. As a direct result, insurers domiciled in unaccredited states may be subject to financial examination by accredited states in which they are licensed, in addition to any examinations conducted by their domiciliary states. The New York State Department of Insurance (the **"Department"**), Metropolitan Life's principal insurance regulator, has not received its accreditation as a result of the New York legislature's failure to adopt certain model NAIC laws. The Company does not believe that this will have a significant impact upon its ability to conduct its insurance businesses.

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 the Holding Company and its insurance subsidiaries with insurance, securities and other laws and regulations regarding the conduct of MetLife's insurance and securities businesses. MetLife cooperates with such inquiries and takes corrective action when warranted. See "Legal Proceedings."

Holding Company regulation. The Holding Company and its insurance subsidiaries are subject to regulation under the insurance holding company laws of various 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 their capital structure, ownership, financial condition, certain intercompany transactions and general business operations. These laws and regulations also regulate transactions among the Holding Company (or affiliates of the Holding Company) and its insurance subsidiaries. For certain types of agreements and transactions, these laws and regulations require prior notification to, and non-disapproval or approval by, the insurance regulatory authority of the issuer's jurisdiction of domicile.

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 — The Company." The New York Insurance Law and the regulations thereunder also restrict the aggregate amount of investments Metropolitan Life may make in non-life insurance subsidiaries, and provide for detailed periodic reporting on subsidiaries.

Guaranty associations and similar arrangements. Most of the jurisdictions in which MetLife's insurance subsidiaries are admitted to transact business require life 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's insurance subsidiaries have not been material. The Company has established liabilities for guaranty fund assessments that it considers adequate for assessments with respect to insurers that are currently subject to insolvency proceedings. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Insolvency Assessments."

Statutory insurance examination. 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. On November 1, 2000, the Department completed an examination of Metropolitan Life for each of the five years in the period ended December 31, 1998 which included recommendations for certain changes in record keeping processes, but did not result in a fine. The Department is in process of completing an examination for each of the five years in the period ended December 31, 2003. The draft examination report is expected to be available during the third quarter of 2005. For the three-year period ended December 31, 2004, MetLife has not received any material adverse findings resulting from state insurance department examinations of its insurance subsidiaries.

Regulatory authorities in a small number of states have had investigations or inquiries relating to Metropolitan Life's, New England Life Insurance Company's (**"New England Life"**) or General American's sales of individual life insurance policies or annuities. Over the past several years, these and a number of investigations by other regulatory authorities were resolved for monetary payments and certain other relief. The Company may continue to resolve investigations in a similar manner.

Policy and contract reserve sufficiency analysis. Under the New York Insurance Law, Metropolitan Life is required to conduct annually an analysis of the sufficiency of all life and health insurance and annuity statutory reserves. Additionally, other life insurance affiliates are subject to similar requirements in their states of domicile. In each case, a qualified actuary must submit an opinion which states that the statutory reserves, when considered in light of the assets held with respect to such reserves, make good and sufficient provision for the associated contractual obligations and related expenses of the insurer. If such an opinion cannot be provided, the insurer must set up additional reserves by moving funds from surplus.

Since inception of this requirement, Metropolitan Life and all other insurance subsidiaries required by other jurisdictions to provide similar opinions have provided them without qualifications.

Surplus and capital. The New York Insurance Law requires New York domestic stock life insurers to maintain minimum capital. At December 31, 2004, Metropolitan Life's capital was in excess of such required minimum. Since its demutualization, Metropolitan Life has continued to offer participating policies. Metropolitan Life is subject to statutory restrictions that limit to 10% the amount of statutory profits on participating policies written after the demutualization (measured before dividends to policyholders) that can inure to the benefit of stockholders. Since the demutualization, the impact of these restrictions on net income has not been, and Metropolitan Life believes that in the future it will not be, significant.

The Company's U.S. insurance subsidiaries are subject to the supervision of the regulators in each jurisdiction in which they are licensed to transact business. Regulators have discretionary authority, in connection with the continued licensing of these insurance subsidiaries, to limit or prohibit 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. See "— Risk-based capital."

Risk-based capital ***("RBC").*** The New York Insurance Law requires that New York domestic life insurers report their RBC based on a formula calculated by applying factors to various asset, premium and statutory reserve items. Similar rules apply to each of the Company's domestic insurance subsidiaries. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk and business risk. The Department uses the formula 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. The New York Insurance Law imposes broad confidentiality requirements on those engaged in the insurance business (including insurers, agents, brokers and others) and on the Department as to the use and publication of RBC data.

The New York Insurance Law gives the New York Superintendent of Insurance explicit regulatory authority to require various actions by, or take various actions against, insurers whose total adjusted capital does not exceed certain RBC levels. At December 31, 2004, Metropolitan Life's total adjusted capital was in excess of each of those RBC levels.

Each of the U.S. insurance subsidiaries of the Company is also subject to certain RBC requirements. At December 31, 2004, the total adjusted capital of each of these insurance subsidiaries also 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 — Capital."

The NAIC adopted the Codification of Statutory Accounting Principles (**"Codification"**) in 2001. Codification was intended to standardize regulatory accounting and reporting to state insurance departments. However, statutory accounting principles continue to be established by individual state laws and permitted practices. The Department has adopted Codification with certain modifications for the preparation of statutory financial statements of insurance companies domiciled in New York. Modifications by the various state insurance departments may impact the effect of Codification on the statutory capital and surplus of Metropolitan Life and its insurance subsidiaries.

Regulation of investments. Each of the Company's insurance subsidiaries is subject to state laws and regulations that require diversification of its 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. The Company believes that the investments made by each of its insurance subsidiaries complied with such regulations at December 31, 2004.

Federal initiatives. Although the federal government generally does not directly regulate the insurance business, federal initiatives often have an impact on the business in a variety of ways. From time to time, federal measures are proposed which may significantly affect the insurance business, including the repeal of the federal estate tax, tax benefits associated with COLI, and the creation of tax advantaged or tax exempt savings accounts that would favor short-term savings over long-term savings. In addition, a bill reforming asbestos litigation may be voted on by the Senate in 2005. The Company cannot predict whether these initiatives will be adopted as proposed, or what impact, if any, such proposals may have on the Company's business, consolidated results of operations or financial condition.

Legislative Developments. On May 28, 2003, President Bush signed into law the Jobs and Growth Tax Relief Reconciliation Act of 2003, which includes a major reduction in rates for long term capital gains and cash dividends on equity securities. It is unclear what the effect of this tax rate reduction may have on the demand for products which do not benefit from such measures.

On October 22, 2004, President Bush signed into law the American Jobs Creation Act of 2004, which includes changes to requirements for non-qualified deferred compensation. The Company believes that the changes to such requirements will not have a material impact on its non-qualified deferred compensation arrangements.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Application of Recent Accounting Pronouncements" for a discussion of the Medicare Prescription Drug Improvement and Modernization Act of 2003.

Management cannot predict what other proposals may be made, what legislation may be introduced or enacted or the impact of any such legislation on the Company's business, consolidated results of operations and financial condition.

Broker/Dealer and Securities Regulation

Metropolitan Life and some of its subsidiaries and certain policies and contracts offered by them, are subject to various levels of regulation under the federal securities laws administered by the Securities and Exchange Commission. Some of the Company's subsidiaries are investment advisers registered under the Investment Advisers Act of 1940, as amended. In addition, some separate accounts and a variety of mutual funds are registered under the Investment Company Act of 1940, as amended. Some annuity contracts and insurance policies issued by the Company are funded by separate accounts, the interests in which are registered under the Securities Act of 1933, as amended. Metropolitan Life and certain of its subsidiaries are registered as broker/dealers under the Exchange Act, and are members of the National Association of Securities Dealers, Inc. (**"NASD"**). These broker/dealers may also be registered under various state securities laws.

Some of MetLife's subsidiaries also have certain pooled investment vehicles that are exempt from registration under the Securities Act and the Investment Company Act, but may be subject to certain other provisions of such acts.

Federal and state securities regulatory authorities from time to time make inquiries regarding compliance by MetLife with securities and other laws and regulations regarding the conduct of their securities businesses. MetLife cooperates with such inquiries and takes corrective action when warranted.

These laws and regulations are primarily intended to protect investors in the securities markets and generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the conduct of business for failure to comply with such laws and regulations. The Company may also be subject to similar laws and regulations in the states and foreign countries in which it provides investment advisory services, offers the products described above or conducts other securities-related activities.

Environmental Considerations

As an owner and operator of real property, the Company is 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, the Company holds equity interests in companies that could potentially be subject to environmental liabilities. The Company routinely has environmental assessments performed with respect to real estate being acquired for investment and real property to be acquired through foreclosure. The Company cannot provide assurance that unexpected environmental liabilities will not arise. However, based on information currently available to management, management believes 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 the Company's business, consolidated results of operations or financial condition.

ERISA Considerations

The Company provides products and services to certain employee benefit plans that are subject to the Employee Retirement Income Security Act of 1974, as amended (**"ERISA"**), or the Internal Revenue Code of 1986, as amended (the **"Code"**). As such, its 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, the Internal Revenue Service and the Pension Benefit Guaranty Corporation.

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. The Company has taken and continues to take steps designed to ensure compliance with these regulations.

Competition

The Company believes that competition with its business segments is based on a number of factors, including service, product features, scale, price, commission structure, financial strength, claims-paying ratings, credit ratings, ebusiness capabilities and name recognition. It competes with a large number of other insurers, as well as non-insurance financial services companies, such as banks, broker/dealers and asset managers, for individual consumers, employer and other group customers and agents and other distributors of insurance and investment products. Some of these companies offer a broader array of products, have more competitive pricing or, with respect to other insurers, have higher claims paying ability ratings. Some may also have greater financial resources with which to compete. National banks, which may sell annuity products of life insurers in some circumstances, also have pre-existing customer bases for financial services products.

In 1999, the Gramm-Leach-Bliley Act was adopted, implementing fundamental changes in the regulation of the financial services industry in the United States. With the passage of this Act, among other things, bank holding companies may acquire insurers, and insurance holding companies may acquire banks. The ability of banks to affiliate with insurers may materially adversely affect all of the Company's product lines by substantially increasing the number, size and financial strength of potential competitors.

The Company must attract and retain productive sales representatives to sell its insurance, annuities and investment products. Strong competition exists among insurers for sales representatives with demonstrated ability. The Company competes with other insurers for sales representatives primarily on the basis of its financial position, support services and compensation and product features. See "— Individual — Marketing and Distribution." MetLife continues to undertake several initiatives to grow the MetLife Financial Services career agency force while continuing to enhance the efficiency and production of the existing sales force. The Company cannot provide assurance that these initiatives will succeed in attracting and retaining new agents. Sales of individual insurance, annuities and investment products and the Company's results of operations and financial position could be materially adversely affected if it is unsuccessful in attracting and retaining agents.

Many of the Company's insurance products, particularly those offered by its Institutional segment, 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 the Company. The effect of competition may, as a result, adversely affect the persistency of these and other products, as well as the Company's ability to sell products in the future.

The investment management and securities brokerage businesses have relatively few barriers to entry and continually attract new entrants. Many of the Company's competitors in these businesses offer a broader array of investment products and services and are better known than it as sellers of annuities and other investment products.

Congress periodically considers reforms to the nation's health care system. While the Company offers non-medical health insurance products (such as group dental insurance, long-term care and disability insurance), it generally does not offer medical indemnity products or managed care products, and, accordingly, it does not expect to be directly affected by such proposals to any significant degree. However, the uncertain environment resulting from health care reform could cause group health insurance providers to enter some of the markets in which the Company does business, thereby increasing competition. Increasing healthcare costs are causing consumers to seek alternative financial protection products. As a result, the Company is entering the fixed benefit critical care marketplace. Changes to the health care system may make this market more or less attractive in the future.

Company Ratings

Financial strength and claims paying ability ratings, issued by various rating agencies, are among many factors in establishing the competitive position of insurers. A ratings downgrade (or the potential for such a downgrade) of Metropolitan Life or any of its insurance subsidiaries could, among other things, increase the number of policies surrendered and withdrawals by policyholders of cash values from their policies, adversely affect relationships with broker/dealers, banks, agents, wholesalers and other distributors of the Company's products and services, negatively impact new sales, and adversely affect its ability to compete and thereby have a material adverse effect on its business, results of operations and financial condition. The Company's insurer financial strength ratings as of the date hereof are listed in the table below:

Insurer Financial Strength Ratings

	A.M. Best Company(1)	Fitch Ratings(2)	Moody's Investors Service(3)	Standard & Poor's(4)
General American Life Insurance Company	A+	AA	Aa2	AA
Metropolitan Life Insurance Company	A+	AA	Aa2	AA
Metropolitan Life Insurance Company (Short-term rating)	n/a	n/a	P-1	A-1+
New England Life Insurance Company	A+	AA	Aa2	AA
Paragon Life Insurance Company	A+	AA	n/a	AA
RGA Reinsurance Company	A+	AA−	A1	AA−
RGA Life Reinsurance Company of Canada	n/a	n/a	n/a	AA−

(1) A.M. Best Company (**"Best"**) financial strength ratings range from "A++ (superior)" to "F (in liquidation)." Ratings of "A+" and "A" are in the "superior" and "excellent" categories, respectively. The current outlook for the Best financial strength ratings is stable.

(2) Fitch Ratings (**"Fitch"**) insurer financial strength ratings range from "AAA (exceptionally strong)" to "D (distressed)." A "+" or "−" may be appended to ratings from "AA" to "CCC" to indicate relative position within a category. A rating of "AA" is in the "very strong" category. The current outlook for the Fitch insurer financial strength ratings is stable.

(3) Moody's Investors Service (**"Moody's"**) long-term insurance financial strength ratings range from "Aaa (exceptional)" to "C (extremely poor)." A numeric modifier may be appended to ratings from "Aa" to "Caa" to indicate relative position within a category, with 1 being the highest and 3 being the lowest. A rating of "Aa" is in the "excellent" category. The current outlook for the Moody's- long term insurance financial strength rating for Metropolitan Life and the other listed companies, other than RGA is negative. The current outlook for the Moody's insurance financial strength rating for RGA Reinsurance Company is stable.

Moody's short-term insurer financial strength ratings range from "P-1 (superior)" to "NP (not prime)." The current outlook for the Moody's short-term insurer financial strength rating for Metropolitan Life is stable.

(4) Standard & Poor's (**"S&P"**) long term insurer financial strength ratings range from "AAA (extremely strong)" to "R (regulatory action)." A "+" or "−" may be appended to ratings from "AA" to "CCC" to indicate relative position within a category. A rating of "AA" is in the "very strong" category. The current outlook for S&P's long term insurer financial strength rating is negative.

S&P short-term insurer financial strength ratings range from "A-1+ (extremely strong)" to "R (regulatory action)." The current outlook for the S&P short term insurer financial strength rating for Metropolitan Life is stable.

The foregoing ratings reflect each rating agency's opinion of Metropolitan Life and its insurance subsidiaries' financial characteristics with respect to their ability to pay under insurance policies and contracts in accordance with their terms, and are not evaluations directed toward the protection of the Company's securityholders.

Employees

Since January 1, 2003, MetLife Group, Inc., a wholly owned subsidiary of the Holding Company, has provided substantially all non-sales personnel, as needed, to support the activities of Metropolitan Life. At December 31, 2004, Metropolitan Life employed approximately 6,200 sales force personnel.

Trademarks

MetLife has a worldwide trademark portfolio that it considers important in the marketing of its products and services, including, among others, the trademark "MetLife". Furthermore, MetLife has the exclusive license to use the Peanuts® characters in the area of financial services and health care benefit services in the United States and some foreign countries under an advertising and premium agreement with United Feature Syndicate until December 31, 2012. The Company believes that its rights in its trademarks and its Peanuts® characters license are well protected.

Properties

The Company's home office is located at 200 Park Avenue in New York, New York.

At December 31, 2004, the Company leased 686,082 rentable square feet in Long Island City, New York under a long-term lease arrangement. Currently, 1,683 associates and related support personnel are located in Long Island City.

The Company continues to own 18 other buildings in the U.S. that it uses in the operation of its business. These buildings contain approximately 3.8 million rentable square feet and are located in the following states: Florida, Illinois, Massachusetts, Missouri, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, Rhode Island and Texas. The Company's computer center in Rensselaer, New York is not owned in fee but rather is occupied pursuant to a long-term ground lease. The Company leases space in 565 other locations throughout the U.S. and abroad, and these leased facilities consist of approximately 6.6 million rentable square feet. Approximately 39% of these leases are occupied as sales offices for the Individual segment, and the Company uses the balance for its other business activities. Management believes that its properties are suitable and adequate for the Company's current and anticipated business operations. Additionally, the Company has entered into contracts to sell its buildings in St. Louis, Missouri and Happauge, New York and has entered into a contract to purchase two buildings in Tampa, Florida.

The Holding Company arranges for property and casualty coverage on the properties of its affiliates, including those of the Company, taking into consideration its risk exposures and the cost and availability of commercial coverages, including deductible loss levels. In connection with its renewal of those coverages, the Holding Company has arranged $950 million of annual terrorist coverage on Metropolitan Life's real estate portfolio through December 31, 2005.

Legal Proceedings

The following should be read in conjunction with Note 10 of the Company's 2004 Audited Consolidated Financial Statements and Note 5 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

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

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

On a quarterly and annual basis, the Company reviews relevant information with respect to liabilities for litigation and contingencies to be reflected in the Company's consolidated financial statements. The review includes senior legal and financial personnel. Unless stated below, estimates of possible additional losses or ranges of loss for particular matters cannot in the ordinary course be made with a reasonable degree of certainty. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. It is possible that some of the matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be estimated as of September 30, 2005.

Sales Practices Claims

Over the past several years, Metropolitan Life, New England Mutual Life Insurance Company (**"New England Mutual"**) and General American Life Insurance Company (**"General American"**) have faced numerous claims, including class action lawsuits, alleging improper marketing and sales of individual life insurance policies or annuities. These lawsuits generally are referred to as "sales practices claims."

In December 1999, a federal court approved a settlement resolving sales practices claims on behalf of a class of owners of permanent life insurance policies and annuity contracts or certificates issued pursuant to individual sales in the United States by Metropolitan Life, Metropolitan Insurance and Annuity Company or Metropolitan Tower Life Insurance Company between January 1, 1982 and December 31, 1997.

Certain class members have opted out of the class action settlements noted above and have brought or continued non-class action sales practices lawsuits. In addition, other sales practices lawsuits including lawsuits relating to the sale of mutual funds and other products, have been brought. As of September 30, 2005, there are approximately 318 sales practices lawsuits pending against Metropolitan Life; approximately 45 sales practices lawsuits pending against New England Mutual, New England Life Insurance Company (**"NELICO"**), and New England Securities Corporation (**"NES,"** together with New England Mutual and NELICO, collectively, **"New England"**); and approximately 34 sales practices lawsuits pending against General American. Metropolitan Life, New England and General American continue to defend themselves vigorously against these lawsuits. Some individual sales practices claims have been resolved through settlement, won by dispositive motions, or, in a few instances, have gone to trial. Most of the current cases seek substantial damages, including in some cases punitive and treble damages and attorneys' fees. Additional litigation relating to the Company's marketing and sales of individual life insurance, mutual funds and other products may be commenced in the future.

The Company believes adequate provision has been made in its financial statements for all probable and reasonably estimable losses for sales practices claims against Metropolitan Life, New England and General American.

Regulatory authorities in a small number of states have had investigations or inquiries relating to Metropolitan Life's, New England's or General American's sales of individual life insurance policies or annuities or other products. Over the past several years, these and a number of investigations by other regulatory authorities were resolved for monetary payments and certain other relief. The Company may continue to resolve investigations in a similar manner.

Asbestos-Related Claims

The following should be read in conjunction with Note 10 of the Company's 2004 Audited Consolidated Financial Statements and Note 5 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

Metropolitan Life previously reported that it had received approximately 23,500 asbestos-related claims in 2004 and approximately 19,100 such claims in the first nine months of 2004. In the context of reviewing in the third quarter of 2005 certain pleadings received in 2004, it was determined that there was a small undercount of Metropolitan Life's asbestos-related claims in 2004. Accordingly, Metropolitan Life now reports that it received approximately 23,900 asbestos-related claims in 2004 and approximately 12,100 and 19,500 asbestos-related claims during the first nine months of 2005 and 2004, respectively.

Metropolitan Life continues to study its claims experience, review external literature regarding asbestos claims experience in the United States and consider numerous variables that can affect its asbestos liability exposure, including bankruptcies of other companies involved in asbestos litigation and legislative and judicial developments, to identify trends and to assess their impact on the recorded asbestos liability.

The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for asbestos-related claims. The ability of Metropolitan Life to estimate its ultimate asbestos exposure is subject to considerable uncertainty due to numerous factors. The availability of data is limited and it is difficult to predict with any certainty numerous variables that can affect liability estimates, including the number of future claims, the cost to resolve claims, the disease mix and severity of disease, the jurisdiction of claims filed, tort reform efforts and the impact of any possible future adverse verdicts and their amounts.

The number of asbestos cases that may be brought or the aggregate amount of any liability that Metropolitan Life may ultimately incur is uncertain. Accordingly, it is reasonably possible that the Company's total exposure to asbestos claims may be greater than the liability recorded by the Company in its interim condensed consolidated financial statements and that future charges to income may be necessary. While the potential future charges could be material in particular quarterly or annual periods in which they are recorded, based on information currently known by management, it does not believe any such charges are likely to have a material adverse effect on the Company's consolidated financial position.

During 1998, Metropolitan Life paid $878 million in premiums for excess insurance policies for asbestos-related claims. The excess insurance policies for asbestos-related claims provide for recovery of losses up to $1,500 million, which is in excess of a $400 million self-insured retention. The asbestos-related policies are also subject to annual and per-claim sublimits. Amounts are recoverable under the policies annually with respect to claims paid during the prior calendar year. Although amounts paid by Metropolitan Life in any given year that may be recoverable in the next calendar year under the policies will be reflected as a reduction in the Company's operating cash flows for the year in which they are paid, management believes that the payments will not have a material adverse effect on the Company's liquidity.

Each asbestos-related policy contains an experience fund and a reference fund that provides for payments to Metropolitan Life at the commutation date if the reference fund is greater than zero at commutation or pro rata reductions from time to time in the loss reimbursements to Metropolitan Life if the cumulative return on the reference fund is less than the return specified in the experience fund. The return in the reference fund is tied to performance of the Standard & Poor's 500 Index and the Lehman Brothers Aggregate Bond Index. A claim with respect to the prior year was made under the excess insurance policies in 2003, 2004 and 2005 for the amounts paid with respect to asbestos litigation in excess of the retention. As the performance of the indices impacts the return in the reference fund, it is possible that loss reimbursements to the Company and the recoverable with respect to later periods may be less than the amount of the recorded losses. Such foregone loss reimbursements may be recovered upon commutation depending upon future performance of the reference fund. If at some point in the future, the Company believes the liability for probable and reasonably estimable losses for asbestos-related claims should be increased, an expense would be recorded and the insurance recoverable would be adjusted subject to the terms, conditions and limits of the excess insurance policies. Portions of the change in the insurance recoverable would be recorded as a deferred gain and amortized into income over the estimated remaining settlement period of the insurance policies. The foregone loss reimbursements were approximately $8.3 million with respect to 2002 claims, $15.5 million with respect to 2003 claims and $15.1 million with respect to 2004 claims and estimated as of September 30, 2005, to be approximately $59 million in the aggregate, including future years.

Demutualization Actions

Several lawsuits were brought in 2000 challenging the fairness of Metropolitan Life's plan of reorganization, as amended (the **"plan"**) and the adequacy and accuracy of Metropolitan Life's disclosure to policyholders regarding the plan. These actions named as defendants some or all of Metropolitan Life, the Holding Company, the individual directors, the Superintendent and the underwriters for MetLife, Inc.'s initial public offering, Goldman, Sachs & Co. and Credit Suisse First Boston. In 2003, a trial court within the commercial part of the New York State court granted the defendants' motions to dismiss two purported class actions. In 2004, the appellate court modified the trial court's order by reinstating certain claims against Metropolitan Life, the Holding Company and the individual directors. Plaintiffs in these actions have filed a consolidated amended complaint. On October 11, 2005, the trial court granted in part and denied in part defendants' motion to dismiss or strike portions of the consolidated amended complaint. Plaintiffs' motion to certify a litigation class is pending. Another purported class action filed in New York State court in Kings County has been consolidated with this action. The plaintiffs in the state court class actions seek compensatory relief and punitive damages. Five persons have brought a proceeding under Article 78 of New York's Civil Practice Law and Rules challenging the Opinion and Decision of the Superintendent who approved the plan. In this proceeding, petitioners sought to vacate the Superintendent's Opinion and Decision and enjoin him from granting final approval of the plan. On November 10, 2005, the trial court granted respondents' motions to dismiss this proceeding. In a purported class action against Metropolitan Life and the Holding Company pending in the United States District Court for the Eastern District of New York, plaintiffs served a second consolidated amended complaint in 2004. In this action, plaintiffs assert violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 in connection with the plan, claiming that the Policyholder Information Booklets failed to disclose certain material facts and contained certain material misstatements. They seek rescission and compensatory damages. On June 22, 2004, the court denied the defendants' motion to dismiss the claim of violation of the Securities Exchange Act of 1934. The court had previously denied defendants' motion to dismiss the claim for violation of the Securities Act of 1933. In 2004, the court reaffirmed its earlier decision denying defendants' motion for summary judgment as premature. On July 19, 2005, this federal trial court certified a class action against Metropolitan Life and the Holding Company. Metropolitan Life, the Holding Company and the individual defendants believe they have meritorious defenses to the plaintiffs' claims and are contesting vigorously all of the plaintiffs' claims in these actions.

On April 30, 2004, a lawsuit was filed in New York state court in New York County against the Holding Company and Metropolitan Life on behalf of a proposed class comprised of the settlement class in the Metropolitan Life sales practices class action settlement approved in December 1999 by the United States District Court for the Western District of Pennsylvania. In their amended complaint, plaintiffs challenged the treatment of the cost of the sales practices settlement in the demutualization of Metropolitan Life and asserted claims of breach of fiduciary duty, common law fraud, and unjust enrichment. In an order dated July 13, 2005, the court granted the defendants' motion to dismiss the action and the plaintiffs have filed a notice of appeal.

Other

A putative class action lawsuit is pending in the United States District Court for the District of Columbia, in which plaintiffs allege that they were denied certain ad hoc pension increases awarded to retirees under the Metropolitan Life retirement plan. The ad hoc pension increases were awarded only to retirees (i.e., individuals who were entitled to an immediate retirement benefit upon their termination of employment) and not available to individuals like these plaintiffs whose employment, or whose spouses' employment, had terminated before they became eligible for an immediate retirement benefit. The plaintiffs seek to represent a class consisting of former Metropolitan Life employees, or their surviving spouses, who are receiving deferred vested annuity payments under the retirement plan and who were allegedly eligible to receive the ad hoc pension increases awarded in 1977, 1980, 1989, 1992, 1996 and 2001, as well as increases awarded in earlier years. In September 2005, Metropolitan Life's motion for summary judgment was granted. Plaintiffs have moved for reconsideration.

The American Dental Association and three individual providers have sued the Holding Company and Metropolitan Life and Cigna in a purported class action lawsuit brought in a Florida federal district court. The plaintiffs purport to represent a nationwide class of in-network providers who allege that their claims are being wrongfully reduced by downcoding, bundling, and the improper use and programming of software. The complaint alleges federal racketeering and various state law theories of liability. The Holding Company and Metropolitan Life are vigorously defending this matter. The district court has granted in part and denied in part the Holding Company's and Metropolitan Life's motion to dismiss. The Holding Company and Metropolitan Life have filed another motion to dismiss and written and oral discovery will be taken.

In 2004, a New York state court granted plaintiffs' motion to certify a litigation class of owners of certain participating life insurance policies and a sub-class of New York owners of such policies in an action asserting that Metropolitan Life breached their policies and violated New York's General Business Law in the manner in which it allocated investment income across lines of business during a period ending with the 2000 demutualization. Metropolitan Life's appeal from the order granting this motion is pending. In 2003, an appellate court affirmed the dismissal of fraud claims in this action. On November 23, 2005, the trial court issued a Memorandum Decision granting Metropolitan Life's motion for summary judgment on the remaining claims. Plaintiffs time for filing a notice of appeal from this decision has not expired.

As anticipated, the SEC issued a formal order of investigation related to certain sales by a former Company sales representative to the Sheriff's Department of Fulton County, Georgia. The Company is fully cooperating with respect to inquiries from the SEC.

The Holding Company and/or subsidiaries have received a number of subpoenas and other requests from the Office of the Attorney General of the State of New York seeking, among other things, information regarding and relating to compensation agreements between insurance brokers and the Holding Company and/or its subsidiaries, whether the Holding Company and/or subsidiaries have provided or are aware of the provision of "fictitious" or "inflated" quotes, and information regarding tying arrangements with respect to reinsurance. Based upon an internal review, the Company advised the Attorney General for the State of New York that the Holding Company and/or subsidiaries were not aware of any instance in which the Holding Company and/or subsidiaries had provided a "fictitious" or "inflated" quote. The

Holding Company and/or subsidiaries also have received subpoenas, including sets of interrogatories, from the Office of the Attorney General of the State of Connecticut seeking information and documents including contingent commission payments to brokers and the Holding Company's and/or subsidiaries' awareness of any "sham" bids for business. The Holding Company and/or subsidiaries also have received a Civil Investigative Demand from the Office of the Attorney General for the State of Massachusetts seeking information and documents concerning bids and quotes that the Holding Company and/or subsidiaries submitted to potential customers in Massachusetts, the identity of agents, brokers, and producers to whom the Holding Company and/or its subsidiaries submitted such bids or quotes, and communications with a certain broker. The Holding Company and/or subsidiaries have received subpoenas from the District Attorney of the County of San Diego, California. The subpoenas seek numerous documents including incentive agreements entered into with brokers. The Florida Department of Financial Services and the Florida Office of Insurance Regulation also have served subpoenas on the Holding Company and/or its subsidiaries asking for answers to interrogatories and document requests concerning topics that include compensation paid to intermediaries. The Office of the Attorney General for the State of Florida has also served a subpoena on the Holding Company and/or subsidiaries seeking, among other things, copies of materials produced in response to the subpoenas discussed above. The Holding Company and/or subsidiaries have received a subpoena from the Office of the U.S. Attorney for the Southern District of California asking for documents regarding the insurance broker, Universal Life Resources. The Insurance Commissioner of Oklahoma has served a subpoena, including a set of interrogatories, on the Holding Company and/or subsidiaries seeking, among other things, documents and information concerning the compensation of insurance producers for insurance covering Oklahoma entities and persons. The Holding Company and/or subsidiaries continue to cooperate fully with these inquiries and are responding to the subpoenas and other requests. The Holding Company and/or subsidiaries are continuing to conduct an internal review of their commission payment practices.

Approximately sixteen broker-related lawsuits in which the Holding Company and/or subsidiaries were named as a defendant were filed. Voluntary dismissals and consolidations have reduced the number of pending actions to four. In one of these, the California Insurance Commissioner has brought an action in California state court against MetLife, Inc. and other companies alleging that the defendants violated certain provisions of the California Insurance Code. Another of these actions is pending in a multi-district proceeding established in the federal district court in the District of New Jersey. In this proceeding, plaintiffs have filed an amended class action complaint consolidating the claims from separate actions that had been filed in or transferred to the District of New Jersey. The consolidated amended complaint alleges that the Holding Company, Metropolitan Life Insurance Company, several other insurance companies and several insurance brokers violated RICO, ERISA, and antitrust laws and committed other misconduct in the context of providing insurance to employee benefit plans and to persons who participate in such employee benefit plans. Plaintiffs seek to represent classes of employers that established employee benefit plans and persons who participated in such employee benefit plans. Plaintiffs in several other actions have voluntarily dismissed their claims. Additional actions were filed in state courts in Florida and Massachusetts and subsequently removed to federal court. The Holding Company and/or subsidiaries intend to vigorously defend these cases.

In addition to those discussed above, regulators and others have made a number of inquiries of the insurance industry regarding industry brokerage practices and related matters and others may begin. It is reasonably possible that the Holding Company and/or its subsidiaries will receive additional subpoenas, interrogatories, requests and lawsuits. The Holding Company and/or its subsidiaries will fully cooperate with all regulatory inquiries and intend to vigorously defend all lawsuits.

The Holding Company and/or subsidiaries have received a subpoena from the Connecticut Attorney General requesting information regarding its participation in any finite reinsurance transactions. The Holding Company and/or subsidiaries have also received information requests relating to finite insurance or reinsurance from other regulatory and governmental authorities. The Holding Company and/or subsidiaries believe they have appropriately accounted for transactions of this type and intend to cooperate fully with these information requests. The Holding Company and/or subsidiaries believe that a number of other industry participants have received similar requests from various regulatory and governmental authorities. It is reasonably possible that the Holding Company and any such subsidiaries may receive additional requests. The Holding Company and/or its subsidiaries will fully cooperate with all such requests.

NASD staff notified MetLife Securities, Inc., NES and Walnut Street Securities, Inc., all direct or indirect subsidiaries of the Holding Company, that it has made a preliminary determination to file charges of violations of the NASD's and the SEC's rules against the firms. The pending investigation was initiated after the firms reported to the NASD that a limited number of mutual fund transactions processed by firm representatives and at the firms' consolidated trading desk, during the period April through December 2003, had been received from customers after 4:00 p.m., Eastern time, and received the same day's net asset value. The potential charges of violations of the NASD's and the SEC's rules relate to the processing of transactions received after 4:00 p.m., the firms' maintenance of books and records, supervisory procedures and responses to the NASD's information requests. Under the NASD's procedures, the firms have submitted a response to the NASD staff. The NASD staff has not made a formal recommendation regarding whether any action alleging violations of the rules should be filed. The Holding Company and/or subsidiaries continue to cooperate fully with the NASD in its investigation.

Metropolitan Life also has been named as a defendant in a number of silicosis, welding and mixed dust cases in various states. The Company intends to defend itself vigorously against these cases.

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

Summary

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

MANAGEMENT OF METLIFE

Directors and executive officers

The following table lists MetLife's current Directors and Executive Officers, their ages and their positions with Metropolitan Life. The business address of MetLife's current Directors and Executive Officers is 200 Park Avenue, New York, New York 10166.

Name	Age	Position
Robert H. Benmosche	61	Chairman of the Board and Chief Executive Officer
Curtis H. Barnette	71	Director
Burton A. Dole, Jr.	68	Director
Cheryl W. Grisé	53	Director
C. Robert Henrikson	58	Director, President and Chief Operating Officer
James R. Houghton	69	Director
Harry P. Kamen	72	Director
Helene L. Kaplan	72	Director
John M. Keane	62	Director
James M. Kilts	57	Director
Charles M. Leighton	70	Director
Sylvia M. Mathews	40	Director
Hugh B. Price	64	Director
Kenton J. Sicchitano	61	Director
William C. Steere, Jr.	69	Director
Steven A. Kandarian	53	Executive Vice President and Chief Investment Officer
Leland C. Launer, Jr.	50	President, Institutional Business
James L. Lipscomb	58	Executive Vice President and General Counsel
Catherine A. Rein	62	Senior Executive Vice President and Chief Administrative Officer
William J. Toppeta	57	President, International
Lisa M. Weber	43	President, Individual Business
William J. Wheeler	44	Executive Vice President and Chief Financial Officer

The following is biographical information for MetLife's Directors (except as indicated, as of March 21, 2005) and Executive Officers (as of December 5, 2005):

Robert H. Benmosche has been a Director of the Holding Company since August 1999 and Chairman of the Board and Chief Executive Officer of the Holding Company since September 1999. He also served as President of the Holding Company from September 1999 to June 2004. He has been a Director of Metropolitan Life since 1997 and Chairman of the Board and Chief Executive Officer since July 1998. He was President of Metropolitan Life from November 1997 to June 2004. He was Chief Operating Officer of Metropolitan Life from November 1997 through June 1998, and was its Executive Vice President from September 1995 through October 1997. On December 1, 2005, the Holding Company announced that Mr. Benmosche will retire as Chief Executive Officer on March 1, 2006 and as Chairman of the Board on April 25, 2006, following the Holding Company's Annual Shareholders Meeting. Mr. Benmosche will relinquish his corresponding roles with Metropolitan Life at such times. Previously, he was Executive Vice President of PaineWebber Group Incorporated, a full service securities and commodities firm, from 1989 to 1995. Mr. Benmosche is a Director of Credit Suisse Group. He is a Member of the Board of Trustees of Alfred University, the Conference Board, and the Board of Directors of the New York Philharmonic. He received a bachelor's degree in mathematics from Alfred University.

Curtis H. Barnette has been Of Counsel to the law firm of Skadden, Arps, Slate, Meagher & Flom LLP since 2000. He is also Chairman Emeritus of Bethlehem Steel Corporation and was a Director and its Chairman and Chief Executive Officer from November 1992 through April 2000. Bethlehem Steel Corporation filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code in 2001 and the proceedings were completed in 2003. He is a member and former Chair of the Board of Governors of West Virginia University, a Director and former Chair of the West Virginia University Foundation, Chair of the Yale Law School Fund, a Director of the Ron Brown Award for Corporate Leadership Board, a Director of the Pennsylvania Parks and Forests Foundation, Chair of the National Museum of Industrial History and Comenius Professor and Executive in Residence at Moravian College, of which he is also a Trustee. Mr. Barnette served on the President's Trade Advisory Committee from 1989 to 2002 and is a Director of the National Center for State Courts and the Pennsylvania Society. Mr. Barnette also is a member of The Business Council. Mr. Barnette received a bachelor's degree from West Virginia University and a law degree from Yale Law School. He also attended the Advanced Management Program at Harvard Business School and Manchester University where he was a Fulbright Scholar. He has been a Director of the Holding Company since August 1999 and a Director of Metropolitan Life since 1994.

Burton A. Dole, Jr. was a Partner and Chief Executive Officer of MedSouth Therapies, LLC, a rehabilitative health care company, from 2001 to 2003; he was Chairman of the Board of Nellcor Puritan Bennett, Incorporated, a medical equipment company, from 1995 until his retirement in 1997. He was Chairman of the Board, President and Chief Executive Officer of Puritan Bennett, Incorporated from 1986 to 1995 and the President and Chief Executive Officer of Puritan Bennett, Incorporated from 1980 to 1986. Mr. Dole served as Chairman of the Board of Directors of the Kansas City Federal Reserve Bank and Federal Reserve Agent from 1992 through 1994. He served as Chairman of the Conference of Chairmen of the Federal Reserve System in 1994. Mr. Dole is a Director and Vice President of the Anesthesia Patient Safety Foundation. He received both a bachelor's degree in mechanical engineering and a master's degree in business administration from Stanford University. Mr. Dole has been a Director of the Holding Company since August 1999 and a Director of Metropolitan Life since 1996.

Cheryl W. Grisé has served as President — Utility Group for Northeast Utilities, a public utility holding company, since 2001, Chief Executive Officer of its principal operating subsidiaries since September 2002, and Senior Vice President, Secretary and General Counsel of Northeast Utilities from 1998-2001. She is a Director of Dana Corporation. She received a bachelor of arts degree from the University of North Carolina at Chapel Hill, a law degree from Western State University, and has completed the Yale Executive Management Program. Ms. Grisé is a Director of First Citicorp Life Insurance Company, a subsidiary of the Holding Company. Ms. Grisé has been a Director of the Holding Company and Metropolitan Life since February 2004.

C. Robert Henrikson has been President and Chief Operating Officer of the Holding Company and Metropolitan Life since June 2004. Previously, he was President of the U.S. Insurance and Financial Services businesses of the Holding Company and Metropolitan Life from July 2002 to June 2004. He served as President of Institutional Business of the Holding Company from September 1999 to July 2002 and President of Institutional Business of Metropolitan Life from May 1999 through June 2002. He was Senior Executive Vice President, Institutional Business, of Metropolitan Life from December 1997 to May 1999, Executive Vice President, Institutional Business, from January 1996 to December 1997, and Senior Vice President, Pensions, from January 1991 to January 1995. He is a director of MetLife Bank, N. A., The Travelers Insurance Company and The Travelers Life and Annuity Company. He has been a Director of the Holding Company since April 26, 2005. He was elected a Director of Metropolitan Life effective June 1, 2005. The Board of Directors of the Holding Company has named Mr. Henrikson to succeed Mr. Benmosche upon his retirement.

James R. Houghton has been Chairman of Corning Incorporated, a global technology company since 2002. He served as Chief Executive Officer of Corning from April 2002 through April 2005, prior to which he served as Non-Executive Chairman of the Board from June 2000. Mr. Houghton was Chairman of the Board Emeritus of Corning from 1996 to June 2000 and Chairman of the Board of Corning from

1983 until his retirement in 1996. Mr. Houghton is a Director of Corning, ExxonMobil Corporation and Market Street Trust Company. He graduated from Harvard College and received a master's degree from Harvard Business School. Mr. Houghton is a Director of First Citicorp Life Insurance Company, a subsidiary of the Holding Company. Mr. Houghton has been a Director of the Holding Company since August 1999 and a Director of Metropolitan Life since 1975.

Harry P. Kamen was Chairman of the Board and Chief Executive Officer of Metropolitan Life from April 1993 until his retirement in July 1998 and, in addition, was its President from December 1995 to November 1997. Mr. Kamen is a Trustee of the Granum Series Trust Fund and the Cultural Institutions Retirement System. He is on the Board of Advisors of the Mailman School of Public Health at Columbia University. Mr. Kamen received a bachelor's degree from the University of Pennsylvania and a law degree from Harvard Law School and attended the Senior Executive Program at M.I.T. He has been a Director of the Holding Company since August 1999 and a Director of Metropolitan Life since 1992.

Helene L. Kaplan has been Of Counsel to the law firm of Skadden, Arps, Slate, Meagher & Flom LLP since 1990. She is a Director of The May Department Stores Company and Verde Exploration, Inc. She is a former Director of J.P. Morgan Chase & Co., ExxonMobil Corporation and Verizon Communications, Inc. Mrs. Kaplan is a Member (and former Director) of the Council on Foreign Relations. She is Chair of Carnegie Corporation of New York, and is a Trustee and Vice-Chair of The American Museum of Natural History. She is Trustee Emerita and Chair Emerita of Barnard College and Trustee Emerita of The J. Paul Getty Trust, and The Institute for Advanced Study. Mrs. Kaplan is a Fellow of the American Philosophical Society and a Member of the American Academy of Arts and Sciences. Mrs. Kaplan received a bachelor's degree, cum laude, from Barnard College and a law degree from New York University Law School. She is the recipient of honorary degrees from Columbia University and Mount Sinai School of Medicine. Mrs. Kaplan has been a Director of the Holding Company since August 1999 and a Director of Metropolitan Life since 1987.

John M. Keane is President of GSI, LLC, an independent consulting firm, Senior Advisor to Kohlberg, Kravis, Roberts and Co. and an Advisor to the Chairman and Chief Executive Officer of URS Corporation. General Keane served in the U.S. Army for 37 years. He was Vice Chief of Staff and Chief Operating Officer of the Army from 1999 until his retirement in October 2003. During his four years in that role, he managed operations for more than 1.5 million soldiers and civilians in over 120 countries, as well as an annual budget in excess of $100 billion. Prior to becoming Vice Chief of Staff, General Keane served as the Deputy Commander-in-Chief of the United States Atlantic Command from 1998 to 1999. He also is a Director of General Dynamics Corporation. He is a military contributor and analyst with ABC News and is a Member of the United States Department of Defense Policy Board. General Keane received a bachelor's degree in accounting from Fordham University and a master's degree in philosophy from Western Kentucky University. General Keane has received honorary doctorate degrees in law and public service from Fordham University and Eastern Kentucky University, respectively. General Keane has been a Director of the Holding Company and Metropolitan Life since October 2003.

James M. Kilts became vice chairman of the board of The Procter & Gamble Company in October 2005, following the merger of The Gillette Company with Procter & Gamble. He previously had served as Chairman of the Board, Chief Executive Officer and President of The Gillette Company since January 2001, February 2001 and November 2003, respectively. He formerly was President and Chief Executive Officer of Nabisco Group Holdings Corp. from December 1999 until it was acquired in December 2000 by Philip Morris Companies, now Altria. Mr. Kilts was President and Chief Executive Officer of Nabisco Holdings Corp. and Nabisco Inc. from January 1998 to December 1999. He was an Executive Vice President, Worldwide Food, Philip Morris, from 1994 to 1997 and served as President of Kraft USA from 1989 to 1994. He served as President of Kraft Limited in Canada and as Senior Vice President of Kraft International. Mr. Kilts began his business career with General Foods Corporation in 1970. Mr. Kilts is a member of the Board of Directors of the New York Times Company. He also serves on the International Advisory Group of Citigroup and the Board of the American Institute for Contemporary German Studies. A graduate of Knox College, Mr Kilts serves on the College's Board of Trustees and is Chairman of the Advisory Council of the University of Chicago Graduate School of Business and is a Trustee of the

University of Chicago. He previously was Chairman of the Grocery Manufacturers of America. Mr. Kilts has been a Director of the Holding Company and Metropolitan Life since January 2005.

Charles M. Leighton is Executive Director, U.S. Sailing. He was Chairman of the Board and Chief Executive Officer of the CML Group, Inc., a specialty retail company, from 1969 until his retirement in March 1998. Mr. Leighton is a Trustee of Lahey Clinic. Mr. Leighton received a bachelor's degree and an honorary law degree from Bowdoin College and a master's degree in business administration from Harvard Business School. He has been a Director of the Holding Company since August 1999 and a Director of Metropolitan Life since 1996.

Sylvia M. Mathews is the Chief Operating Officer and Executive Director of The Bill and Melinda Gates Foundation and has been with the Foundation since 2001, prior to which she served as Deputy Director of the Office of Management and Budget in Washington, D.C. from 1998. Ms. Mathews served as Deputy Chief of Staff to President Bill Clinton from 1997 to 1998, and was Chief of Staff to Treasury Secretary Robert Rubin from 1995 to 1997. She also served as Staff Director for the National Economic Council from 1993 to 1995. Ms. Mathews was Manager of President Clinton's economic transition team. Prior to that, she was an Associate at McKinsey and Company from 1990 through 1992. She is a Member of the Pacific Council on International Policy, the Aspen Strategy Group and the Nike Foundation Advisory Group. In addition, Ms. Mathews is a Governing Council Member of the Miller Center of Public Affairs at the University of Virginia. Ms. Mathews received a bachelor's degree in government, cum laude, from Harvard University in 1987 and a bachelor's degree in philosophy, politics and economics from Oxford University, where she was a Rhodes Scholar. Ms. Mathews has been a Director of the Holding Company and Metropolitan Life since January 2004.

Hugh B. Price was a Senior Advisor to the law firm of DLA Piper Rudnick Gray Cary US LLP from September 2003 until September 2005. Previously, he served as President and Chief Executive Officer of the National Urban League, Inc. from 1994 to April 2003. Mr. Price is a Director of Verizon Communications, Inc. He received a bachelor's degree from Amherst College and received a law degree from Yale Law School. Mr. Price has been a Director of the Holding Company since August 1999 and a Director of Metropolitan Life since 1994.

Kenton J. Sicchitano was a Global Managing Partner of PricewaterhouseCoopers LLP, an assurance, tax and advisory services company, until his retirement in 2001. Mr. Sicchitano joined Price Waterhouse LLP, a predecessor firm of PricewaterhouseCoopers LLP, in 1970, and after becoming a partner in 1979, held various leadership positions within the firm until he retired in June 2001. He is a Director of PerkinElmer, Inc. and Analog Devices, Inc. At various times from 1986 to 1995 he served as a Director and/or officer of a number of not-for-profit organizations, including President of the Harvard Business School Association of Boston, Director of the Harvard Alumni Association and the Harvard Business School Alumni Association, Director and Chair of the Finance Committee of New England Deaconess Hospital and a Trustee of the New England Aquarium. Mr. Sicchitano received a bachelor's degree from Harvard College and a master's degree in business administration from Harvard Business School. Mr. Sicchitano is a Director of First Citicorp Life Insurance Company, a subsidiary of the Holding Company. Mr. Sicchitano has been a Director of the Holding Company and Metropolitan Life since July 2003.

William C. Steere, Jr. was Chairman of the Board and Chief Executive Officer of Pfizer Inc., a research-based global pharmaceutical company, from 1992 until his retirement in May 2001. Mr. Steere is a Director of Pfizer, Dow Jones & Company, Inc. and Health Management Associates, Inc. Mr. Steere received a bachelor's degree from Stanford University. He has been a Director of the Holding Company since August 1999 and a Director of Metropolitan Life since 1997.

Steven A. Kandarian has served as Chief Investment Officer for the Holding Company and Metropolitan Life since March 2005 and as Executive Vice President since April 2005. Mr. Kandarian was Executive Director of the federal Pension Benefit Guaranty Corporation (the **"PBGC"**) from 2001 to 2004. Prior to joining the PBGC, Mr. Kandarian was founder and managing partner of Orion Partners, LP, where he managed a private equity fund specializing in venture capital and corporate acquisitions, from 1993 to 2001.

Leland C. Launer, Jr. has been President of Institutional Business of the Holding Company and Metropolitan Life since March 2005. Mr. Launer served as Executive Vice President and Chief Investment Officer of the Holding Company and Metropolitan Life from July 2003 through March 2005. Previously, he was a Senior Vice President of Metropolitan Life for more than five years. Mr. Launer is a director of Reinsurance Group of America, Incorporated, MetLife Bank, N.A., The Travelers Insurance Company and The Travelers Life and Annuity Company.

James L. Lipscomb has been Executive Vice President and General Counsel of the Holding Company and Metropolitan Life since July 2003. He was Senior Vice President and Deputy General Counsel from July 2001 to July 2003. Mr. Lipscomb was President and Chief Executive Officer of Conning Corporation, a former subsidiary of Metropolitan Life, from March 2000 to July 2001, prior to which he served in various senior management positions with Metropolitan Life for more than five years.

Catherine A. Rein has been Chief Administrative Officer of the Holding Company since January 2005. She has also been Senior Executive Vice President of the Holding Company since September 1999. Previously, she was President and Chief Executive Officer of Metropolitan Property and Casualty Insurance Company from March 1999 to January 2005. She has been Senior Executive Vice President of Metropolitan Life since February 1998 and was Executive Vice President from October 1989 to February 1998.

William J. Toppeta has been President of International of the Holding Company since June 2001. He was President of Client Services and Chief Administrative Officer of the Holding Company from September 1999 to June 2001 and President of Client Services and Chief Administrative Officer of Metropolitan Life from May 1999 to June 2001. He was Senior Executive Vice President, Head of Client Services, of Metropolitan Life from March 1999 to May 1999, Senior Executive Vice President, Individual, from February 1998 to March 1999, Executive Vice President, Individual Business, from July 1996 to February 1998, Senior Vice President from October 1995 to July 1996 and its President and Chief Executive Officer, Canadian Operations, from July 1993 to October 1995.

Lisa M. Weber has been President of Individual Business of the Holding Company and Metropolitan Life since June 2004. Previously, she was Senior Executive Vice President and Chief Administrative Officer of the Holding Company and Metropolitan Life from June 2001 to June 2004. She was Executive Vice President of the Holding Company and Metropolitan Life from December 1999 to June 2001 and was head of Human Resources of Metropolitan Life from 1998 to 2001. She was Senior Vice President of the Holding Company from September 1999 to November 1999 and Senior Vice President of Metropolitan Life from March 1998 to November 1999. Previously, she was Senior Vice President of Human Resources of PaineWebber Group Incorporated, where she was employed for more than five years. Ms. Weber is a director of MetLife Bank, N.A., The Travelers Insurance Company and The Travelers Life and Annuity Company.

William J. Wheeler has been Executive Vice President and Chief Financial Officer of the Holding Company and Metropolitan Life since December 2003, prior to which he was a Senior Vice President of Metropolitan Life from 1997 to December 2003. Previously, he was a Senior Vice President of Donaldson, Lufkin & Jenrette for more than five years.

Curtis H. Barnette and Helene L. Kaplan, each of whom is Of Counsel to the law firm of Skadden, Arps, Slate, Meagher & Flom LLP (**"Skadden Arps"**), are directors of the Holding Company and Metropolitan Life, and serve as chair or members of certain committees of the boards of directors of the Holding Company and Metropolitan Life. Skadden Arps is counsel to the initial purchasers. Skadden Arps maintains a group life insurance policy and short-term and long-term disability insurance policies with MetLife. Skadden Arps has from time to time represented, currently represents and may continue to represent the Holding Company, Metropolitan Life and their affiliates in connection with various legal matters.

CAPITALIZATION OF METLIFE

The terms "MetLife" or the "Company" refer to Metropolitan Life Insurance Company, a New York domiciled stock life insurance company (**"Metropolitan Life"**), and its subsidiaries. Metropolitan Life is a wholly-owned subsidiary of MetLife, Inc. (the **"Holding Company"**).

The following table presents MetLife's consolidated capitalization as of September 30, 2005. As of September 30, 2005, Metropolitan Life had one billion shares of common stock, par value $0.01 per share, authorized (for total authorized capitalization of $10 million) out of which 494,466,664 were issued and outstanding. All of such issued and outstanding common shares were fully paid and nonassessable. As of September 30, 2005, the par value of all issued and outstanding common shares was $5 million. Since September 30, 2005, there has been no material change in the capitalization of Metropolitan Life.

	At September 30, 2005
	(In millions)
Assets, Liabilities and Stockholder's Equity:	
Total assets	$310,332
Total liabilities	$292,439
Stockholder's Equity:	
Common stock, at par value	$ 5
Additional paid-in capital	13,829
Retained earnings	2,256
Accumulated other comprehensive income	1,803
Total stockholder's equity	$ 17,893

SELECTED FINANCIAL DATA OF METLIFE

The following table sets forth selected consolidated financial information for the Company. The selected consolidated financial information for the years ended December 31, 2004, 2003 and 2002 has been derived from MetLife's 2004 audited consolidated financial statements. The selected consolidated financial information as of and for the nine months ended September 30, 2005 and 2004 has been derived from MetLife's Unaudited Interim Condensed Consolidated Financial Statements included elsewhere herein. The following information should be read in conjunction with and is qualified in its entirety by the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations of MetLife." Some previously reported amounts at and for the nine months ended September 30, 2004 have been reclassified to conform with the presentation at and for the nine months ended September 30, 2005.

	Year Ended December 31,			Nine Months Ended September 30,	
	2004(9)	2003(9)	2002(9)	2005	2004
			(In millions)		
Statements of Income Data					
Revenues:					
Premiums	$17,512	$18,151	$18,461	$14,413	$12,886
Universal life and investment-type product policy fees	2,042	1,921	1,927	1,463	1,516
Net investment income(1)	10,805	10,279	10,553	8,822	7,964
Other revenues	712	919	1,188	523	543
Net investment gains (losses) (1) (2) (3)	289	(557)	(832)	339	470
Total revenues(4) (5)	31,360	30,713	31,297	25,560	23,379
Expenses:					
Policyholder benefits and claims	18,735	18,444	18,709	15,364	13,884
Interest credited to policyholder account balances	2,358	2,379	2,711	1,907	1,747
Policyholder dividends	1,743	1,897	1,911	1,238	1,230
Other expenses(1)	5,382	5,633	6,348	4,065	3,997
Total expenses(4) (5)	28,218	28,353	29,679	22,574	20,858
Income from continuing operations before provision for income taxes	3,142	2,360	1,618	2,986	2,521
Provision for income taxes(1) (4) (5)	894	667	498	920	711
Income from continuing operations	2,248	1,693	1,120	2,066	1,810
Income from discontinued operations, net of income taxes(1) (4) (5)	43	334	492	694	65
Income before cumulative effect of a change in accounting	2,291	2,027	1,612	2,760	1,875
Cumulative effect of a change in accounting, net of income taxes	(52)	(26)	—	—	(52)
Net income	$ 2,239	$ 2,001	$ 1,612	$ 2,760	$ 1,823

	At December 31,		At September 30,	
	2004(9)	2003(9)	2005	2004
	(In millions)			
Balance Sheet Data				
Assets:				
General account assets	$231,481	$217,604	$239,554	$228,414
Separate account assets	68,507	63,661	70,778	65,317
Total assets(4)(5)	$299,988	$281,265	$310,332	$293,731
Liabilities:				
Life and health policyholder liabilities(6)	$171,826	$158,651	$177,290	$166,284
Short-term debt	1,445	3,536	1,143	1,566
Long-term debt	2,050	2,055	1,924	2,028
Other liabilities	37,168	35,889	41,304	39,188
Separate account liabilities	68,507	63,661	70,778	65,317
Total liabilities(4)(5)	280,996	263,792	292,439	274,383
Stockholder's Equity:				
Parent's interest in preferred stock of a subsidiary, at par value(7)	—	93	—	93
Common stock, at par value(7)	5	5	5	5
Additional paid-in capital(7)	13,827	13,730	13,829	13,731
Retained earnings(7)	2,696	1,261	2,256	3,079
Accumulated other comprehensive income	2,464	2,384	1,803	2,440
Total stockholder's equity	18,992	17,473	17,893	19,348
Total liabilities and stockholder's equity	$299,988	$281,265	$310,332	$293,731

	At or for the Year Ended December 31,			At or for the Nine Months Ended September 30,	
	2004	2003	2002	2005	2004
			(In millions)		
Other Data					
Net income	$ 2,239	$ 2,001	$ 1,612	$ 2,760	$ 1,823
Return on equity(8)	12.3%	11.9%	10.6%	N/A	N/A
Total assets under management	$299,988	$281,265	$249,436	$310,332	$293,731

(1) In accordance with Statement of Financial Accounting Standards (**"SFAS"**) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets (***"SFAS 144"**), income related to real estate sold or classified as held-for-sale for transactions initiated on or after January 1, 2002 is presented as discontinued operations. The following table presents the components of income from discontinued real estate operations (see note 4):

	Year Ended December 31,			Nine Months Ended September 30,	
	2004	2003	2002	2005	2004
			(In millions)		
Investment income	$ 84	$ 199	$ 530	$ 76	$140
Investment expense	(67)	(125)	(350)	(40)	(84)
Net investment gains (losses)	20	420	581	804	16
Total revenues	37	494	761	840	72
Interest expense	—	1	1	—	—
Provision for income taxes	13	180	276	302	25
Income from discontinued operations, net of income taxes	$ 24	$ 313	$ 484	$538	$ 47

(2) Net investment gains (losses) exclude amounts related to real estate operations reported as discontinued operations in accordance with SFAS 144.

(3) Net investment gains (losses) presented include scheduled periodic settlement payments on derivative instruments that do not qualify for hedge accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, of $51 million, $84 million and $32 million for the years ended December 31, 2004, 2003 and 2002, respectively, and $62 million and $48 million for the nine months ended September 30, 2005 and 2004, respectively.

(4) During the third quarter of 2004, the Company entered into an agreement to sell its wholly-owned subsidiary, SSRM Holdings, Inc. (**"SSRM"**), to a third party, which was sold on January 31, 2005. In accordance with SFAS 144, the assets, liabilities and operations of SSRM have been reclassified into discontinued operations for all periods presented. The following tables present the assets, liabilities and operations of SSRM (see note 1):

	Year Ended December 31,			Nine Months Ended September 30,	
	2004	2003	2002	2005	2004
	(In millions)				
Revenues from discontinued operations	$328	$231	$239	$ 19	$224
Expenses from discontinued operations	296	197	225	38	185
Income from discontinued operations, before provision for income taxes	32	34	14	(19)	39
Provision for income taxes	13	13	6	(5)	16
Income from discontinued operations, net of income taxes	19	21	8	(14)	23
Net investment gains, net of income taxes	—	—	—	165	—
Income from discontinued operations, net of income taxes	$ 19	$ 21	$ 8	$151	$ 23

	At December 31,		At September 30,
	2004	2003	2004
	(In millions)		
General account assets	$379	$183	$217
Total assets	$379	$183	$217
Short-term debt	$ 19	$ —	$ 15
Other liabilities	221	70	65
Total liabilities	$240	$ 70	$ 80

(5) On September 29, 2005, the Company completed the sale of P.T. Sejahtera (**"MetLife Indonesia"**) to a third party. In accordance with SFAS 144, the assets, liabilities and operations of MetLife Indonesia have been reclassified into discontinued operations for the nine months ended September 30, 2005 and 2004, but are not reflected in the consolidated statements of income presented for the years ended December 31, 2004, 2003 and 2002 or the consolidated balance sheets at December 31, 2004 and 2003. The following tables present the assets, liabilities and operations of MetLife Indonesia (see note 1):

	Year Ended December 31,			Nine Months Ended September 30,	
	2004	2003	2002	2005	2004
			(In millions)		
Revenues from discontinued operations	$ 5	$ 4	$ 5	$ 5	$ 4
Expenses from discontinued operations	14	9	8	10	9
Income from discontinued operations, before provision for income taxes	(9)	(5)	(3)	(5)	(5)
Provision for income taxes	—	—	—	—	—
Income from discontinued operations, net of income taxes	(9)	(5)	(3)	(5)	(5)
Net investment gains, net of income taxes	—	—	—	10	—
Income from discontinued operations, net of income taxes	$(9)	$(5)	$(3)	$ 5	$(5)

	At December 31,		At September 30,
	2004	2003	2004
		(In millions)	
General account assets	$31	$27	$28
Total assets	$31	$27	$28
Life and health policyholder liabilities	$24	$17	$20
Other liabilities	4	3	3
Total liabilities	$28	$20	$23

(6) Life and health policyholder liabilities include future policy benefits, policyholder account balances, other policyholder funds, policyholder dividends payable and the policyholder dividend obligation.

(7) For additional information regarding these items, see Notes 1 and 12 of the Notes to the 2004 Consolidated Financial Statements included elsewhere herein and Note 1 of Notes to the Unaudited Interim Condensed Consolidated Financial Statements included elsewhere herein.

(8) Return on equity is defined as net income divided by average total equity.

(9) Certain reclassifications have been made to the presentation of the consolidated statements of income for the nine months ended September 30, 2005 and 2004 which are not reflected in the consolidated statements of income presented for the years ended December 31, 2004, 2003 and 2002. Specifically, prior year balances related to certain real estate properties which have been sold or are held-for-sale in 2005 have been reclassified as discontinued operations and certain policyholder dividends have been reclassified as premiums. If such balances had been reclassified for the years ended December 31, 2004, 2003 and 2002, income from continuing operations would have been $2,220 million, $1,658 million and $1,048 million, respectively, and income from discontinued operations, net of income taxes, would have been $71 million, $369 million, and $564 million, respectively. In addition,

certain reclassifications have been made to the presentation of the consolidated balance sheets for the nine months ended September 30, 2005 and 2004 which are not reflected in the consolidated balance sheets presented for the years ended December 31, 2004 and 2003. Specifically, life and health policyholder liabilities have been reclassified as other liabilities due to a reinsurance accounting policy revision as well as a dividend liability reclass. If such balances had been reclassified for the years ended December 31, 2004 and 2003, life and health policyholder liabilities would have been $169,813 million and $157,755 million, respectively and other liabilities would have been $39,181 million and $36,785 million, respectively. Also, see note 5 above related to MetLife Indonesia.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF METLIFE

For purposes of this discussion, the terms "MetLife" or the "Company" refers to Metropolitan Life Insurance Company, a New York domiciled stock life insurance company (**"Metropolitan Life"**), and its subsidiaries. Metropolitan Life is a wholly-owned subsidiary of MetLife, Inc. (the **"Holding Company"**). Following this summary is a discussion addressing the consolidated results of operations and financial condition of the Company for the periods indicated. This discussion should be read in conjunction with the Company's Consolidated Financial Statements included elsewhere herein.

Corporate Restructuring, Acquisitions and Dispositions

MetLife has made numerous acquisitions and dispositions, including those discussed below. Many of these transactions have been undertaken with affiliated companies as part of the Holding Company's ongoing program to streamline its organizational structure. This program is continuing, and the Company expects that it may be involved in additional corporate restructuring transactions in the future. Such transactions may further affect the scope of MetLife's business operations.

On September 29, 2005, the Company completed the sale of P.T. Sejahtera (**"MetLife Indonesia"**) to a third party resulting in a gain upon disposal of $10 million, net of income taxes. As a result of this sale, the Company recognized income from discontinued operations of $7 million, net of income taxes, for the three months ended September 30, 2005. The Company reclassified the assets, liabilities and operations of MetLife Indonesia into discontinued operations for all periods presented.

On July 1, 2005, the Holding Company completed the acquisition of The Travelers Insurance Company (**"TIC"**), excluding certain assets, most significantly, Primerica, from Citigroup Inc. (**"Citigroup"**), and substantially all of Citigroup's international insurance businesses (collectively, **"Travelers"**), for $12.0 billion. The results of Travelers operations have been included in the consolidated financial statements beginning July 1, 2005. As a result of the acquisition, the Company is expecting to increase significantly the size and scale in its core insurance and annuity products and expand its presence in both the retirement & savings domestic markets, as well as the international markets. It also expects that the distribution agreements executed with Citigroup as part of the acquisition will provide the Company with one of the broadest distribution networks in the industry. Consideration paid by the Holding Company for the purchase consisted of approximately $10.9 billion in cash and 22,436,617 shares of the Holding Company's common stock with a market value of approximately $1.0 billion to Citigroup and approximately $100 million in other transaction costs. Consideration paid to Citigroup will be finalized subject to review of the June 30, 2005 financial statements of Travelers by both the Holding Company and Citigroup and interpretation of the provisions of the acquisition agreement by both parties. In addition to the cash on-hand, the purchase price was financed through the issuance of common stock as described above, debt securities, common equity units, and preferred shares.

On January 31, 2005, the Company completed the sale of SSRM Holdings, Inc. (**"SSRM"**) to a third party for $328 million in cash and stock. As a result of the sale of SSRM, the Company recognized income from discontinued operations of approximately $157 million, net of income taxes, comprised of a realized gain of $165 million, net of income taxes, and an operating expense related to a lease abandonment of $8 million, net of income taxes. Under the terms of the agreement, MetLife will have an opportunity to receive, prior to the end of 2006, additional payments aggregating up to approximately 25% of the base purchase price, based on, among other things, certain revenue retention and growth measures. The purchase price is also subject to reduction over five years, depending on retention of certain MetLife-related business. The Company reclassified the assets, liabilities and operations of SSRM into discontinued operations for the period ended December 31, 2004. Additionally, the sale of SSRM resulted in the elimination of the Company's Asset Management segment. The remaining asset management business, which is insignificant, has been reclassified into Corporate & Other. The Company's discontinued operations for the nine months ended September 30, 2005 also included expenses of approximately $6 million, net of income taxes, related to the sale of SSRM.

In November 2003, an indirect, wholly-owned subsidiary of Metropolitan Life, Equity Intermediary Company (**"EIC"**) purchased 795,000 shares in a public offering of common stock of RGA, a majority-owned subsidiary of the Holding Company, using working capital of approximately $29.1 million. Following the purchase of the shares, MetLife owned approximately 48% of the outstanding RGA shares, and the Holding Company and its affiliates, including MetLife, owned approximately 52% of the outstanding shares.

On December 16, 2003, the Holding Company contributed 2,532,600 shares of RGA's common stock to EIC, a subsidiary of the Company in exchange for 93,402 shares of Series A Cumulative Preferred Stock ("the **Preferred Shares**"), with a liquidation preference equal to the fair market value, as of the date of the exchange, of the RGA common stock exchanged. As a result of these transactions, EIC is the direct owner of approximately 52% of the outstanding shares of RGA. Holders of the Preferred Shares are entitled to receive cumulative cash dividends at the annual applicable rate of 7% times the Liquidation Preference of $1,000 per share payable quarterly, when and if declared by EIC's Board of Directors. Holders of the Preferred Shares have no voting rights, except as required by applicable law. The Preferred Shares rank senior to the common stock. In December 2003, Metropolitan Life contributed its RGA shares to EIC as a capital contribution. On December 21, 2004, the Holding Company contributed the 93,402 of Preferred Shares EIC to General American Life Insurance Company (**"GALIC"**), a subsidiary of the Company. Upon the dissolution of EIC, GALIC retired the shares and recorded a contribution of capital of $93 million from MetLife, Inc.

In October 2003, as part of the Holding Company's continuing program to streamline its organizational structure, Metropolitan Life sold the common stock of Metropolitan Property and Casualty Insurance Company and the capital stock of Metropolitan Tower Life Insurance Company and certain other subsidiaries to the Holding Company at fair market value. As a result of these transactions, the business operations of the Auto & Home segment ceased to be held by MetLife. As part of the plan, Metropolitan Life paid a dividend in October 2003 of $1,448 million to the Holding Company. No gain or loss was recognized on the sale of Metropolitan Property and Casualty Insurance Company. The amount received in excess of book value of $120 million was recorded as a capital contribution from the Holding Company. Total revenues and policyholder benefits and claims of the entities sold included in the consolidated statements of income were $2,343 million and $3,013 million, and $1,604 million and $2,020 million, respectively for the years ended December 31, 2003 and 2002. Also in October 2003, two of MetLife's insurance company subsidiaries, Security Equity Life Insurance Company and MetLife Security Insurance Company of Louisiana, were merged with and into Metropolitan Life.

In September 2003, a subsidiary of the Company, RGA, announced a coinsurance agreement under which it assumed the traditional U.S. life reinsurance business of Allianz Life Insurance Company of North America (**"Allianz Life"**). The transaction closed during the fourth quarter of 2003 with an effective date retroactive to July 1, 2003. The transaction added approximately $278 billion of life reinsurance in-force and $246 million of premiums to RGA's fourth quarter of 2003.

Impact of Hurricane Katrina

On August 29, 2005, Hurricane Katrina made landfall in the states of Louisiana, Mississippi and Alabama causing catastrophic damage to these coastal regions. In the third quarter of 2005, the Company recognized total net losses of approximately $20 million, net of income taxes related to the catastrophe.

Additional Hurricane-related losses may be recorded in future periods as claims are received from insureds. Based on information currently known by management, it does not believe that additional claim losses resulting from the hurricane will have a material adverse impact on the Company's consolidated financial position.

Summary of Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the Consolidated

Financial Statements. The most critical estimates include those used in determining: (i) investment impairments; (ii) the fair value of investments in the absence of quoted market values; (iii) application of the consolidation rules to certain investments; (iv) the fair value of and accounting for derivatives; (v) the capitalization and amortization of deferred policy acquisition costs (**"DAC"**), including value of business acquired (**"VOBA"**); (vi) the liability for future policyholder benefits; (vii) the liability for litigation and regulatory matters; and (viii) accounting for reinsurance transactions and employee benefit plans. In applying these policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company's businesses and operations. Actual results could differ from those estimates.

Investments

The Company's principal investments are in fixed maturities, mortgage and consumer loans and real estate, all of which are exposed to three primary sources of investment risk: credit, interest rate and market valuation. The financial statement risks are those associated with the recognition of impairments and income, as well as the determination of fair values. The assessment of whether impairments have occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in fair value. Management considers a wide range of factors about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations used by the Company in the impairment evaluation process include, but are not limited to: (i) the length of time and the extent to which the market value has been below cost or amortized cost; (ii) the potential for impairments of securities when the issuer is experiencing significant financial difficulties; (iii) the potential for impairments in an entire industry sector or sub-sector; (iv) the potential for impairments in certain economically depressed geographic locations; (v) the potential for impairments of securities where the issuer, series of issuers or industry has suffered a catastrophic type of loss or has exhausted natural resources; (vi) the Company's ability and intent to hold the security for a period of time sufficient to allow for the recovery of its value to an amount equal to or greater than cost or amortized cost; (vii) unfavorable changes in forecasted cash flows on asset-backed securities; and (viii) other subjective factors, including concentrations and information obtained from regulators and rating agencies. In addition, the earnings on certain investments are dependent upon market conditions, which could result in prepayments and changes in amounts to be earned due to changing interest rates or equity markets. The determination of fair values in the absence of quoted market values is based on: (i) valuation methodologies; (ii) securities the Company deems to be comparable; and (iii) assumptions deemed appropriate given the circumstances. The use of different methodologies and assumptions may have a material effect on the estimated fair value amounts. In addition, the Company enters into certain structured investment transactions, real estate joint ventures and limited partnerships for which the Company may be deemed to be the primary beneficiary and, therefore, may be required to consolidate such investments. The accounting rules for the determination of the primary beneficiary are complex and require evaluation of the contractual rights and obligations associated with each party involved in the entity, an estimate of the entity's expected losses and expected residual returns and the allocation of such estimates to each party.

Derivatives

The Company enters into freestanding derivative transactions primarily to manage the risk associated with variability in cash flows or changes in fair values related to the Company's financial assets and liabilities. The Company also uses derivative instruments to hedge its currency exposure associated with net investments in certain foreign operations. The Company also purchases investment securities, issues certain insurance policies and engages in certain reinsurance contracts that have embedded derivatives. The associated financial statement risk is the volatility in net income which can result from (i) changes in fair value of derivatives not qualifying as accounting hedges; (ii) ineffectiveness of designated hedges; and (iii) counterparty default. In addition, there is a risk that embedded derivatives requiring bifurcation are not identified and reported at fair value in the Consolidated Financial Statements. Accounting for derivatives is complex, as evidenced by significant authoritative interpretations of the primary accounting standards which continue to evolve, as well as the significant judgments and estimates involved in determining fair value in the absence of quoted market values. These estimates are based on valuation methodologies and assumptions deemed appropriate in the circumstances. Such assumptions include estimated volatility and interest rates used in the determination of fair value where quoted market values are not available. The use of different assumptions may have a material effect on the estimated fair value amounts.

Deferred Policy Acquisition Costs

The Company incurs significant costs in connection with acquiring new and renewal insurance business. These costs, which vary with and are primarily related to the production of that business, are deferred. The recovery of such costs is dependent upon the future profitability of the related business. The amount of future profit is dependent principally on investment returns in excess of the amounts credited to policyholders, mortality, morbidity, persistency, interest crediting rates, expenses to administer the business, creditworthiness of reinsurance counterparties and certain economic variables, such as inflation. Of these factors, the Company anticipates that investment returns are most likely to impact the rate of amortization of such costs. The aforementioned factors enter into management's estimates of gross margins and profits, which generally are used to amortize such costs. Revisions to estimates result in changes to the amounts expensed in the reporting period in which the revisions are made and could result in the impairment of the asset and a charge to income if estimated future gross margins and profits are less than amounts deferred. In addition, the Company utilizes the reversion to the mean assumption, a common industry practice, in its determination of the amortization of DAC, including VOBA. This practice assumes that the expectation for long-term appreciation in equity markets is not changed by minor short-term market fluctuations, but that it does change when large interim deviations have occurred.

Liability for Future Policy Benefits and Unpaid Claims and Claim Expense

The Company establishes liabilities for amounts payable under insurance policies, including traditional life insurance, traditional annuities and non-medical health insurance. Generally, amounts are payable over an extended period of time and liabilities are established based on methods and underlying assumptions in accordance with GAAP and applicable actuarial standards. Principal assumptions used in the establishment of liabilities for future policy benefits are mortality, morbidity, expenses, persistency, investment returns and inflation.

Differences between the actual experience and assumptions used in pricing these policies and in the establishment of liabilities result in variances in profit and could result in losses. The effects of changes in such estimated reserves are included in the results of operations in the period in which the changes occur.

Reinsurance

The Company enters into reinsurance transactions as both a provider and a purchaser of reinsurance. Accounting for reinsurance requires extensive use of assumptions and estimates, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. The Company periodically reviews actual and anticipated experience compared to the aforementioned assumptions used to establish assets and liabilities relating to ceded and assumed reinsurance and evaluates the financial strength of counterparties to its reinsurance agreements using criteria similar to that evaluated in the security impairment process discussed previously. Additionally, for each of its reinsurance contracts, the Company must determine if the contract provides indemnification against loss or liability relating to insurance risk, in accordance with applicable accounting standards. The Company must review all contractual features, particularly those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims. If the Company determines that a reinsurance contract does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk, the Company records the contract using the deposit method of accounting.

Litigation

The Company is a party to a number of legal actions and regulatory investigations. Due to the vagaries of litigation, the outcome of these matters and the amount or range of potential loss at particular points in time may normally be inherently impossible to ascertain with any degree of certainty and thus, it is difficult to estimate their impact on the Company's consolidated financial position. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Liabilities related to certain lawsuits, including the Company's asbestos-related liability, are especially difficult to estimate due to the limitation of available data and uncertainty regarding numerous variables used to determine amounts recorded. The data and variables that impact the assumption used to estimate the Company's asbestos-related liability include the number of future claims, the cost to resolve claims, the disease mix and severity of disease, the jurisdiction of claims filed, tort reform efforts and the impact of any possible future adverse verdicts and their amounts. On a quarterly and annual basis, the Company reviews relevant information with respect to liabilities for litigation, regulatory investigations and litigation-related contingencies to be reflected in the Company's consolidated financial statements. The review includes senior legal and financial personnel. It is possible that an adverse outcome in certain of the Company's litigation and regulatory investigations, including asbestos-related cases, or the use of different assumptions in the determination of amounts recorded could have a material effect upon the Company's consolidated net income or cash flows in particular quarterly or annual periods.

Employee Benefit Plans

The Company sponsors pension and other retirement plans in various forms covering employees who meet specified eligibility requirements. The reported expense and liability associated with these plans requires an extensive use of assumptions which include the discount rate, expected return on plan assets and rate of future compensation increases as determined by the Company. Management determines these assumptions based upon currently available market and industry data, historical performance of the plan and its assets, and consultation with an independent consulting actuarial firm. These assumptions used by the Company may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. These differences may have a significant effect on the Company's consolidated financial statements and liquidity.

Year End Results of Operations

Year Ended December 31, 2004 compared with the year ended December 31, 2003

Executive Summary — The Company

MetLife is a leading provider of insurance and other financial services to individual and institutional customers. The Holding Company, through its subsidiaries and affiliate companies, serve individuals in approximately 13 million households in the United States and provide benefits to 37 million employees and family members through their plan sponsors. MetLife currently has three business segments: Institutional, Individual and Reinsurance. Historically, MetLife was organized into six business segments: the three segments identified above and Auto & Home, International and Asset Management. However, SSRM, which represented substantially all of the Asset Management segment, was sold in January 2005. Met P&C, the operations of the Auto & Home segment, were sold to the Holding Company in the fourth quarter of 2003. In addition, Metropolitan Tower Life Insurance Company, MetLife General Insurance Agency, Inc. and its subsidiaries, MetLife Securities, Inc. and N.L. Holding Corporation and its subsidiaries were sold to the Holding Company in 2003. The Company's international operations consisting of the Company's Canadian branch, a subsidiary in Indonesia and a joint venture in China were reported in Corporate & Other for the year ended December 31, 2004, and in the international segment for 2003. The Company disposed of its operations in Indonesia in September 2005.

The Company reported $2,239 million in net income for the year ended December 31, 2004 compared with $2,001 million in net income for the year ended December 31, 2003. Continued top-line revenue growth across most of the Company's continuing business segments, strong interest rate spreads and an improvement in net investment gains (losses) are the leading contributors to the 12% increase in net income for the year ended December 31, 2004 over the comparable 2003 period. Total premiums, fees and other revenues decreased to $20,266 million, down 3%, from the year ended December 31, 2003, primarily resulting from the sale of Met P&C to the Holding Company in October 2003. The premiums, fees and other revenue associated with the sold subsidiaries, primarily Met P&C totaled $2,191 million during the year ended December 31, 2003. Excluding this line of business, premiums, fees and other revenues increased $1,466 million or 8% in 2004 as compared to 2003, primarily due to increases in the Institutional and Reinsurance segments. Additionally, policy fees increased due to the positive impact of the U.S. financial markets on the larger asset bases upon which fees are earned. The value of these assets can fluctuate depending on equity performance. Continued strong investment spreads are largely due to higher than expected net investment income from corporate joint venture income and bond and commercial mortgage prepayment fees. In addition, an improvement in net investment gains (losses) of $538 million, net of income taxes, is primarily due to the more favorable economic environment in 2004. These increases are partially offset by a $52 million, net of income taxes, cumulative effect of a change in accounting principle in 2004 recorded in accordance with Statement of Position 03-1, *Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts* **("SOP 03-1")**. In comparison, in the 2003 period the Company recorded a $26 million charge for a cumulative effect of a change in accounting in accordance with FASB Statement 133 *Implementation Issue B36* (**"Issue B36"**).

Industry Trends

The Company's segments continue to be influenced by a variety of industry trends and the Company believes that each of its businesses is well positioned to capitalize on those trends. In general, the Company sees more employers, both large and small, outsourcing their benefits functions. Further, companies are offering broader arrays of voluntary benefits to help retain employees while adding little to their overall benefits costs. The Company believes that these trends will likely continue and in fact expand across companies of all sizes. Employers are also demanding substantial online access for their employees for various self-service functions. This functionality requires substantial information technology investment that smaller companies will find difficult to absorb. This will put pressure on those smaller and mid-size companies to gain scale quickly or exit the business. Additionally, the Company is seeing a continuing trend of employers moving to defined contribution plans over defined benefit plans.

In addition, alternative benefit structures, such as simple fixed benefit products, are becoming more popular as the cost of traditional medical indemnity products has continued to increase rapidly. These low cost fixed benefit products can provide effective catastrophic protection for high cost illnesses to supplement the basic health coverage provided by medical indemnity insurance.

From a demographics standpoint, the bulk of the United States population is moving from an asset accumulation phase to an asset distribution phase. People within ten years of retirement hold significant assets. With continually lengthening lifespans and unstructured asset distribution, the Company believes many of these people may outlive their retirement savings and/or require long-term care. As a result, the Company expects that the demand for retirement payout solutions with guarantees will increase dramatically over the next decade. In each of these demographic scenarios, the quality of the guarantee will be a key driver of growth. The Company believes that these guarantees will be evaluated through balance sheet strength, the claims paying ability and financial strength ratings of the guarantor, as well as the reputation of the Company. The Company believes that in each of these comparisons, it will be at a distinct advantage versus the industry on average.

The Company expects that these trends will continue to favor those with scale, breadth of distribution and product, ability to provide advice and financial strength to support long-term guarantees.

Discussion of Results

The following table presents consolidated financial information for the Company for the years indicated:

	Year Ended December 31,		
	2004	2003	% Change
	(Dollars in millions)		
Revenues			
Premiums	$17,512	$18,151	(4)%
Universal life and investment-type product policy fees	2,042	1,921	6%
Net investment income	10,805	10,279	5%
Other revenues	712	919	(23)%
Net investment gains (losses)	289	(557)	152%
Total revenues	31,360	30,713	2%
Expenses			
Policyholder benefits and claims	18,735	18,444	2%
Interest credited to policyholder account balances	2,358	2,379	(1)%
Policyholder dividends	1,743	1,897	(8)%
Other expenses	5,382	5,633	(4)%
Total expenses	28,218	28,353	—%
Income from continuing operations before provision for income taxes	3,142	2,360	33%
Provision for income taxes	894	667	34%
Income from continuing operations	2,248	1,693	33%
Income from discontinued operations, net of income taxes	43	334	(87)%
Income before cumulative effect of a change in accounting	2,291	2,027	13%
Cumulative effect of a change in accounting, net of income taxes	(52)	(26)	100%
Net income	$ 2,239	$ 2,001	12%

Year ended December 31, 2004 compared with the year ended December 31, 2003 — The Company

Income from continuing operations increased by $555 million, or 33%, to $2,248 million for the year ended December 31, 2004 from $1,693 million in the comparable 2003 period. Income from continuing operations for the years ended December 31, 2004 and 2003 includes the impact of certain transactions or events, the timing, nature and amount of which are generally unpredictable. These transactions are described in each applicable segment's discussion below. These items contributed a benefit of $113 million, net of income taxes, to the year ended December 31, 2004. Excluding the impact of these items, income from continuing operations increased by $442 million for the year ended December 31, 2004 compared to the prior 2003 period. This increase is primarily the result of an improvement in net investment gains (losses), net of income taxes, of $538 million. Also contributing to the increase is higher earnings from interest rate spreads of approximately $309 million, net of income taxes, in the Institutional and Individual segments. Additionally, the Individual segment contributed $181 million, net of income taxes, to the increase in income from continuing operations, as a result of increased income from policy fees on investment-type products, partially offset by higher amortization associated with DAC of $27 million, net of income taxes, and a reduction in earnings of $86 million, net of income taxes, resulting from an increase in the closed block policyholder dividend obligation. These increases were partially offset by the sale of Met P&C to the Holding Company resulting in a decrease of $111 million of income from continuing operations and a reduction in earnings of $84 million due to lower net investment income on traditional life and income annuity products, both net of income taxes. Income from continuing operations is also reduced by the recapture of a reinsurance agreement of $22 million and less favorable underwriting results in the traditional and universal life products of $22 million, both net of income taxes. In addition, the income tax expense decreased by $40 million as a result of a change in the Company's allocation of income tax expense among segments. The 2003 period includes a $92 million benefit, net of income taxes, from the reduction of a previously established liability related to the Company's race-conscious underwriting settlement, as well as a $36 million benefit from a revision of the estimate of income taxes for 2002.

Premiums, fees and other revenues decreased by $725 million, or 3%, to $20,266 million for the year ended December 31, 2004 from $20,991 million from the comparable 2003 period, primarily resulting from the sale of Met P&C to the Holding Company in October 2003. The premiums, fees and other revenue associated with Met P&C totaled $2,191 million during the year ended December 31, 2003. The premiums, fees and other revenue associated with the sale of MTL, MetLife General Insurance Agency, Inc., MetLife Securities, Inc. and N.L. Holding Corporation to the Holding Company in 2003 totaled $156 million. Excluding the revenues from sold subsidiaries, premiums, fees, and other revenues increased $1,466 million or 8%, in 2004 as compared to 2003, primarily due to increases in the Institutional and Reinsurance segments. The Institutional segment contributed $1,133 million to the year over year increase. This increase stems largely from sales growth and the acquisitions of new businesses in the group life and the non-medical health & other businesses, as well as an increase in structured settlements sales and pension close outs. The Reinsurance segment contributed approximately $709 million to the Company's year over year increase in premium, fees and other revenues. This growth is primarily attributable to this segment's coinsurance agreement with Allianz Life and continued growth in its traditional life reinsurance operations. Partially offsetting these increases is a decline in the Individual segment's premiums, fees and other revenues of $354 million year over year. This decrease stems primarily from a decline in traditional life premiums, which is largely attributable to run-off in the Company's closed block of business that is in line with management's expectations for this line of business.

Interest rate spreads, which generally represent the margin between net investment income and interest credited to policyholder account balances, increased across the Institutional and Individual segments during the year ended December 31, 2004 compared to the prior year period. Earnings from interest rate spreads are influenced by several factors, including business growth, movement in interest rates, and certain investment and investment-related transactions, such as corporate joint venture income and bond and commercial mortgage prepayment fees for which the timing and amount are generally unpredictable, and, as a result, can fluctuate from period to period. If interest rates remain low, it could result in compression of the Company's interest rate spreads on several of its products, which provide guaranteed minimum rates of return to policyholders. This compression could adversely impact the Company's future financial results.

Underwriting results in the Institutional and Individual segments in the year ended December 31, 2004 were less favorable compared to the 2003 period. Underwriting results are significantly influenced by mortality and morbidity trends, claim experience and the reinsurance activity related to certain blocks of business, and, as a result, can fluctuate from period to period.

Other expenses decreased by $251 million, or 4%, to $5,382 million for the year ended December 31, 2004 from $5,633 million for the comparable 2003 period. The 2004 period reflects a $49 million reduction of a premium tax liability and a $22 million reduction of a liability for interest associated with the resolution of all issues relating to the Internal Revenue Service's audit of Metropolitan Life's and its subsidiaries' tax returns for the years 1997-1999, partially offset by a $50 million contribution of appreciated stock to the MetLife Foundation. The 2003 period includes the impact of a $144 million reduction of a previously established liability related to the Company's race-conscious underwriting settlement, and a $48 million charge related to certain improperly deferred expenses at New England Financial. Excluding the impact of these transactions, other expenses decreased by $449 million, or 8%, from the comparable 2003 period. This variance is primarily due to the sale of Met P&C to the Holding

Company in October 2003. Other expenses associated with Met P&C totaled $572 million during the year ended December 31, 2003. The remainder of the increase is the result of general business growth across the remaining segments and Corporate & Other.

Net investment gains (losses) improved by $846 million, or 152%, to a net investment gain of $289 million for the year ended December 31, 2004 from a net investment loss of $557 million for the comparable 2003 period. This increase is primarily due to the more favorable economic environment in 2004.

Income tax expense for the year ended December 31, 2004 was $894 million, or 28% of income from continuing operations before provision for income taxes, compared with $667 million, or 28%, for the comparable 2003 period. The 2004 effective income tax rate differs from the corporate tax rate of 35% primarily due to the impact of non-taxable investment income, tax credits for investments in low income housing, and the contribution of appreciated stock to the MetLife Foundation. In addition, the 2004 effective income tax rate reflects an adjustment of $91 million for the resolution of all issues relating to the Internal Revenue Service's audit of the Company's tax returns for the years 1997-1999 and an adjustment of $9 million consisting primarily of a revision in the estimate of income taxes for 2003. The 2003 effective income tax rate differs from the corporate tax rate of 35% primarily due to the impact of non-taxable investment income, tax credits for investments in low income housing, a recovery of prior year tax overpayments on tax-exempt bonds, and an adjustment of $36 million consisting primarily of a revision in the estimate of income taxes for 2002.

The income from discontinued operations is comprised of the operations of SSRM and net investment income and net investment gains related to real estate properties that the Company has classified as available-for-sale. The Company entered into an agreement to sell SSRM during the third quarter of 2004. As previously discussed, SSRM was sold effective January 31, 2005.

Income from discontinued operations, net of income taxes, decreased $291 million, or 87%, to $43 million for the year ended December 31, 2004 from $334 million for the comparable 2003 period. The decrease is primarily due to lower recognized net investment gains from real estate properties sold in 2004 as compared to the prior year. For the years ended December 31, 2004 and 2003, the Company recognized $20 million and $420 million of net investment gains, respectively, from discontinued operations related to real estate properties sold or held-for-sale.

During the year ended December 31, 2004, the Company recorded a $52 million charge, net of income taxes, for a cumulative effect of a change in accounting in accordance with SOP 03-1, which provides guidance on (i) the classification and valuation of long-duration contract liabilities; (ii) the accounting for sales inducements; and (iii) separate account presentation and valuation. This charge is primarily related to those long-duration contract liabilities where the amount of the liability is indexed to the performance of a target portfolio of investment securities. During the year ended December 31, 2003, the Company recorded a $26 million charge, net of income taxes, for a cumulative effect of a change in accounting in accordance with Issue B36.

Institutional

The following table presents consolidated financial information for the Institutional segment for the years indicated:

	Year Ended December 31,		
	2004	2003	% Change
	(Dollars in millions)		
Revenues			
Premiums	$10,103	$ 9,093	11%
Universal life and investment-type product policy fees	716	633	13%
Net investment income	4,470	4,027	11%
Other revenues	632	592	7%
Net investment gains (losses)	185	(293)	163%
Total revenues	16,106	14,052	15%
Expenses			
Policyholder benefits and claims	11,134	9,842	13%
Interest credited to policyholder account balances	958	914	5%
Policyholder dividends	107	198	(46)%
Other expenses	1,906	1,782	7%
Total expenses	14,105	12,736	11%
Income from continuing operations before provision for income taxes	2,001	1,316	52%
Provision for income taxes	682	478	43%
Income from continuing operations	1,319	838	57%
Income from discontinued operations, net of income taxes	10	37	(73)%
Income before cumulative effect of a change in accounting	1,329	875	52%
Cumulative effect of a change in accounting, net of income taxes	(59)	(26)	127%
Net income	$ 1,270	$ 849	50%

Year ended December 31, 2004 compared with the year ended December 31, 2003 — Institutional

The Company's Institutional segment offers a broad range of group insurance and retirement & savings products and services to corporations and other institutions. Group insurance products are offered as either employer-paid benefits, or as voluntary benefits where all or a portion of the premiums are paid by the employee. Retirement & savings products and services include an array of annuity and investment products, as well as bundled administrative and investment services sold to sponsors of small and mid-sized 401(k) and other defined contribution plans.

Income from continuing operations increased by $481 million, or 57%, to $1,319 million for the year ended December 31, 2004 from $838 million for the comparable 2003 period. An improvement of $242 million, net of income taxes, in net investment gains (losses), net of adjustments of $63 million to policyholder benefit and claims related to net investment gains (losses), is a significant component of the increase. In addition, favorable interest rate spreads contributed $225 million, net of income taxes, to the increase compared to the prior year period, with the retirement & savings products generating $183 million, net of income taxes, of this increase. Higher investment yields, growth in the asset base and lower average crediting rates are the primary drivers of the year over year increase in interest rate spreads. These spreads are generally the percentage point difference between the yield earned on invested assets and the interest rate the Company uses to credit on certain liabilities. Therefore, given a constant value of assets and liabilities, an increase in interest rate spreads would result in higher income to the Company. Interest rate spreads for the year ended December 31, 2004 increased to 2.06%, 1.66% and 1.88% for group life, retirement & savings and the non-medical health & other businesses, respectively, from 2.04%, 1.40% and 1.51% for the group life, retirement & savings, and the non-medical health & other businesses, respectively, in the comparable prior year period. Management generally expects these spreads to be in the range of 1.60% to 1.80%, 1.30% to 1.45%, and 1.30% to 1.50% for the group life, retirement & savings, and the non-medical health & other businesses, respectively. Earnings from interest rate spreads are influenced by several factors, including business growth, movement in interest rates, and certain investment and investment-related transactions, such as corporate joint venture income and bond and commercial mortgage prepayment fees for which the timing and amount are generally unpredictable. As a result, income from these investment transactions may fluctuate from period to period. Also contributing to the increase in income from continuing operations is a reduction in a premium tax liability of $31 million in the second quarter of 2004, net of income taxes. These increases in income from continuing operations are partially offset by less favorable underwriting results, which are estimated to have declined $30 million, net of income taxes, compared to the prior year period. Management attributes approximately $20 million, net of income taxes, of this decrease to mixed claim experience in the non-medical health & other business. Underwriting results are significantly influenced by mortality and morbidity trends, as well as claim experience and, as a result, can fluctuate from year to year.

Total revenues, excluding net investment gains (losses), increased by $1,576 million, or 11%, to $15,921 million for the year ended December 31, 2004 from $14,345 million for the comparable 2003 period. Growth of $1,133 million in premiums, fees, and other revenues contributed to the revenue increase. A $480 million increase in premiums, fees and other revenues in the non-medical health & other business compared to the prior year is partly due to the continued growth in long-term care of $148 million, of which $41 million is related to the 2004 acquisition of TIAA/CREF's long-term care business. Growth in the small market products, disability business, and dental business contributed $305 million to the year over year increase. Group life insurance premiums, fees and other revenues increased by $462 million, which management primarily attributes to improved sales and favorable persistency, as well as the acquisition of the John Hancock group life insurance business in late 2003, which contributed $20 million to the increase. Retirement & savings' premiums, fees and other revenues increased by $191 million, which is largely due to a growth in premiums of $172 million, resulting primarily from an increase in structured settlement sales and pension close-outs. Premiums, fees and other revenues from retirement & savings products are significantly influenced by large transactions, and as a result, can fluctuate from year to year. In addition, an increase of $443 million in net investment income, which is primarily due to higher income from growth in the asset base, earnings on corporate joint venture income and bond and commercial mortgage prepayment fees contributed to the overall increase in revenues. This increase is a component of the favorable interest rate spreads discussed above.

Total expenses increased by $1,369 million, or 11%, to $14,105 million for the year ended December 31, 2004 from $12,736 million for the comparable 2003 period. Policyholder benefits and claims increased by $1,201 million to $11,241 million for the year ended December 31, 2004 from $10,040 million for the comparable prior year period. This increase is primarily attributable to a $460 million, $461 million, and $280 million increase in the group life, non-medical health & other and retirement & savings businesses, respectively. These increases are predominately attributable to the business growth discussed in the revenue discussion above. The increases in group life and the non-medical health & other businesses include the impact of the acquisition of certain businesses from John Hancock and TIAA/CREF of $11 million and $39 million, respectively. Also included in the increase is the impact of less favorable claim experience, primarily in the non-medical health & other business. Interest credited to policyholder account balances increased by $44 million over the prior year period primarily as a result of the impact of growth in GICs within the retirement & savings business. Other operating expenses increased $124 million, or 7%, to $1,906 million for the year ended December 31, 2004 from $1,782 million for the comparable 2003 period. The largest component of this expense growth is an increase of $98 million related to increases in direct business support expenses. In addition, non-deferrable commissions and premium taxes increased by $25 million. This is net of a $49 million reduction in a premium tax liability in the second quarter of 2004. Excluding this item, non-deferrable commissions and premium taxes increased by $74 million, which is commensurate with the aforementioned revenue growth. In addition, the Company incurred infrastructure improvement costs of $34 million and expenses of $12 million related to the closing of one of the Company's disability claims centers which were partially offset by a decline of $45 million primarily relating to expenses incurred in the prior year for office closures and consolidations and an impairment of related assets.

Individual

The following table presents consolidated financial information for the Individual segment for the years indicated:

	Year Ended December 31, 2004	2003	% Change
	(Dollars in millions)		
Revenues			
Premiums	$ 4,051	$ 4,242	(5)%
Universal life and investment-type product policy fees	1,325	1,287	3%
Net investment income	5,496	5,585	(2)%
Other revenues	3	204	(99)%
Net investment gains (losses)	68	(299)	123%
Total revenues	10,943	11,019	(1)%
Expenses			
Policyholder benefits and claims	4,870	4,876	—%
Interest credited to policyholder account balances	1,187	1,280	(7)%
Policyholder dividends	1,634	1,697	(4)%
Other expenses	2,264	2,436	(7)%
Total expenses	9,955	10,289	(3)%
Income from continuing operations before provision for income taxes	988	730	35%
Provision for income taxes	322	245	31%
Income from continuing operations	666	485	37%
Income from discontinued operations, net of income taxes	4	34	(88)%
Income before cumulative effect of a change in accounting	670	519	29%
Cumulative effect of a change in accounting, net of income taxes	9	—	
Net income	$ 679	$ 519	31%

Year ended December 31, 2004 compared with the year ended December 31, 2003 — Individual

MetLife's Individual segment offers a wide variety of protection and asset accumulation products aimed at serving the financial needs of its customers throughout their entire life cycle. Products offered by Individual include insurance products, such as traditional, universal and variable life insurance and variable and fixed annuities. In addition, Individual sales representatives distribute disability insurance and long-term care insurance products offered through the Institutional segment, investment products, such as mutual funds, as well as other products offered by the Company's other businesses.

Income from continuing operations increased by $181 million, or 37%, to $666 million for the year ended December 31, 2004 from $485 million for the comparable 2003 period. Included in this increase is an improvement in net investment gains (losses) of $258 million and improvements in interest rate spreads of $84 million, both net of income taxes. Interest rate spreads are generally the percentage point difference between the yield earned on invested assets and the interest rate the Company uses to credit on certain liabilities. Given a constant value of assets and liabilities, an increase in interest rate spreads would result in higher income to the Company. Interest rate spreads include income from certain investment transactions, including corporate joint venture income and bond and commercial mortgage prepayment fees, the timing and amount of which are generally unpredictable. As a result, income from these transactions may fluctuate from year to year. These types of investment transactions contributed

$20 million, net of income taxes, to the improvement in interest rate spreads. Income from continuing operations increased primarily due to a reduction in policyholder dividends of $44 million, net of income taxes, in 2004 and the charge of $31 million, net of income taxes, in 2003 related to certain improperly deferred expenses at New England Financial. Fee income increased by $26 million, net of income taxes, primarily due to growth in separate account products. These increases in income from continuing operations are partially offset by a reduction in earnings of $86 million, net of income taxes, resulting from an increase in the closed block-related policyholder dividend obligation, associated primarily with an improvement in net investment gains (losses). Offsetting these increases are lower net investment income on traditional life and income annuity products of $84 million and higher DAC amortization of $27 million, both net of income taxes. Income from continuing operations was also reduced by the recapture of a reinsurance agreement of $22 million net of income taxes, and less favorable underwriting results in the traditional and universal life products of $22 million, net of income taxes. These underwriting results are significantly influenced by mortality experience and the reinsurance activity related to certain blocks of business, and as a result can fluctuate from year to year.

Total revenues, excluding net investment gains (losses), decreased by $443 million, or 4%, to $10,875 million for the year ended December 31, 2004 from $11,318 million for the comparable 2003 period. This decrease is due to lower premiums related to the Company's closed block of business of $209 million, which continues to run off at management's expected range of 3% to 6% per year. Partially offsetting the decline in closed block premiums is an increase of $20 million in annuity premiums which management attributes to the active marketing of these products. The sale of certain subsidiaries to the Holding Company also contributed to the reduction of revenues causing a decline of $147 million. Net investment income also declined $89 million due to lower investment yields. The cost associated with the recapture of a reinsurance agreement also reduced revenues by $31 million. Partially offsetting the decline was higher fee income primarily from separate account products of $38 million resulting from a combination of growth in the business and improved overall market performance. Policy fees from variable life and annuity and investment-type products are typically calculated as a percentage of the average assets in policyholder accounts. The value of these assets can fluctuate depending on equity performance.

Total expenses decreased by $334 million, or 3%, to $9,955 million for the year ended December 31, 2004 from $10,289 million for the comparable 2003 period. Lower expenses are primarily the result of a $181 million decrease in the closed block policyholder benefits partially attributable to lower activity associated with the run-off of this business. Additionally, expenses decreased $157 million due to the sale of certain subsidiaries to the Holding Company and a $93 million decline in interest credited to policyholder account balances due to lower crediting rates. Included in the decrease in expenses are lower policyholder dividends of $63 million resulting from reductions in the dividend scale in late 2003 and a charge in 2003 related to certain improperly deferred expenses at New England Financial of $48 million. Partially offsetting these decreases in expenses is a $123 million increase in the closed block-related policyholder dividend obligation based on positive performance of the closed block and higher DAC amortization of $38 million. The increase in DAC amortization is a result of accelerated amortization resulting from improvement in net investment gains (losses) and the update of management's assumptions used to determine estimated gross margins. Offsetting the decrease in expenses are less favorable underwriting results in the traditional and universal life products of $32 million, higher general spending of $63 million and an increase of $20 million in future policyholder benefits commensurate with the increase in income annuity premiums.

Reinsurance

The following table presents consolidated financial information for the Reinsurance segment for the years indicated:

	Year Ended December 31,		
	2004	2003	% Change
	(Dollars in millions)		
Revenues			
Premiums	$3,349	$2,648	26%
Net investment income	539	431	25%
Other revenues	56	48	17%
Net investment gains (losses)	60	31	94%
Total revenues	4,004	3,158	27%
Expenses			
Policyholder benefits and claims	2,694	2,102	28%
Interest credited to policyholder account balances	212	184	15%
Other expenses	965	741	30%
Total expenses	3,871	3,027	28%
Income before provision for income taxes	133	131	2%
Provision for income taxes	45	45	—%
Net income	$ 88	$ 86	2%

Year ended December 31, 2004 compared with the year ended December 31, 2003 — Reinsurance

MetLife's Reinsurance segment is comprised of the life reinsurance business of RGA, a publicly traded company, and MetLife's ancillary life reinsurance business. RGA has operations in North America and has subsidiary companies, branch offices, or representative offices in Australia, Barbados, Hong Kong, India, Ireland, Japan, Mexico, South Africa, South Korea, Spain, Taiwan and the United Kingdom.

Net income increased $2 million, or 2%, to $88 million for the year ended December 31, 2004, from $86 million for the comparable 2003 period. This increase is attributable to a 27% increase in revenues, primarily due to strong premium growth across all of RGA's geographical segments, which includes the effect of the Allianz Life transaction. The growth in income from continuing operations is partially offset by higher minority interest expense as MetLife's ownership in RGA decreased from 59% to 52% in the comparable periods, and a negotiated claim settlement in RGA's accident and health business, which is currently in run-off, of $8 million in the third quarter of 2004, net of income taxes and minority interest.

Total revenues, excluding net investment gains, increased by $817 million, or 26%, to $3,944 million for the year ended December 31, 2004, from $3,127 million for the comparable 2003 period. This increase is primarily due to a $701 million increase in premiums. The premium increase during the year ended December 31, 2004, is partially the result of RGA's coinsurance agreement with Allianz Life under which RGA assumed 100% of Allianz Life's United States traditional life reinsurance business. This transaction closed during 2003, with six months of reinsurance activity recorded in 2003, as compared to twelve months in 2004. New premiums from facultative and automatic treaties and renewal premiums on existing blocks of business in the United States and certain international operations also contributed to the premium growth. Premium levels are significantly influenced by large transactions, such as the Allianz Life transaction, and reporting practices of ceding companies, and, as a result, can fluctuate from period to period. Net investment income also contributed to revenue growth, increasing $108 million, or 25%, to $539 million in 2004, from $431 million in 2003. The growth in net investment income is the result of growth in RGA's operations and asset base, as well as the conversion of a large reinsurance treaty from a funds withheld to a coinsurance basis which resulted in an increase of $12 million in net investment income.

Total expenses increased by $844 million, or 28%, to $3,871 million for the year ended December 31, 2004, from $3,027 million for the comparable period in 2003. This increase is commensurate with the growth in revenues and is primarily attributable to an increase of $620 million in policyholder benefits and claims and interest credited to policyholder account balances, primarily associated with RGA's growth in policies in force of approximately $200 billion, a negotiated claim settlement in RGA's accident and health business of $24 million, and the inclusion of only six months of results from the Allianz Life transaction in the prior year. Also, during the fourth quarter of 2004, RGA recorded approximately $18 million in policy benefits and claims as a result of the Indian Ocean tsunami on December 26, 2004, and claims development associated with its reinsurance of Argentine pension business. Other expenses increased primarily due to an increase of $106 million in allowances and related expenses on assumed reinsurance associated with RGA's growth in premiums and insurance in force and $15 million in additional amortization of DAC from the conversion of a large reinsurance treaty from a funds withheld to a coinsurance basis. The balance of the growth in other expenses is primarily due to the aforementioned increase in minority interest expense from $114 million in 2003 to $161 million in 2004.

Corporate & Other

The following table presents consolidated financial information for the Corporate & Other for the years indicated:

	Year Ended December 31, 2004	2003	% Change
	(Dollars in millions)		
Revenues			
Premiums	$ 9	$ (6)	250%
Universal life and investment-type product policy fees	1	—	
Net investment income	300	67	348%
Other revenues	21	38	(45)%
Net investment gains (losses)	(24)	15	(260)%
Total revenues	307	114	169%
Expenses			
Policyholder benefits and claims	37	4	825%
Interest credited to policyholder account balances	1	—	
Policyholder dividends	2	(1)	300%
Other expenses	247	78	217%
Total expenses	287	81	254%
Income from continuing operations before provision for income taxes	20	33	(39)%
Income tax benefit	(155)	(127)	(22)%
Income from continuing operations	175	160	9%
Income from discontinued operations, net of income taxes	29	263	(89)%
Income before cumulative effect of a change in accounting	204	423	(52)%
Cumulative effect of a change in accounting, net of income taxes	(2)	—	
Net income	$ 202	$ 423	(52)%

Year ended December 31, 2004 compared with the year ended December 31, 2003 — Corporate & Other

Corporate & Other contains the excess capital not allocated to the business segments, international entities other than those of the reinsurance segment, various start-up and run-off entities, as well as interest expense related to the majority of the Company's outstanding debt and expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of all intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings, as well as intersegment transactions. Additionally, the Company's asset management business, including amounts reported as discontinued operations, is included in the results of operations for Corporate & Other.

Income from continuing operations increased by $15 million, or 9%, to $175 million for the year ended December 31, 2004 from $160 million for the comparable 2003 period. The 2004 period includes a $105 million benefit associated with the resolution of issues relating to the Internal Revenue Service's audit of the Company's tax returns for the years 1997-1999. Also included in the 2004 period is an expense related to a $32 million contribution, net of income taxes, to the MetLife Foundation and a $9 million benefit from a revision of the estimate of income taxes for 2003. The 2003 period includes a $92 million benefit, net of income taxes, from the reduction of a previously established liability related to the Company's race-conscious underwriting settlement, as well as a $36 million benefit from a revision of the estimate of income taxes for 2002. Excluding the impact of these items, income from continuing operations increased by $61 million in the year ended December 31, 2004 from the comparable 2003 period. The increase in earnings in 2004 over the prior year period is primarily attributable to an increase in net investment income of $148 million and a decrease in interest on debt of $34 million, both net of income taxes. This is partially offset by an increase in net investment losses of $25 million, an increase in policyholder benefits and claims of $21 million, a charge related to unoccupied space of $10 million, as well as expenses associated with the piloting of a new product of $7 million, all net of income taxes. In addition, the income tax benefit decreased by $40 million as a result of a change in the Company's allocation of income tax expense among segments.

Total revenues, excluding net investment gains (losses), increased by $232 million, or 234%, to $331 million for the year ended December 31, 2004 from $99 million for the comparable 2003 period. This variance is mainly due to $218 million of higher investment income resulting from increases in income from long-term bonds, corporate joint venture income, and real estate income as well as $53 million from the inclusion of the international results. This is partially offset by lower investment income of $38 million due to the exclusion of the Auto & Home segment as a result of the sale of Met P&C in 2003.

Total expenses increased by $206 million, or 254%, to $287 million for the year ended December 31, 2004 from $81 million for the comparable 2003 period. The 2004 period includes a $50 million contribution to the MetLife Foundation, partially offset by a $22 million reduction of a liability associated with the resolution of all issues relating to the Internal Revenue Service's audit of the Company's tax returns for the years 1997-1999. The 2003 period includes a $144 million benefit from a reduction of a previously established liability associated with the Company's race-conscious underwriting settlement. Excluding these items, total expenses increased by $34 million for the year ended December 31, 2004. This increase is attributable to a charge related to unoccupied space of $15 million, expenses associated with the piloting of a new product of $11 million, as well as $50 million from the inclusion of the international results. This increase is partially offset by lower interest expense on surplus notes of $54 million.

Liquidity and Capital Resources

Capital

RBC. Section 1322 of the New York Insurance Law requires that New York domestic life insurers report their RBC based on a formula calculated by applying factors to various asset, premium and statutory reserve items. Similar rules apply to each of the Company's domestic insurance subsidiaries. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk and business risk. Section 1322 gives the New York Superintendent of Insurance (the **"Superintendent"**) explicit regulatory authority to require various actions by, or to take various actions against, insurers whose total adjusted capital does not exceed certain RBC levels. At December 31, 2004, Metropolitan Life's and each of its domestic insurance subsidiaries' total adjusted capital was in excess of each of the RBC levels required by each state of domicile.

The NAIC adopted the Codification of Statutory Accounting Principles (**"Codification"**) in 2001. Codification was intended to standardize regulatory accounting and reporting to state insurance departments. However, statutory accounting principles continue to be established by individual state laws and permitted practices. The New York State Department of Insurance (the **"Department"**) has adopted Codification with certain modifications for the preparation of statutory financial statements of insurance companies domiciled in New York. Modifications by various state insurance departments may impact the effect of Codification on the statutory capital and surplus of Metropolitan Life and its insurance subsidiaries.

Asset/Liability Management

The Company actively manages its assets using an approach that balances quality, diversification, asset/liability matching, liquidity and investment return. The goals of the investment process are to optimize, net of income taxes, risk-adjusted investment income and risk-adjusted total return while ensuring that the assets and liabilities are managed on a cash flow and duration basis. The asset/liability management process is the shared responsibility of the Portfolio Management Unit, the Business Finance Asset/Liability Management Unit, and the operating business segments under the supervision of the various product line specific Asset/Liability Management Committees (**"A/LM Committees"**). The A/LM Committees' duties include reviewing and approving target portfolios on a periodic basis, establishing investment guidelines and limits and providing oversight of the asset/liability management process. The portfolio managers and asset sector specialists, who have responsibility on a day-to-day basis for risk management of their respective investing activities, implement the goals and objectives established by the A/LM Committees.

The Company establishes target asset portfolios for each major insurance product, which represent the investment strategies used to profitably fund its liabilities within acceptable levels of risk. These strategies include objectives for effective duration, yield curve sensitivity, convexity, liquidity, asset sector concentration and credit quality. In executing these asset/liability-matching strategies, management regularly re-evaluates the estimates used in determining the approximate amounts and timing of payments to or on behalf of policyholders for insurance liabilities. Many of these estimates are inherently subjective and could impact the Company's ability to achieve its asset/liability management goals and objectives.

Liquidity

Liquidity refers to a company's ability to generate adequate amounts of cash to meet its needs. The Company's liquidity position (cash and cash equivalents and short-term investments, excluding securities lending) was $2.7 billion and $3.0 billion at December 31, 2004 and 2003, respectively. Liquidity needs are determined from a rolling 12-month forecast by portfolio and are monitored daily. Asset mix and maturities are adjusted based on forecast. Cash flow testing and stress testing provide additional perspectives on liquidity. The Company believes that it has sufficient liquidity to fund its cash needs under various scenarios that include the potential risk of early contractholder and policyholder withdrawal. The Company includes provisions limiting withdrawal rights on many of its products, including general account institutional pension products (generally group annuities, including guaranteed interest contracts (**"GICs"**), and certain deposit funds liabilities) sold to employee benefit plan sponsors. Certain of these provisions prevent the customer from making withdrawals prior to the maturity date of the product.

In the event of significant unanticipated cash requirements beyond normal liquidity, the Company has multiple liquidity alternatives available based on market conditions and the amount and timing of the liquidity need. These options include cash flow from operations (insurance premiums, annuity considerations and deposit funds), borrowings under committed credit facilities, secured borrowings, the ability to issue commercial paper, long-term debt, capital securities, common equity and, if necessary, the sale of liquid long-term assets.

The Company's ability to sell investment assets could be limited by accounting rules including rules relating to the intent and ability to hold impaired securities until the market value of those securities recovers.

In extreme circumstances, all general account assets within a statutory legal entity are available to fund any obligation of the general account within that legal entity.

Liquidity Sources

Cash Flow from Operations. The Company's principal cash inflows from its insurance activities come from insurance premiums, annuity considerations and deposit funds. A primary liquidity concern with respect to these cash inflows is the risk of early contractholder and policyholder withdrawal. The Company includes provisions limiting withdrawal rights on many of its products, including general account institutional pension products (generally group annuities, including GICs and certain deposit fund liabilities) sold to employee benefit plan sponsors.

The Company's principal cash inflows from its investment activities come from repayments of principal, proceeds from maturities and sales of invested assets and investment income. The primary liquidity concerns with respect to these cash inflows are the risk of default by debtors and market volatilities. The Company closely monitors and manages these risks through its credit risk management process.

Liquid Assets. An integral part of the Company's liquidity management is the amount of liquid assets it holds. Liquid assets include cash, cash equivalents, short-term investments and marketable fixed maturity and equity securities. Liquid assets exclude assets relating to securities lending and dollar roll activities. At December 31, 2004 and 2003, the Company had $112 billion and $103 billion in liquid assets, respectively.

Global Funding Sources. Liquidity is also provided by a variety of both short and long-term instruments, including repurchase agreements, commercial paper, medium and long-term debt, capital securities and stockholder equity. The diversification of the Company's funding sources enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds.

At December 31, 2004 and 2003, the Company had $1.4 billion and $3.5 billion in short-term debt outstanding, and $2.1 billion and $2.1 billion in long-term debt outstanding, respectively.

MetLife Funding, Inc. (**"MetLife Funding"**), a subsidiary of Metropolitan Life, serves as a centralized finance unit for the Company. Pursuant to a support agreement, the Company has agreed to cause MetLife Funding to have a tangible net worth of at least one dollar. At December 31, 2004 and 2003, MetLife Funding had a tangible net worth of $10.9 million for both years. MetLife Funding raises funds from various funding sources and uses the proceeds to extend loans, through MetLife Credit Corp., another subsidiary of Metropolitan Life, to the Holding Company, Metropolitan Life and other affiliates. MetLife Funding manages its funding sources to enhance the financial flexibility and liquidity of Metropolitan Life and other affiliated companies. At December 31, 2004 and 2003, MetLife Funding had total outstanding liabilities, including accrued interest payable, of $1,449 million and $1,047 million, respectively, consisting primarily of commercial paper.

Credit Facilities. The Company maintains committed and unsecured credit facilities aggregating $2.7 billion ($1.06 billion expiring in 2005, $175 million expiring in 2006 and $1.5 billion expiring in 2009). If these facilities were drawn upon, they would bear interest at varying rates in accordance with the respective agreements. The facilities can be used for general corporate purposes and $2.5 billion of the facilities also serve as back-up lines of credit for the Company's commercial paper programs. At December 31, 2004, the Company had drawn approximately $56 million under the facilities expiring in 2005 at interest rates ranging from 5.44% to 6.38% and approximately $50 million under a facility expiring in 2006 at an interest rate of 2.99%. In April 2005, the Company replaced the $1 billion credit facility expiring in 2005 with a $1.5 billion five-year credit facility expiring in 2010. See "— Subsequent Events."

Liquidity Uses

Insurance Liabilities. The Company's principal cash outflows primarily relate to the liabilities associated with its various life insurance, annuity and group pension products, operating expenses and income taxes, as well as principal and interest on its outstanding debt obligations. Liabilities arising from its insurance activities primarily relate to benefit payments under the aforementioned products, as well as payments for policy surrenders, withdrawals and loans.

Investment and Other. Additional cash outflows include those related to obligations of securities lending and dollar roll activities, investments in real estate, limited partnerships and joint ventures, as well as litigation-related liabilities.

The following table summarizes the Company's major contractual obligations as of December 31, 2004:

Contractual Obligations	Total	Less Than Three Years	Three to Five Years	More Than Five Years
		(Dollars in millions)		
Other long-term liabilities(1)(2)	$77,136	$ 8,258	$8,479	$60,399
Long-term debt(3)	1,996	573	14	1,409
Partnership investments(4)	1,320	1,320	—	—
Operating leases	981	309	284	388
Mortgage commitments	1,161	1,161	—	—
Shares subject to mandatory redemption(3)	350	—	—	350
Capital leases	65	18	35	12
Total	$83,009	$11,639	$8,812	$62,558

(1) Other long-term liabilities include various investment-type products with contractually scheduled maturities including GICs, structured settlements, pension closeouts and certain annuity policies.

(2) Other long-term liabilities include benefit and claim liabilities for which the Company believes the amount and timing of the payment is essentially fixed and determinable. Such amounts generally relate to (i) policies or contracts where the Company is currently making payments and will continue to do so until the occurrence of a specific event such as death and (ii) life insurance incurred and reported claims. Liabilities for future policy benefits of $63.9 billion and policyholder account balances of $62.7 billion at December 31, 2004, have been excluded from this table. Amounts excluded from the table are generally comprised of policies or contracts where (i) the Company is not currently making payments and will not make payments in the future until the occurrence of an insurable event, such as death or disability or (ii) the occurrence of a payment triggering event, such as a surrender of a policy or contract, is outside of the control of the Company. The determination of these liability amounts and the timing of payment are not reasonably fixed and determinable since the insurable event or payment triggering event has not yet occurred. Such excluded liabilities primarily represent future policy benefits of approximately $59.0 billion relating to traditional life, health and disability insurance products and policyholder account balances of approximately $21.0 billion relating to deferred annuities, approximately $16.2 billion for group and universal life products and approximately $13.8 billion for funding agreements without fixed maturity dates. Significant uncertainties relating to these liabilities include mortality, morbidity, expenses, persistency, investment returns, inflation and the timing of payments. See "The Company — Asset/Liability Management."

Amounts included in other long-term liabilities reflect estimated cash payments to be made to policyholders. Such cash outflows reflect adjustments for the estimated timing of mortality, retirement, and other appropriate factors, but are undiscounted with respect to interest. The amount shown in the more than five years column represents the sum of cash flows, also adjusted for the estimated timing of mortality, retirement and other appropriate factors and undiscounted with respect to interest, extending for more than 100 years from the present date. As a result, the sum of cash outflows shown for all years in the table of $77.1 billion exceeds the corresponding liability amounts of $33.0 billion included in the consolidated financial statements at December 31, 2004. The liability amount in the consolidated financial statements reflects the discounting for interest as well as adjustments for the timing of other factors as described above.

(3) Amounts differ from the balances presented on the consolidated balance sheets. The amounts above do not include related premiums and discounts or capital leases which are presented separately.

(4) The Company anticipates that these amounts could be invested in these partnerships any time over the next five years, but are presented in the current period, as the timing of the fulfillment of the obligation cannot be predicted.

(5) Excluded from operating leases is $117 million, $26 million, $38 million, and $53 million for total, less than three years, three to five years, and more than five years, respectively, related to discontinued operations pertaining to SSRM.

As of December 31, 2004, and relative to its liquidity program, the Company had no material, (individually or in the aggregate), purchase obligations or material (individually or in the aggregate) unfunded pension or other post retirement benefit obligations due within one year.

On April 11, 2003, an affiliate of the Company elected not to make future payments required by the terms of a non-recourse loan obligation. The book value of this loan was approximately $17 million at December 31, 2004. The Company's exposure under the terms of the applicable loan agreement is limited solely to its investment in certain securities held by an affiliate. Subsequent to December 31, 2004, in connection with the sale of the related equity investment, the loan was forgiven and the affiliate was discharged and released from its obligations thereunder.

Letters of Credit. At December 31, 2004 and 2003, the Company had outstanding approximately $569 million and $614 million, respectively, in letters of credit from various banks, all of which expire within one year. Since commitments associated with letters of credit and financing arrangements may expire unused, these amounts do not necessarily reflect the actual future cash funding requirements.

Support Agreements. Metropolitan Life entered into a net worth maintenance agreement with New England Life Insurance Company (**"NELICO"**) at the time Metropolitan Life merged with New England Mutual Life Insurance Company. Under the agreement, Metropolitan Life agreed, without limitation as to the amount, to cause NELICO to have a minimum capital and surplus of $10 million, total adjusted capital at a level not less than the company action level RBC, as defined by state insurance statutes, and liquidity necessary to enable it to meet its current obligations on a timely basis. At December 31, 2004, the capital and surplus of NELICO was in excess of the minimum capital and surplus amount referenced above, and its total adjusted capital was in excess of the most recent referenced RBC-based amount calculated at December 31, 2004.

In connection with the Company's acquisition of GenAmerica Financial Corporation (**"GenAmerica"**), Metropolitan Life entered into a net worth maintenance agreement with General American. Under the agreement, Metropolitan Life agreed, without limitation as to amount, to cause General American to have a minimum capital and surplus of $10 million, total adjusted capital at a level not less than 180% of the company action level RBC, as defined by state insurance statutes, and liquidity necessary to enable it to meet its current obligations on a timely basis. The agreement was subsequently amended to provide that, for the five year period from 2003 through 2007, total adjusted capital must be maintained at a level not less than 200% of the company action level RBC, as defined by state insurance statutes. At December 31, 2004, the capital and surplus of General American was in excess of the minimum capital and surplus amount referenced above, and its total adjusted capital was in excess of the most recent referenced RBC-based amount calculated at December 31, 2004.

Metropolitan Life has also entered into arrangements for the benefit of some of its other subsidiaries and affiliates to assist such subsidiaries and affiliates in meeting various jurisdictions' regulatory requirements regarding capital and surplus and security deposits. In addition, Metropolitan Life has entered into a support arrangement with respect to a subsidiary under which Metropolitan Life may become responsible, in the event that the subsidiary becomes the subject of insolvency proceedings, for the payment of certain reinsurance recoverables due from the subsidiary to one or more of its cedents in accordance with the terms and conditions of the applicable reinsurance agreements.

General American has agreed to guarantee the obligations of its subsidiary, Paragon Life Insurance Company, and certain obligations of its former subsidiaries, MetLife Investors Insurance Company **("MetLife Investors")**, First MetLife Investors Insurance Company and MetLife Investors Insurance Company of California. In addition, General American has entered into a contingent reinsurance agreement with MetLife Investors. Under this agreement, in the event that MetLife Investors' statutory capital and surplus is less than $10 million or total adjusted capital falls below 150% of the company action level RBC, as defined by state insurance statutes, General American would assume as assumption reinsurance, subject to regulatory approvals and required consents, all of MetLife Investors' life insurance policies and annuity contract liabilities. At December 31, 2004, the capital and surplus of MetLife Investors was in excess of the minimum capital and surplus amount referenced above, and its total adjusted capital was in excess of the most recent referenced RBC-based amount calculated at December 31, 2004.

Management does not anticipate that these arrangements will place any significant demands upon the Company's liquidity resources.

Litigation. Various litigation, claims and assessments against the Company in addition to those discussed elsewhere herein and those otherwise provided for in the Company's Consolidated Financial Statements, have arisen in the course of the Company's business, including, but not limited to, in connection with its activities as an insurer, employer, investor, investment advisor and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning the Company's compliance with applicable insurance and other laws and regulations.

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

Other. Based on management's analysis of its expected cash inflows from operating activities, the dividends it pays to the Holding Company that are permitted to be paid without prior insurance regulatory approval and its portfolio of liquid assets and other anticipated cash flows, management believes there will be sufficient liquidity to enable the Company to make payments on debt, pay all operating expenses, and meet its cash needs. The nature of the Company's diverse product portfolio and customer base lessens the likelihood that normal operations will result in any significant strain on liquidity.

Consolidated Cash Flows for the Years Ended December 31, 2004 and 2003. Net cash provided by operating activities was $6,914 million and $6,119 million for the years ended December 31, 2004 and 2003, respectively. The $795 million increase in operating cash flow in 2004 over the comparable 2003 period is primarily attributable to continued growth in the group life, long-term care, dental and disability businesses, as well as an increase in retirement and savings' structured settlements due to a large multi-contract sale in 2004. Also, the late 2003 acquisition of John Hancock's group life business and the acquisition of TIAA-CREF's long-term care business contributed to growth in the 2004 period.

Net cash used in investing activities was $9,573 million and $12,779 million for the years ended December 31, 2004 and 2003, respectively. The $3,206 million decrease in net cash used in investing activities in 2004 over the comparable 2003 period is primarily due to less cash provided by financing activities, partially offset by an increase in cash generated from operations. This decrease in available cash resulted in reduced investments in fixed maturities for the current year versus the prior year. Additionally, there was a decrease in securities lending cash collateral invested in 2004 as compared to 2003. These items are partially offset by an increase in mortgage and other loan origination as the Company continues to take advantage of favorable market conditions in this sector, as well as an increase in cash used for equity securities and short-term investments for the comparable periods.

Net cash provided by financing activities was $2,694 million and $7,947 million for the years ended December 31, 2004 and 2003, respectively. The $5,253 million decrease in net cash provided by financing activities in 2004 over the comparable 2003 period is primarily due to repayments of short-term debt associated with dollar roll activity. In addition, net cash provided by policyholder account balances decreased for the comparable periods mainly as a result of a decrease in GICs sold in 2004 as compared to 2003, and because of proceeds from the sale of stock by RGA. These items were partially offset by the repayment of two surplus notes worth $700 million in 2003 not repeated in 2004, and a decrease in dividend payments mainly because of an extraordinary dividend paid in 2003.

Consolidated Cash Flows for the Nine Months Ended September 30, 2005 and 2004. Net cash provided by operating activities was $4,091 million and $4,036 million for the nine months ended September 30, 2005 and 2004, respectively. The $55 million increase in operating cash flows in 2005 over the comparable 2004 period is primarily attributable to continued growth in the annuity business, as well as growth in disability, dental, long-term care businesses, group life and retirement & savings.

Net cash used in investing activities was $5,271 million and $8,244 million for the nine months ended September 30, 2005 and 2004, respectively. The $2,973 million decrease in net cash used in investing activities in 2005 over the comparable 2004 period is primarily due to paydowns of mortgage loans and additional proceeds from the sales of fixed maturities and equity real estate. In addition, the 2005 period includes proceeds associated with the sale of SSRM and MetLife Indonesia.

Net cash provided by financing activities was $1,197 million and $3,793 million for the nine months ended September 30, 2005 and 2004, respectively. The $2,596 million increase in net cash used in financing activities in 2005 over the comparable 2004 period is primarily attributable to the cash dividend paid to the Holding Company, a decrease in net deposits of policyholder account balances and the repayment of previously issued long-term debt. This increase in net cash used was partially offset by an increase in the amount of securities lending cash collateral invested in connection with the program. In addition, the 2004 period includes a larger repayment of short-term debt, as compared to the 2005 period.

Subsequent Events

In the fourth quarter of 2005, Metropolitan Life (i) repaid 7% Surplus Notes in the aggregate principal amount of $250 million upon the maturity thereof on November 1, 2005 and (ii) issued to the Holding Company 5% Surplus Note due 2007 in the aggregate principal amount of $800 million. In addition, RGA issued $400 million aggregate principal amount of Junior Subordinated Debentures due 2065 in a public offering.

On September 29, 2005, the Company completed the sale of P.T. Sejahtera (**"MetLife Indonesia"**) to a third party resulting in a gain upon disposal of $10 million, net of income taxes. As a result of this sale, the Company recognized income from discontinued operations of $7 million, net of income taxes, for the three months ended September 30, 2005. The Company reclassified the assets, liabilities and operations of MetLife Indonesia into discontinued operations for all periods presented.

On July 1, 2005, the Holding Company completed the acquisition of The Travelers Insurance Company (**"TIC"**), excluding certain assets, most significantly, Primerica, from Citigroup Inc.

(**“Citigroup”**), and substantially all of Citigroup’s international insurance businesses (collectively, **“Travelers”**), for $12.0 billion. The results of Travelers operations have been included in the Holding Company’s consolidated financial statements beginning July 1, 2005. As a result of the acquisition, the Company is expecting to increase significantly the size and scale in its core insurance and annuity products and expand its presence in both the retirement & savings domestic markets, as well as the international markets. It also expects that the distribution agreements executed with Citigroup as part of the acquisition will provide the Company with one of the broadest distribution networks in the industry. Consideration paid by the Holding Company for the purchase consisted of approximately $10.9 billion in cash and 22,436,617 shares of the Holding Company’s common stock with a market value of approximately $1.0 billion to Citigroup and approximately $100 million in other transaction costs. Consideration paid to Citigroup will be finalized subject to review of the June 30, 2005 financial statements of Travelers by both the Holding Company and Citigroup and interpretation of the provisions of the acquisition agreement by both parties. In addition to the cash on-hand, the purchase price was financed through the issuance of common stock as described above, debt securities, common equity units, and preferred shares.

On May 4, 2005, an affiliate of the Company, Metropolitan Tower Life Insurance Company (**“MTL”**), sold its 200 Park Avenue real estate property located in New York City, to a third party for $1.72 billion. Concurrent with the sale, MTL repaid the related $690 million mortgage, including accrued interest, it owed to the Company. The Company also received a $120 million prepayment penalty, which was recognized as investment income when received.

On May 23, 2005, the Superintendent approved the payment of a special dividend of $2,320 million to the Holding Company. On May 26, 2005 the Company paid a total of $3.2 billion to the Holding Company which included an ordinary dividend of $880 million.

Insolvency Assessments

Most of the jurisdictions in which the Company is admitted to transact business require life insurers doing business within the jurisdiction to participate in guaranty associations, which are organized to pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed life insurers. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the lines of business in which the impaired, insolvent or failed insurer engaged. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets. Assessments levied against the Company from January 1, 2002 through December 31, 2004 aggregated $9 million. The Company maintained a liability of $49 million at December 31, 2004 for future assessments in respect of currently impaired, insolvent or failed insurers.

In the past five years, none of the aggregate assessments levied against MetLife’s insurance subsidiaries has been material. The Company has established liabilities for guaranty fund assessments that it considers adequate for assessments with respect to insurers that are currently subject to insolvency proceedings.

Effects of Inflation

The Company does not believe that inflation has had a material effect on its consolidated results of operations, except insofar as inflation may affect interest rates.

Sensitivity to Financial Markets

The Company has exposure to market risk through its insurance operations and investment activities. For purposes of this disclosure, “market risk” is defined as the risk of loss resulting from changes in interest rates, equity prices and foreign currency exchange rates.

Interest rates. The Company’s exposure to interest rate changes results from its significant holdings of fixed maturities, as well as its interest rate sensitive liabilities. The fixed maturities include U.S. and foreign government bonds, securities issued by government agencies, corporate bonds and mortgage-backed securities, all of which are mainly exposed to changes in medium- and long-term treasury rates. The interest rate sensitive liabilities for purposes of this disclosure include GICs and fixed annuities, which have the same interest rate exposure (medium- and long-term treasury rates) as fixed maturities. The

Company employs product design, pricing and asset/liability management strategies to reduce the adverse effects of interest rate volatility. Product design and pricing strategies include the use of surrender charges or restrictions on withdrawals in some products. Asset/liability management strategies include the use of derivatives, the purchase of securities structured to protect against prepayments, prepayment restrictions and related fees on mortgage loans and consistent monitoring of the pricing of the Company's products in order to better match the duration of the assets and the liabilities they support.

Equity prices. The Company's investments in equity securities expose it to changes in equity prices, as do certain liabilities which involve long term guarantees on equity performance. It manages this risk on an integrated basis with other risks through its asset/liability management strategies. The Company also manages equity price risk through industry and issuer diversification, asset allocation techniques and the use of derivatives.

Foreign currency exchange rates. The Company's exposure to fluctuations in foreign currency exchange rates against the U.S. dollar results from its holdings in non-U.S. dollar denominated fixed maturity securities, equity securities and liabilities, as well as through its investments in foreign subsidiaries. The principal currencies which create foreign currency exchange rate risk in the Company's investment portfolios are the Euro, Canadian dollars, and British pounds. The Company mitigates the majority of its fixed maturities' foreign currency exchange rate risk through the utilization of foreign currency swaps and forward contracts. Through its investments in foreign subsidiaries, the Company is primarily exposed to Canadian dollars, Chinese Yuans, and the Indonesian Rupiahs. The Company has matched substantially all of its foreign currency liabilities in its foreign subsidiaries with their respective foreign currency assets, thereby reducing its risk to currency exchange rate fluctuation. In some countries, local surplus is held entirely or in part in U.S. dollar assets which further minimizes exposure to exchange rate fluctuation risk. Selectively, the Company uses U.S. dollar assets to support certain long duration foreign currency liabilities.

Application of Recent Accounting Pronouncements

In September 2005, the American Institute of Certified Public Accountants (**"AICPA"**) issued Statement of Position (**"SOP"**) 05-1, *Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts* (**"SOP 05-1"**). SOP 05-1 provides guidance on accounting by insurance enterprises for deferred acquisition costs on internal replacements of insurance and investment contracts other than those specifically described in Statement of Financial Accounting Standards (**"SFAS"**) No. 97, *Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and For Realized Gains and Losses from the Sale of Investments.* SOP 05-1 defines an internal replacement as a modification in product benefits, features, rights, or coverages that occurs by the exchange of a contract for a new contract, or by amendment, endorsement, or rider to a contract, or by the election of a feature or coverage within a contract. Under SOP 05-1, modifications that result in a substantially unchanged contract will be accounted for as a continuation of the replaced contract. A replacement contract that is substantially changed will be accounted for as an extinguishment of the replaced contract resulting in a release of unamortized deferred acquisition costs, unearned revenue and deferred sales inducements associated with the replaced contract. The guidance in SOP 05-1 will be applied prospectively and is effective for internal replacements occurring in fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact of SOP 05-1 and does not expect that the pronouncement will have a material impact on the Company's unaudited interim condensed consolidated financial statements.

In September 2005, the Emerging Issues Task Force (**"EITF"**) reached consensus on Issue No. 05-7, *Accounting for Modifications to Conversion Options Embedded in Debt Instruments and Related Issues* (**"EITF 05-7"**). EITF 05-7 provides guidance on whether a modification of conversion options embedded in debt results in an extinguishment of that debt. In certain situations, companies may change the terms of an embedded conversion option as part of a debt modification. The EITF concluded that the change in the fair value of an embedded conversion option upon modification should be included in the analysis of EITF Issue No. 96-19, *Debtor's Accounting for a Modification or Exchange of Debt Instrument*, to determine whether a modification or extinguishment has occurred and that a change in the fair value of a conversion option should be recognized upon the modification as a discount (or premium) associated with the debt, and an increase (or decrease) in additional paid-in capital. EITF 05-7 will be applied prospectively and is effective for all debt modifications occurring in periods beginning after December 15, 2005. EITF 05-7 is not expected to have a material impact on the Company's unaudited interim condensed consolidated financial statements.

In September 2005, the EITF reached consensus on Issue No. 05-8, *Income Tax Consequences of Issuing Convertible Debt with a Beneficial Conversion Feature* (**"EITF 05-8"**). EITF 05-8 concludes that (i) the issuance of convertible debt with a beneficial conversion feature results in a basis difference that should be accounted for as a temporary difference and (ii) the establishment of the deferred tax liability for the basis difference should result in an adjustment to additional paid in capital. EITF 05-8 will be applied retrospectively for all instruments with a beneficial conversion feature accounted for in accordance with EITF Issue No. 98-5, *Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios*, and EITF Issue No. 00-27, *Application of Issue No. 98-5 to Certain Convertible Instruments*, and is effective for periods beginning after December 15, 2005. EITF 05-8 is not expected to have a material impact on the Company's unaudited interim condensed consolidated financial statements.

Effective July 1, 2005, the Company adopted SFAS No. 153, *Exchanges of Nonmonetary Assets, an amendment of Accounting Principles Board* (**"APB"**) *Opinion No. 29* (**"SFAS 153"**). SFAS 153 amended prior guidance to eliminate the exception for nonmonetary exchanges of similar productive assets and replaced it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of SFAS 153 were required to be applied prospectively. SFAS 153 did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

Effective July 1, 2005, the Company adopted EITF Issue No. 05-6, *Determining the Amortization Period for Leasehold Improvements* (**"EITF 05-6"**). EITF 05-6 provides guidance on determining the amortization period for leasehold improvements acquired in a business combination or acquired subsequent to lease inception. As required by EITF 05-6, the Company adopted this guidance on a prospective basis which had no material impact on the Company's unaudited interim condensed consolidated financial statements.

In June 2005, the Financial Accounting Standards Board (**"FASB"**) completed its review of EITF Issue No. 03-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* (**"EITF 03-1"**). EITF 03-1 provides accounting guidance regarding the determination of when an impairment of debt and marketable equity securities and investments accounted for under the cost method should be considered other-than-temporary and recognized in income. EITF 03-1 also requires certain quantitative and qualitative disclosures for debt and marketable equity securities classified as available-for-sale or held-to-maturity under SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (**"SFAS 115"**), that are impaired at the balance sheet date but for which an other-than-temporary impairment has not been recognized. The FASB decided not to provide additional guidance on the meaning of other-than-temporary impairment but has issued FASB Staff Position (**"FSP"**) 115-1, *The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments* (**"FSP 115-1"**), which nullifies the accounting guidance on the determination of whether an investment is other-than-temporarily impaired as set forth in EITF 03-1. FSP 115-1 is effective on a prospective basis for other-than-temporary impairments on certain investments in periods beginning after December 15, 2005. The Company has complied with the disclosure requirements of EITF 03-1, which was effective December 31, 2003 and will remain in effect until the adoption of FSP 115-1. The Company does not anticipate that the adoption will have a material impact on its unaudited interim condensed consolidated financial statements.

In June 2005, the EITF reached consensus on Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (**"EITF 04-5"**). EITF 04-5 provides a framework for determining whether a general partner controls and should consolidate a limited partnership or a similar entity in light of certain rights held by the limited partners. The consensus also provides additional guidance on substantive rights. EITF 04-5 was effective after June 29, 2005 for all newly formed partnerships and for any pre-existing limited partnerships that modified their partnership agreements after that date. The adoption of this provision of EITF 04-5 did not have a material impact on the Company's unaudited interim condensed consolidated financial statements. EITF 04-5 must be adopted by January 1, 2006 for all other limited partnerships through a cumulative effect of a change in accounting principle recorded in opening equity or it may be applied retrospectively by adjusting prior period financial statements. The adoption of this provision of EITF 04-5 is not expected to have a material impact on the Company's unaudited interim condensed consolidated financial statements.

In June 2005, the FASB cleared SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (**"SFAS 133"**), Implementation Issue No. B38, *Embedded Derivatives: Evaluation of Net Settlement with Respect to the Settlement of a Debt Instrument through Exercise of an Embedded Put Option or Call Option* (**"Issue B38"**) and Implementation Issue No. B39, *Embedded Derivatives: Application of Paragraph 13(b) to Call Options That Are Exercisable Only by the Debtor* (**"Issue B39"**). Issue B38 clarifies that the potential settlement of a debtor's obligation to a creditor that would occur upon exercise of a put or call option meets the net settlement criteria of SFAS No. 133. Issue B39 clarifies that an embedded call option, in which the underlying is an interest rate or interest rate index, that can accelerate the settlement of a debt host financial instrument should not be bifurcated and fair valued if the right to accelerate the settlement can be exercised only by the debtor (issuer/borrower) and the investor will recover substantially all of its initial net investment. Issue Nos. B38 and B39, which must be adopted as of the first day of the first fiscal quarter beginning after December 15, 2005, are not expected to have a material impact on the Company's unaudited interim condensed consolidated financial statements.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3* (**"SFAS 154"**). The statement requires retrospective application to prior periods' financial statements for a voluntary change in accounting principle unless it is deemed impracticable. It also requires that a change in the method of depreciation, amortization, or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate rather than a change in accounting principle. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. SFAS 154 is not expected to have a material impact on the Company's unaudited interim condensed consolidated financial statements.

In December 2004, the FASB issued SFAS 123 (revised 2004) *Share-Based Payment* (**"SFAS 123(r)"**), which revised SFAS No. 123, *Accounting for Stock-Based Compensation* and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees.* SFAS 123(r) provides additional guidance on determining whether certain financial instruments awarded in share-based payment transactions are liabilities. SFAS 123(r) also requires that the cost of all share-based transactions be measured at fair value and recognized over the period during which an employee is required to provide service in exchange for an award. The SEC issued a final ruling in April 2005 allowing a public company that is not a small business issuer to implement SFAS 123(r) at the beginning of the next fiscal year after June 15, 2005. Thus, the revised pronouncement must be adopted by the Company by January 1, 2006. As permitted under SFAS 148, *Accounting for Stock-Based Compensation — Transition and Disclosure — an amendment of FASB Statement No. 123*, the Company elected to use the prospective method of accounting for stock options granted subsequent to December 31, 2002. Options granted prior to January 1, 2003 will continue to be accounted for under the intrinsic value method until the adoption of SFAS 123(r). In addition, the pro forma impact of accounting for these options at fair value will continue to be accounted for under the intrinsic value method until the last of those options vest in 2005. As all stock options currently accounted for under the intrinsic value method will vest prior to the effective date, implementation of SFAS 123(r) will not have a significant impact on the Company's unaudited interim condensed consolidated financial statements. See Note 8.

In December 2004, the FASB issued FSP 109-2, *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004* (**"FSP 109-2"**). The American Jobs Creation Act of 2004 (**"AJCA"**) introduced a one-time dividend received deduction on the repatriation of certain earnings to a U.S. taxpayer. FSP 109-2 provides companies additional time beyond the financial reporting period of enactment to evaluate the effects of the AJCA on their plans to repatriate foreign earnings for purposes of applying SFAS No. 109, *Accounting for Income Taxes*. The Company is currently evaluating the repatriation provision of the AJCA. If the repatriation provision is implemented by the Company the impact on the Company's income tax expense and deferred income tax assets and liabilities would not be material.

Effective July 1, 2004, the Company prospectively adopted FSP No. 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003* (**"FSP 106-2"**). FSP 106-2 provides accounting guidance to employers that sponsor postretirement health care plans that provide prescription drug benefits. The Company expects to receive subsidies on prescription drug benefits beginning in 2006 under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 based on the Company's determination that the prescription drug benefits offered under certain postretirement plans are actuarially equivalent to the benefits offered under Medicare Part D. The postretirement benefit plan assets and accumulated benefit obligation were remeasured to determine the effect of the expected subsidies on net periodic postretirement benefit cost. As a result, the accumulated postretirement benefit obligation and net periodic postretirement benefit cost was reduced by $201 million and $16 million , for December 31, 2004, respectively. FSP 106-2 did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

Effective July 1, 2004, the Company adopted EITF Issue No. 03-16, *Accounting for Investments in Limited Liability Companies* (**"EITF 03-16"**). EITF 03-16 provides guidance regarding whether a limited liability company should be viewed as similar to a corporation or similar to a partnership for purposes of determining whether a noncontrolling investment should be accounted for using the cost method or the equity method of accounting. EITF 03-16 did not have a material impact on the Company's consolidated financial statements and unaudited interim condensed consolidated financial statements.

Effective January 1, 2004, the Company adopted SOP 03-1, *Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts* (**"SOP 03-1"**), as interpreted by a Technical Practice Aid (**"TPA"**), issued by the AICPA. SOP 03-1 provides guidance on (i) the classification and valuation of long-duration contract liabilities; (ii) the accounting for sales inducements; and (iii) separate account presentation and valuation. In June 2004, the FASB released FSP No. 97-1, *Situations in Which Paragraphs 17(b) and 20 of FASB Statement No. 97, Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments, Permit or Require Accrual of an Unearned Revenue Liability* (**"FSP 97-1"**), which included clarification that unearned revenue liabilities should be considered in determining the necessary insurance benefit liability required under SOP 03-1. Since the Company had considered unearned revenue in determining its SOP 03-1 benefit liabilities, FSP 97-1 did not impact its unaudited interim condensed consolidated financial statements. As a result of the adoption of SOP 03-1, effective January 1, 2004, the Company decreased the liability for future policyholder benefits for changes in the methodology relating to various guaranteed death and annuitization benefits and for determining liabilities for certain universal life insurance contracts by $4 million, which has been reported as a cumulative effect of a change in accounting. This amount is net of corresponding changes in DAC, including VOBA and unearned revenue liability (**"offsets"**), under certain variable annuity and life contracts and income taxes. Certain other contracts sold by the Company provide for a return through periodic crediting rates, surrender adjustments or termination adjustments based on the total return of a contractually referenced pool of assets owned by the Company. To the extent that such contracts are not accounted for as derivatives under the provisions of SFAS No. 133 and not already credited to the contract account balance, under SOP 03-1 the change relating to the fair value of the referenced pool of assets is recorded as a liability with the change in the liability recorded as policyholder benefits and claims. Prior to the adoption of SOP 03-1, the Company recorded the change in such liability as other comprehensive income. At adoption, this change decreased net income and increased other comprehensive income by $63 million, net of income taxes, which were recorded as cumulative effects of changes in accounting. Effective with the adoption of SOP 03-1, costs associated with enhanced or bonus crediting rates to contractholders must be deferred and amortized over the life of the related contract using assumptions consistent with the amortization of DAC. Since the Company followed a similar approach prior to adoption of SOP 03-1, the provisions of SOP 03-1 relating to sales inducements had no significant impact on the Company's unaudited interim condensed consolidated financial statements. In accordance with SOP 03-1's guidance for the reporting of certain separate accounts, at adoption, the Company also reclassified $1.7 billion of separate account assets to general account investments and $1.7 billion of separate account liabilities to future policy benefits and policyholder account balances. This reclassification decreased net income and increased other comprehensive income by $27 million, net of income taxes, which were reported as cumulative effects of changes in accounting. Due to the adoption of SOP 03-1, the Company recorded a cumulative effect of a change in accounting of $52 million, net of income taxes of $27 million, for the nine months ended September 30, 2004.

In December 2003, FASB revised SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits—an Amendment of FASB Statements No. 87, 88 and 106* (**"SFAS 132(r)"**). SFAS 132(r) retains most of the disclosure requirements of SFAS 132 and requires additional disclosure about assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other postretirement plans. SFAS 132(r) was primarily effective for fiscal years ending after December 15, 2003; however, certain disclosures about foreign plans and estimated future benefit payments were effective for fiscal years ending after June 15, 2004. The Company's adoption of SFAS 132(r) on December 31, 2003 did not have a significant impact on its consolidated financial statements since it only revised disclosure requirements.

Effective October 1, 2003, the Company adopted Statement 133 Implementation Issue No. B36, *Embedded Derivatives: Modified Coinsurance Arrangements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments* (**"Issue B36"**). Issue B36 concluded that (i) a company's funds withheld payable and/or receivable under certain reinsurance arrangements, and (ii) a debt instrument that incorporates credit risk exposures that are unrelated or only partially related to the creditworthiness of the obligor include an embedded derivative feature that is not clearly and closely related to the host contract. Therefore, the embedded derivative feature is measured at fair value on the balance sheet and changes in fair value are reported in income. The Company's application of Issue B36 increased (decreased) net income by $4 million and ($12) million, net of amortization of DAC and income taxes, for 2004 and 2003, respectively. The 2003 impact includes a decrease in net income of $26 million relating to the cumulative effect of a change in accounting from the adoption of the new guidance.

Effective July 1, 2003, the Company adopted SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* (**"SFAS 149"**). SFAS 149 amended and clarified the accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Except for certain previously issued and effective guidance, SFAS 149 was effective for contracts entered into or modified after June 30, 2003. The Company's adoption of SFAS 149 did not have a significant impact on its consolidated financial statements.

During 2003, the Company adopted FASB Interpretation (**"FIN"**) No. 46,*Consolidation of Variable Interest Entities—An Interpretation of ARB No. 51*(**"FIN 46"**), and its December 2003 revision (**"FIN 46(r)"**). Certain of the Company's investments in real estate joint ventures and other limited partnership interests meet the definition of a VIE and have been consolidated, in accordance with the transition rules and effective dates, because the Company is deemed to be the primary beneficiary. A **"VIE"** is defined as (i) any entity in which the equity investments at risk in such entity do not have the characteristics of a controlling financial interest, or (ii) any entity that does not have sufficient equity at risk to finance its activities without additional subordinated support from other parties. Effective February 1, 2003, the

Company adopted FIN 46 for VIEs created or acquired on or after February 1, 2003 and, effective December 31, 2003, the Company adopted FIN 46(r) with respect to interests in entities formerly considered special purpose entities (**"SPEs"**), including interests in asset-backed securities and collateralized debt obligations. The adoption of FIN 46 as of February 1, 2003 did not have a significant impact on the Company's consolidated financial statements. The adoption of the provisions of FIN 46(r) at December 31, 2003 did not require the Company to consolidate any additional VIEs that were not previously consolidated. In accordance with the provisions of FIN 46(r), the Company elected to defer until March 31, 2004 the consolidation of interests in VIEs for non-SPEs acquired prior to February 1, 2003 for which it is the primary beneficiary. As of March 31, 2004, the Company consolidated assets and liabilities relating to real estate joint ventures of $78 million and $11 million, respectively, and assets and liabilities relating to other limited partnerships of $29 million and less than $1 million, respectively, for VIEs for which the Company was deemed to be the primary beneficiary. There was no impact to net income from the adoption of FIN 46.

Effective January 1, 2003, the Company adopted FIN No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (**"FIN 45"**). FIN 45 requires entities to establish liabilities for certain types of guarantees and expands financial statement disclosures for others. The initial recognition and initial measurement provisions of FIN 45 were applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The adoption of FIN 45 did not have a significant impact on the Company's consolidated financial statements. See Note 10.

Effective January 1, 2003, the Company adopted SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (**"SFAS 146"**). SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recorded and measured initially at fair value only when the liability is incurred rather than at the date of an entity's commitment to an exit plan as required by EITF Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity Including Certain Costs Incurred in a Restructuring* (**"EITF 94-3"**). The Company's activities subject to this guidance in 2004 and 2003 were not significant.

Effective January 1, 2003, the Company adopted SFAS No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections* (**"SFAS 145"**). In addition to amending or rescinding other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions, SFAS 145 generally precludes companies from recording gains and losses from the extinguishment of debt as an extraordinary item. SFAS 145 also requires sale-leaseback treatment for certain modifications of a capital lease that result in the lease being classified as an operating lease. The adoption of SFAS 145 did not have a significant impact on the Company's consolidated financial statements.

Investments

The Company's primary investment objective is to optimize, net of income taxes, risk-adjusted investment income and risk-adjusted total return while ensuring that assets and liabilities are managed on a cash flow and duration basis. The Company is exposed to three primary sources of investment risk:

- Credit risk, relating to the uncertainty associated with the continued ability of a given obligor to make timely payments of principal and interest;
- Interest rate risk, relating to the market price and cash flow variability associated with changes in market interest rates; and
- Market valuation risk.

The Company manages risk through in-house fundamental analysis of the underlying obligors, issuers, transaction structures and real estate properties. The Company also manages credit risk and market valuation risk through industry and issuer diversification and asset allocation. For real estate and agricultural assets, the Company manages credit risk and valuation risk through geographic, property type, and product type diversification and asset allocation. The Company manages interest rate risk as part of its asset and liability management strategies, product design, such as the use of market value adjustment features and surrender charges, and proactive monitoring and management of certain non-guaranteed elements of its products, such as the resetting of credited interest and dividend rates for policies that permit such adjustments.

Composition of Portfolio and Investment Results

The following table illustrates the net investment income and annualized yields on average assets for each of the components of the Company's investment portfolio for the years ended December 31, 2004, 2003 and 2002. The decline in annualized yields is due primarily to the decline in interest rates during these periods.

	December 31, 2004	December 31, 2003	December 31, 2002
	(Dollars in millions)		
FIXED MATURITIES			
Yield(2)	6.63%	6.97%	7.54%
Investment income	$ 7,737	$ 7,479	$ 7,555
Net investment gains (losses)	$ 81	$ (373)	$ (862)
Ending assets	$150,246	$143,148	$124,260
MORTGAGE AND OTHER LOANS			
Yield(2)	6.90%	7.48%	7.82%
Investment income(3)	$ 1,955	$ 1,933	$ 1,944
Net investment gains (losses)	$ (54)	$ (51)	$ (21)
Ending assets	$ 31,571	$ 26,637	$ 25,353
REAL ESTATE AND REAL ESTATE JOINT VENTURES(4)			
Yield(2)	10.31%	10.57%	10.97%
Investment income(5)	$ 337	$ 376	$ 516
Net investment gains (losses)	$ 31	$ 440	$ 576
Ending assets(6)	$ 3,417	$ 3,129	$ 3,761
POLICY LOANS			
Yield(2)	6.00%	6.29%	6.43%
Investment income	$ 492	$ 510	$ 512
Ending assets	$ 8,256	$ 8,180	$ 8,047
EQUITY SECURITIES AND OTHER LIMITED PARTNERSHIP INTERESTS			
Yield(2)	10.23%	2.97%	2.67%
Investment income(5)	$ 389	$ 106	$ 100
Net investment gains (losses)	$ 203	$ (45)	$ 228
Ending assets(6)	$ 4,843	$ 3,830	$ 4,019
CASH AND SHORT-TERM INVESTMENTS			
Yield(2)	1.69%	1.97%	5.73%
Investment income(5)	$ 50	$ 75	$ 214
Net investment gains (losses)	$ (1)	$ 1	$ —
Ending assets(6)	$ 3,656	$ 3,713	$ 2,305

	December 31, 2004	December 31, 2003	December 31, 2002
	(Dollars in millions)		
OTHER INVESTED ASSETS(7)			
Yield(2)	5.82%	8.49%	9.59%
Investment income(5)	$ 251	$ 267	$ 209
Net investment gains (losses)(8)(9)	$ (29)	$ (186)	$ (200)
Ending assets(6)	$ 4,928	$ 4,803	$ 3,419
TOTAL INVESTMENTS			
Gross investment income yield(2)	6.69%	6.92%	7.50%
Investment fees and expenses yield	(0.15)%	(0.16)%	(0.15)%
Net investment income yield	6.54%	6.76%	7.35%
Gross investment income	$ 11,211	$ 10,746	$ 11,050
Investment fees and expenses	(249)	(253)	(227)
Net investment income(1)(4)(5)(7)(9)	$ 10,962	$ 10,493	$ 10,823
Ending assets(1)	$206,917	$193,440	$171,164
Net investment gains (losses)(1)(4)(7)(8)(9)	$ 231	$ (214)	$ (279)

(1) Included in ending assets, investment income and investment gains (losses) is $2,139 million, $86 million and $25 million, respectively, related to the consolidation of separate accounts under SOP 03-1 for the year ended December 31, 2004.

(2) Yields are based on quarterly average asset carrying values, excluding recognized and unrealized investment gains (losses), and for yield calculation purposes, average assets exclude collateral associated with the Company's securities lending program.

(3) Investment income from mortgage and other loans includes prepayment fees.

(4) Real estate and real estate joint venture income includes amounts classified as discontinued operations of $18 million, $74 million and $180 million for the years ended December 31, 2004, 2003 and 2002, respectively. Net investment gains (losses) include $19 million, $420 million and $582 million of gains classified as discontinued operations for the years ended December 31, 2004, 2003 and 2002, respectively.

(5) Included in investment income from real estate and real estate joint ventures, equity securities and other limited partnership interests, cash and short-term investments, other invested assets, and investment fees and expenses is a total of $65 million, $56 million and $59 million for the years ended December 31, 2004, 2003 and 2002, respectively, related to discontinued operations pertaining to SSRM.

(6) Included in ending assets for real estate and real estate joint ventures, equity securities and other limited partnership interests, cash and short-term investments and other invested assets is a total of $96 million, $49 million, $88 million and $20 million, respectively, pertaining to SSRM at December 31, 2004. Included in ending assets for real estate and real estate joint ventures, equity securities and other limited partnership interests, cash and short-term investments, and other invested assets is a total of $3 million, $14 million, $67 million and $8 million, respectively, pertaining to SSRM at December 31, 2003. Included in ending assets for real estate and real estate joint ventures, equity securities and other limited partnership interests, cash and short-term investments, and other invested assets is a total of $19 million, $7 million, $54 million and $5 million, respectively, pertaining to SSRM at December 31, 2002.

(7) Investment income from other invested assets includes scheduled periodic settlement payments on derivative instruments that do not qualify for hedge accounting under SFAS 133 of $51 million, $84 million and $32 million for the years ended December 31, 2004, 2003 and 2002, respectively.

(8) Included in net investment gains (losses) from other invested assets is $0 million, $10 million and $(4) million for the years ended December 31, 2004, 2003 and 2002, respectively, related to discontinued operations pertaining to SSRM.

(9) Included in net investment gains (losses) from other invested assets for the year ended December 31, 2004, is a charge of $26 million related to a funds withheld reinsurance treaty that was converted to a coinsurance agreement.

Fixed Maturities and Equity Securities

Fixed maturities consist principally of publicly traded and privately placed debt securities, and represented 72.7% and 74.0% of total cash and invested assets at December 31, 2004 and 2003, respectively. Based on estimated fair value, public fixed maturities represented $130,042 million, or 86.6%, and $124,424 million, or 86.9%, of total fixed maturities at December 31, 2004 and 2003, respectively. Based on estimated fair value, private fixed maturities represented $20,204 million, or 13.4%, and $18,724 million, or 13.1%, of total fixed maturities at December 31, 2004 and 2003, respectively. Equity securities primarily consist of investments in common and preferred stocks and mutual fund interests. Such securities include private equity securities with an estimated fair value of $312 million and $422 million at December 31, 2004 and December 31, 2003, respectively.

In cases where quoted market prices are not available, fair values are estimated using present value or valuation techniques. The fair value estimates are made at a specific point in time, based on available market information and judgments about the financial instruments, including estimates of the timing and amounts of expected future cash flows and the credit standing of the issuer or counter-party. Factors considered in estimating fair value include: coupon rate, maturity, estimated duration, call provisions, sinking fund requirements, credit rating, industry sector of the issuer and quoted market prices of comparable securities.

The Securities Valuation Office of the NAIC evaluates the fixed maturity investments of insurers for regulatory reporting purposes and assigns securities to one of six investment categories called "NAIC designations." The NAIC ratings are similar to the rating agency designations of the Nationally Recognized Statistical Rating Organizations for marketable bonds. NAIC ratings 1 and 2 include bonds generally considered investment grade (rated "Baa3" or higher by Moody's Investor Services **("Moody's")**, or rated "BBB−" or higher by Standard & Poor's (**"S&P"**) by such rating organizations. NAIC ratings 3 through 6 include bonds generally considered below investment grade (rated "Ba1" or lower by Moody's, or rated "BB+" or lower by S&P).

The following table presents the Company's total fixed maturities by Nationally Recognized Statistical Rating Organizations designation and the equivalent ratings of the NAIC, as well as the percentage, based on estimated fair value, that each designation comprises at:

		December 31, 2004			December 31, 2003		
NAIC Rating	Rating Agency Designation (1)	Cost or Amortized Cost	Estimated Fair Value	% of Total	Cost or Amortized Cost	Estimated Fair Value	% of Total
		(Dollars in millions)					
1	Aaa/Aa/A	$ 93,018	$ 97,956	65.2%	$ 88,073	$ 92,822	64.8%
2	Baa	37,881	40,819	27.1	35,251	38,038	26.6
3	Ba	6,156	6,709	4.5	6,766	7,353	5.1
4	B	3,797	4,101	2.7	3,322	3,552	2.6
5	Caa and lower	291	322	0.2	557	552	0.4
6	In or near default	95	84	0.1	330	357	0.2
	Subtotal	141,238	149,991	99.8	134,299	142,674	99.7
	Redeemable preferred stock	274	255	0.2	545	474	0.3
	Total fixed maturities	$141,512	$150,246	100.0%	$134,844	$143,148	100.0%

(1) Amounts presented are based on rating agency designations. Comparisons between NAIC ratings and rating agency designations are published by the NAIC. The rating agency designations are based on the availability and the lower of the applicable ratings between Moody's and S&P. The current period ratings are presented so that the consolidated rating will be equal to the Moody's or S&P rating, whichever is more conservative. If no rating is available from a rating agency, then the MetLife rating will be used.

The following table shows the amortized cost and estimated fair value of fixed maturities, by contractual maturity dates (excluding scheduled sinking funds) at:

	December 31, 2004		December 31, 2003	
	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value
	(Dollars in millions)			
Due in one year or less	$ 5,491	$ 5,578	$ 4,084	$ 4,233
Due after one year through five years	24,326	25,491	25,388	26,737
Due after five years through ten years	28,853	31,053	24,539	26,662
Due after ten years	34,736	39,052	32,745	36,313
Subtotal	93,406	101,174	86,756	93,945
Mortgage-backed, commercial mortgage-backed and other asset-backed securities	47,832	48,817	47,543	48,729
Subtotal	141,238	149,991	134,299	142,674
Redeemable preferred stock	274	255	545	474
Total fixed maturities	$141,512	$150,246	$134,844	$143,148

Bonds not due at a single maturity date have been included in the above table in the year of final maturity. Actual maturities may differ from contractual maturities due to the exercise of prepayment options.

The following tables set forth the cost or amortized cost, gross unrealized gain and loss, and estimated fair value of the Company's fixed maturities by sector and equity securities, as well as the percentage of the total fixed maturities holdings that each sector represents and the percentage of the total equity securities at:

	December 31, 2004				
	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value	% of Total
	(Dollars in millions)				
U.S. treasury/agency securities	$ 14,938	$1,271	$ 19	$ 16,190	10.8%
State and political subdivision securities	340	16	1	355	0.2
U.S. corporate securities	51,398	3,561	144	54,815	36.5
Foreign government securities	4,666	767	12	5,421	3.6
Foreign corporate securities	21,545	2,381	65	23,861	15.9
Residential mortgage-backed securities	28,155	573	52	28,676	19.1
Commercial mortgage-backed securities	10,395	408	30	10,773	7.2
Asset-backed securities	9,282	115	29	9,368	6.2
Other fixed maturity securities	519	46	33	532	0.3
Total bonds	141,238	9,138	385	149,991	99.8
Redeemable preferred stocks	274	—	19	255	0.2
Total fixed maturities	$141,512	$9,138	$404	$150,246	100.0%
Common stocks	$ 1,329	$ 238	$ 5	$ 1,562	82.1%
Nonredeemable preferred stocks	317	24	—	341	17.9
Total equity securities(1)	$ 1,646	$ 262	$ 5	$ 1,903	100.0%

	December 31, 2003				
	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value	% of Total
	(Dollars in millions)				
U.S. treasury/agency securities	$ 13,249	$1,208	$ 23	$ 14,434	10.1%
State and political subdivision securities	282	11	8	285	0.2
U.S. corporate securities	49,466	3,486	228	52,724	36.8
Foreign government securities	4,847	752	20	5,579	3.9
Foreign corporate securities	18,680	2,005	70	20,615	14.4
Residential mortgage-backed securities	28,049	687	81	28,655	20.0
Commercial mortgage-backed securities	9,080	480	15	9,545	6.7
Asset-backed securities	10,414	169	54	10,529	7.4
Other fixed maturity securities	232	138	62	308	0.2
Total bonds	134,299	8,936	561	142,674	99.7
Redeemable preferred stocks	545	2	73	474	0.3
Total fixed maturities	$134,844	$8,938	$634	$143,148	100.0%
Common stocks	$ 506	$ 323	$ 1	$ 828	67.2%
Nonredeemable preferred stocks	379	25	—	404	32.8
Total equity securities(1)	$ 885	$ 348	$ 1	$ 1,232	100.0%

(1) Equity securities primarily consist of investments in common and preferred stocks and mutual fund interests. Such securities include private equity securities with an estimated fair value of $312 million and $422 million at December 31, 2004 and 2003, respectively.

Fixed Maturity and Equity Security Impairment. The Company classifies all of its fixed maturities and equity securities as available-for-sale and marks them to market through other comprehensive income, except for non-marketable private equities, which are generally carried at cost. All securities with gross unrealized losses at the consolidated balance sheet date are subjected to the Company's process for identifying other-than-temporary impairments. The Company writes down to fair value securities that it deems to be other-than-temporarily impaired in the period the securities are deemed to be so impaired. The assessment of whether such impairment has occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in fair value. Management considers a wide range of factors, as described in "Summary of Critical Accounting Estimates — Investments,", about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential.

The Company's review of its fixed maturities and equity securities for impairments includes an analysis of the total gross unrealized losses by three categories of securities: (i) securities where the estimated fair value had declined and remained below cost or amortized cost by less than 20%; (ii) securities where the estimated fair value had declined and remained below cost or amortized cost by 20% or more for less than six months; and (iii) securities where the estimated value had declined and remained below cost or amortized cost by 20% or more for six months or greater. While all of these securities are monitored for potential impairment, the Company's experience indicates that the first two categories do not present as great a risk of impairment, and often, fair values recover over time as the factors that caused the declines improve.

The Company records impairments as investment losses and adjusts the cost basis of the fixed maturities and equity securities accordingly. The Company does not change the revised cost basis for subsequent recoveries in value. Impairments of fixed maturities and equity securities were $93 million, and $328 million for the years ended December 31, 2004, and 2003, respectively. The Company's three largest impairments totaled $48 million, and $109 million for the years ended December 31, 2004, and 2003, respectively. The circumstances that gave rise to these impairments were either financial restructurings or bankruptcy filings. During the years ended December 31, 2004, and 2003, the Company sold or disposed of fixed maturities and equity securities at a loss with a fair value of $28,349 million, and $20,547 million, respectively. Gross losses excluding impairments for fixed maturities and equity securities were $468 million, and $452 million for the years ended December 31, 2004, and 2003, respectively.

The following table presents the cost or amortized cost, gross unrealized losses and number of securities for fixed maturities and equity securities where the estimated fair value had declined and remained below cost or amortized cost by less than 20%, or 20% or more for:

	December 31, 2004					
	Cost or Amortized Cost		Gross Unrealized Losses		Number of Securities	
	Less than 20%	20% or more	Less than 20%	20% or more	Less than 20%	20% or more
			(Dollars in millions)			
Less than six months	$22,451	$51	$193	$13	2,004	114
Six months or greater but less than nine months	7,039	8	94	2	586	4
Nine months or greater but less than twelve months	1,236	19	25	4	153	5
Twelve months or greater	2,176	20	63	15	237	7
Total	$32,902	$98	$375	$34	2,980	130

The gross unrealized loss related to the Company's fixed maturities and equity securities at December 31, 2004 was $409 million. These securities are concentrated by sector in U.S. corporates (35%); foreign corporates (16%); and residential mortgage-backed (13%); and are concentrated by industry in mortgage-backed (13%); utilities (10%); and services (10%) (calculated as a percentage of gross unrealized loss). Non-investment grade securities represent 4% of the $32,591 million fair value and 14% of the $409 million gross unrealized loss.

The Company did not hold any fixed maturity or equity securities with a gross unrealized loss at December 31, 2004 greater than $10 million.

Corporate Fixed Maturities. The table below shows the major industry types that comprise the corporate fixed maturity holdings at:

	December 31, 2004		December 31, 2003	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(Dollars in millions)			
Industrial	$31,962	40.6%	$30,828	42.1%
Utility	9,548	12.2	8,811	12.0
Finance	12,685	16.1	11,821	16.1
Foreign(1)	23,861	30.3	20,615	28.1
Other	620	0.8	1,264	1.7
Total	$78,676	100.0%	$73,339	100.0%

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

The Company maintains a diversified corporate fixed maturity portfolio across industries and issuers. The portfolio does not have exposure to any single issuer in excess of 1% of the total invested assets of the portfolio. At December 31, 2004 the Company's combined holdings in the ten issuers to which it had the greatest exposure totaled $4,456 million, which was less than 3% of the Company's total invested assets at such date. The exposure to the largest single issuer of corporate fixed maturities held at December 31, 2004 was $561 million.

The Company has hedged all of its material exposure to foreign currency risk in its invested assets. In the Company's international insurance operations, both its assets and liabilities are generally denominated in local currencies.

Structured Securities. The following table shows the types of structured securities the Company held at:

	December 31, 2004		December 31, 2003	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(Dollars in millions)			
Residential mortgage-backed securities:				
Pass-through securities	$10,856	22.2%	$13,792	28.3%
Collateralized mortgage obligations	17,820	36.5	14,863	30.5
Total residential mortgage-backed securities	28,676	58.7	28,655	58.8
Commercial mortgage-backed securities	10,773	22.1	9,545	19.6
Asset-backed securities	9,368	19.2	10,529	21.6
Total	$48,817	100.0%	$48,729	100.0%

The majority of the residential mortgage-backed securities are guaranteed or otherwise supported by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association. At December 31, 2004 and 2003, approximately $28,298 million and $27,771 million, respectively, or 98.7% and 96.9%, respectively, of residential mortgage-backed securities, were rated Aaa/AAA by Moody's or S&P.

At December 31, 2004 and 2003, $7,516 million and $5,817 million, respectively, or 69.8% and 60.9%, respectively, of the commercial mortgage-backed securities were rated Aaa/AAA by Moody's or S&P.

The Company's asset-backed securities are diversified both by sector and by issuer. Credit card and home equity loan securitizations, accounting for about 27% and 30% of the total holdings, respectively, constitute the largest exposures in the Company's asset-backed securities portfolio. Approximately $5,862 million and $6,700 million, or 62.6% and 63.6%, of total asset-backed securities were rated Aaa/AAA by Moody's or S&P at December 31, 2004 and 2003, respectively.

Structured Investment Transactions. The Company participates in structured investment transactions, primarily asset securitizations and structured notes. These transactions enhance the Company's total return of the investment portfolio principally by generating management fee income on asset securitizations and by providing equity-based returns on debt securities through structured notes and similar instruments.

The Company sponsors financial asset securitizations of high yield debt securities, investment grade bonds and structured finance securities and also is the collateral manager and a beneficial interest holder in such transactions. As the collateral manager, the Company earns management fees on the outstanding securitized asset balance, which are recorded in income as earned. When the Company transfers assets to a bankruptcy-remote special purpose entities (**"SPE"**) and surrenders control over the transferred assets, the transaction is accounted for as a sale. Gains or losses on securitizations are determined with reference to the carrying amount of the financial assets transferred, which is allocated to the assets sold and the beneficial interests retained based on relative fair values at the date of transfer. Beneficial interests in securitizations are carried at fair value in fixed maturities. Income on these beneficial interests is recognized using the prospective method. The SPEs used to securitize assets are not consolidated by the Company because the Company has determined that it is not the primary beneficiary of these entities. Prior to the adoption of FIN 46(r), such SPEs were not consolidated because they did not meet the criteria for consolidation under previous accounting guidance.

The Company purchases or receives beneficial interests in SPEs, which generally acquire financial assets, including corporate equities, debt securities and purchased options. The Company has not guaranteed the performance, liquidity or obligations of the SPEs and the Company's exposure to loss is limited to its carrying value of the beneficial interests in the SPEs. The Company uses the beneficial interests as part of its risk management strategy, including asset-liability management. These SPEs are not consolidated by the Company because the Company has determined that it is not the primary beneficiary of these entities based on the framework provided in FIN 46(r). Prior to the adoption of FIN 46(r), such SPEs were not consolidated because they did not meet the criteria for consolidation under previous accounting guidance. These beneficial interests are generally structured notes, which are included in fixed maturities, and their income is recognized using the retrospective interest method or the level yield method, as appropriate. Impairments of these beneficial interests are included in net investment gains and (losses).

The Company has sponsored four securitizations with a total of approximately $1,341 million and $1,431 million in financial assets as of December 31, 2004 and 2003, respectively. The Company's beneficial interests in these SPEs as of December 31, 2004 and 2003 and the related investment income for the years ended December 31, 2004, and 2003 were insignificant.

The Company invests in structured notes and similar type instruments, which generally provide equity-based returns on debt securities. The carrying value of such investments was approximately $636 million and $849 million at December 31, 2004 and 2003, respectively. The related net investment income recognized was $44 million and $78 million for the years ended December 31, 2004 and 2003, respectively.

Mortgage and Other Loans

The Company's mortgage and other loans are principally collateralized by commercial, agricultural and residential properties, as well as automobiles. Mortgage and other loans comprised 15.3% and 13.8% of the Company's total cash and invested assets at December 31, 2004 and 2003, respectively. The carrying value of mortgage and other loans is stated at original cost net of repayments, amortization of premiums, accretion of discounts and valuation allowances.

The following table shows the carrying value of the Company's mortgage and other loans by type at:

	December 31, 2004		December 31, 2003	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Commercial mortgage loans	$25,285	80.1%	$21,478	80.6%
Agricultural mortgage loans	5,647	17.9	5,159	19.4
Other loans	639	2.0	—	—
Total	$31,571	100.0%	$26,637	100.0%

On August 28, 2003, the Holding Company (through one of its subsidiaries), acquired the Sears Tower building through the acquisition of a controlling interest in a partnership holding title to the building. Subsequent to December 31, 2003, the Holding Company entered into a marketing agreement to sell Sears Tower, and reclassified the property from real estate held-for-investment to real estate held-for-sale. The Holding Company sold Sears Tower on April 30, 2004, and as part of the sale satisfied the mortgage held by MetLife, which had a carrying value of $500 million.

Commercial Mortgage Loans. The Company diversifies its commercial mortgage loans by both geographic region and property type. The following table presents the distribution across geographic regions and property types for commercial mortgage loans at:

	December 31, 2004		December 31, 2003	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Region				
South Atlantic	$ 5,498	21.7%	$ 4,813	22.4%
Pacific	5,691	22.6	4,747	22.1
Middle Atlantic	5,421	21.4	4,880	22.7
East North Central	2,462	9.7	2,262	10.5
New England	1,315	5.2	1,199	5.6
West South Central	1,828	7.2	1,261	5.9
Mountain	726	2.9	693	3.2
West North Central	657	2.6	602	2.8
International	1,349	5.3	834	3.9
East South Central	248	1.0	187	0.9
Other	90	0.4	—	—
Total	$25,285	100.0%	$21,478	100.0%
Property Type				
Office	$11,706	46.3%	$10,073	46.8%
Retail	5,486	21.7	4,828	22.5
Apartments	3,780	14.9	3,451	16.1
Industrial	2,391	9.5	1,786	8.3
Hotel	1,165	4.6	999	4.7
Other	757	3.0	341	1.6
Total	$25,285	100.0%	$21,478	100.0%

The following table presents the scheduled maturities for the Company's commercial mortgage loans at:

	December 31, 2004		December 31, 2003	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Due in one year or less	$ 916	3.6%	$ 687	3.2%
Due after one year through two years	1,728	6.8	1,524	7.1
Due after two years through three years	2,287	9.0	1,944	9.1
Due after three years through four years	2,753	10.9	2,331	10.9
Due after four years through five years	4,263	16.9	2,961	13.8
Due after five years	13,338	52.8	12,031	55.9
Total	$25,285	100.0%	$21,478	100.0%

Restructured, Potentially Delinquent, Delinquent or Under Foreclosure. The Company monitors its mortgage loan investments on an ongoing basis, including reviewing loans that are restructured, potentially delinquent, delinquent or under foreclosure. These loan classifications are consistent with those used in industry practice.

The Company defines restructured mortgage loans as loans in which the Company, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The Company defines potentially delinquent loans as loans that, in management's opinion, have a high probability of becoming delinquent. The Company defines delinquent mortgage loans, consistent with industry practice, as loans in which two or more interest or principal payments are past due. The Company defines mortgage loans under foreclosure as loans in which foreclosure proceedings have formally commenced.

The Company reviews all mortgage loans on an ongoing basis. These reviews may include an analysis of the property financial statements and rent roll, lease rollover analysis, property inspections, market analysis and tenant creditworthiness.

The Company records valuation allowances for loans that it deems impaired. The Company's valuation allowances are established both on a loan specific basis for those loans where a property or market specific risk has been identified that could likely result in a future default, as well as for pools of loans with similar high risk characteristics where a property specific or market risk has not been identified. Such valuation allowances are established for the excess carrying value of the mortgage loan over the present value of expected future cash flows discounted at the loan's original effective interest rate, the value of the loan's collateral or the loan's market value if the loan is being sold. The Company records valuation allowances as investment losses. The Company records subsequent adjustments to allowances as investment gains (losses).

The following table presents the amortized cost and valuation allowance for commercial mortgage loans distributed by loan classification at:

	December 31, 2004				December 31, 2003			
	Amortized Cost(1)	% of Total	Valuation Allowance	% of Amortized Cost	Amortized Cost(1)	% of Total	Valuation Allowance	% of Amortized Cost
	(Dollars in millions)							
Performing	$25,370	99.8%	$126	0.5%	$21,491	99.5%	$ 92	0.4%
Restructured	55	0.2	18	32.7%	77	0.4	24	31.2%
Potentially delinquent	7	—	3	42.9%	30	0.1	4	13.3%
Delinquent or under foreclosure	—	—	—		—	—	—	
Total	$25,432	100.0%	$147	0.6%	$21,598	100.0%	$120	0.6%

(1) Amortized cost is equal to carrying value before valuation allowances.

The following table presents the changes in valuation allowances for commercial mortgage loans for the:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Balance, beginning of year	$120	$116	$134
Additions	52	49	37
Deductions	(25)	(45)	(55)
Balance, end of year	$147	$120	$116

Agricultural Mortgage Loans. The Company diversifies its agricultural mortgage loans by both geographic region and product type.

Approximately 69% of the $5,647 million of agricultural mortgage loans outstanding at December 31, 2004 were subject to rate resets prior to maturity. A substantial portion of these loans generally is successfully renegotiated and remains outstanding to maturity. The process and policies for monitoring the agricultural mortgage loans and classifying them by performance status are generally the same as those for the commercial loans.

The following table presents the amortized cost and valuation allowances for agricultural mortgage loans distributed by loan classification at:

	December 31, 2004				December 31, 2003			
	Amortized Cost(1)	% of Total	Valuation Allowance	% of Amortized Cost	Amortized Cost(1)	% of Total	Valuation Allowance	% of Amortized Cost
	(Dollars in millions)							
Performing	$5,553	98.2%	$4	0.1%	$4,998	96.7%	$—	—%
Restructured	63	1.1	—	—%	108	2.1	1	0.9%
Potentially delinquent	4	0.1	1	25.0%	24	0.5	3	12.5%
Delinquent or under foreclosure	34	0.6	2	5.9%	35	0.7	2	5.7%
Total	$5,654	100.0%	$7	0.1%	$5,165	100.0%	$ 6	0.1%

(1) Amortized cost is equal to carrying value before valuation allowances.

The following table presents the changes in valuation allowances for agricultural mortgage loans for the:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Balance, beginning of year	$6	$6	$10
Additions	5	1	2
Deductions	(4)	(1)	(6)
Balance, end of year	$7	$6	$ 6

Other Loans. Other loans consist of residential mortgages and auto loans.

Real Estate and Real Estate Joint Ventures

The Company's real estate and real estate joint venture investments consist of commercial properties located primarily throughout the United States. At December 31, 2004 and 2003, the carrying value of the Company's real estate, real estate joint ventures and real estate held-for-sale was $3,321 million and $3,126 million, respectively, or 1.6% of total cash and invested assets, at both December 31, 2004 and 2003. The carrying value of real estate is stated at depreciated cost net of impairments and valuation allowances. The carrying value of real estate joint ventures is stated at the Company's equity in the real estate joint ventures net of impairments and valuation allowances. The following table presents the carrying value of the Company's real estate, real estate joint ventures, real estate held-for-sale and real estate acquired upon foreclosure at:

Type	December 31, 2004 Carrying Value	December 31, 2004 % of Total	December 31, 2003 Carrying Value	December 31, 2003 % of Total
	(Dollars in millions)			
Real estate held-for-investment	$2,465	74.3%	$2,119	67.8%
Real estate joint ventures held-for-investment	382	11.5	308	9.9
Foreclosed real estate held-for-investment	—	—	—	—
	2,847	85.8	2,427	77.7
Real estate held-for-sale	473	14.2	698	22.3
Foreclosed real estate held-for-sale	1	—	1	—
	474	14.2	699	22.3
Total real estate, real estate joint ventures and real estate held-for-sale	$3,321	100.0%	$3,126	100.0%

The Company's carrying value of real estate held-for-sale, including real estate acquired upon foreclosure of commercial and agricultural mortgage loans, in the amounts of $474 million and $699 million at December 31, 2004 and December 31, 2003, respectively, are net of valuation allowances of $4 million and $12 million, respectively, and net of prior year impairments of $6 million and $151 million at December 31, 2004 and 2003, respectively.

The Company records real estate acquired upon foreclosure of commercial and agricultural mortgage loans at the lower of estimated fair value or the carrying value of the mortgage loan at the date of foreclosure.

Certain of the Company's investments in real estate joint ventures meet the definition of a VIE under FIN 46(r). See "Investments — Variable Interest Entities."

On March 29, 2005, the Company entered into a contract to sell its One Madison Avenue property in Manhattan for $918 million. The sale, which occurred on April 29, 2005, resulted in a gain in excess of $420 million, net of income taxes. The property is included in Real Estate — Held-for-Sale in the accompanying unaudited interim condensed consolidated financial statements.

Other Limited Partnership Interests

The carrying value of other limited partnership interests (which primarily represent ownership interests in pooled investment funds that make private equity investments in companies in the United States and overseas) was $2,891 million and $2,584 million at December 31, 2004 and 2003, respectively. The Company uses the equity method of accounting for investments in limited partnership interests in which it has more than a minor interest, has influence over the partnership's operating and financial policies and does not have a controlling interest. The Company uses the cost method for minor interest investments and when it has virtually no influence over the partnership's operating and financial policies. The Company's investments in other limited partnerships represented 1.4% and 1.3% of cash and invested assets at December 31, 2004 and 2003, respectively.

Some of the Company's investments in other limited partnership interests meet the definition of a VIE under FIN 46(r). See "— Variable Interest Entities."

Other Invested Assets

The Company's other invested assets consist principally of leveraged leases and funds withheld at interest of $3.9 billion at both December 31, 2004 and 2003. The leveraged leases are recorded net of non-recourse debt. The Company participates in lease transactions, which are diversified by industry, asset type and geographic area. The Company regularly reviews residual values and writes down residuals to expected values as needed. Funds withheld represent amounts contractually withheld by ceding companies in accordance with reinsurance agreements. For agreements written on a modified coinsurance basis and certain agreements written on a coinsurance basis, assets supporting the reinsured policies equal to the net statutory reserves are withheld and continue to be legally owned by the ceding company. Other invested assets also include the fair value of embedded derivatives related to funds withheld and modified coinsurance contracts. Interest accrues to these funds withheld at rates defined by the treaty terms and may be contractually specified or directly related to the investment portfolio. The Company's other invested assets represented 2.4% and 2.5% of cash and invested assets at December 31, 2004 and 2003, respectively.

Derivative Financial Instruments

The Company uses a variety of derivatives, including swaps, forwards, future and option contracts, to manage its various risks. Additionally, the Company enters into income generation and replication derivative transactions as permitted by its Derivatives Use Plans as well as its subsidiaries' Derivatives Use Plans approved by the applicable state insurance departments.

The table below provides a summary of the notional amount and current market or fair value of derivative financial instruments held at:

	December 31, 2004			December 31, 2003		
		Current Market or Fair Value			Current Market or Fair Value	
	Notional Amount	Assets	Liabilities	Notional Amount	Assets	Liabilities
	(Dollars in millions)					
Interest rate swaps	$12,215	$276	$ 19	$ 9,921	$189	$ 36
Interest rate floors	2,065	24	—	325	5	—
Interest rate caps	7,045	12	—	9,195	29	—
Financial futures	417	—	5	1,015	8	24
Foreign currency swaps	7,457	149	1,274	4,679	9	791
Foreign currency forwards	888	—	57	528	—	10
Options	263	8	7	6,065	7	—
Financial forwards	326	—	—	1,310	2	3
Credit default swaps	1,879	10	5	605	2	1
Synthetic GICs	5,869	—	—	5,177	—	—
Other	450	1	1	—	—	—
Total	$38,874	$480	$1,368	$38,820	$251	$865

Credit Risk. The Company may be exposed to credit related losses in the event of nonperformance by counterparties to derivative financial instruments. Generally, the current credit exposure of the Company's derivative contracts is limited to the fair value at the reporting date. The credit exposure of the Company's derivative transactions is represented by the fair value of contracts with a net positive fair value at the reporting date. Because exchange traded futures and options are effected through regulated exchanges, and positions are marked to market on a daily basis, the Company has minimal exposure to credit related losses in the event of nonperformance by counterparties to such derivative financial instruments.

The Company manages its credit risk by entering into derivative transactions with creditworthy counterparties. In addition, the Company enters into over-the-counter derivatives pursuant to master agreements that provide for a single net payment to be made by one counterparty to another at each due date and upon termination. Likewise, the Company effects exchange traded futures and options through regulated exchanges and these positions are marked to market and margined on a daily basis.

Variable Interest Entities

The Company has adopted the provisions of FIN 46 and FIN 46(r). See "— Application of Recent Accounting Pronouncements." The adoption of FIN 46(r) required the Company to consolidate certain VIEs for which it is the primary beneficiary. The following table presents the total assets of and maximum exposure to loss relating to VIEs for which the Company has concluded that (i) it is the primary beneficiary and which are consolidated in the Company's consolidated financial statements at December 31, 2004, and (ii) it holds significant variable interests but it is not the primary beneficiary and which have not been consolidated:

	December 31, 2004			
	Primary Beneficiary		Not Primary Beneficiary	
	Total Assets(1)	Maximum Exposure to Loss(2)	Total Assets(1)	Maximum Exposure to Loss(2)
	(Dollars in millions)			
Asset-backed securitizations and collateralized debt obligations	$ —	$ —	$1,418	$ 3
Real estate joint ventures(3)	15	13	132	—
Other limited partnerships(4)	245	188	900	146
Other structured investments(5)	—	—	856	103
Total	$260	$201	$3,306	$252

(1) The assets of the asset-backed securitizations and collateralized debt obligations are reflected at fair value as of December 31, 2004. The assets of the real estate joint ventures, other limited partnerships, and other structured investments are reflected at the carrying amounts at which such assets would have been reflected on the Company's balance sheet had the Company consolidated the VIE from the date of its initial investment in the entity.

(2) The maximum exposure to loss of the asset-backed securitizations and collateralized debt obligations is equal to the carrying amounts of retained interests. In addition, the Company provides collateral management services for certain of these structures for which it collects a management fee. The maximum exposure to loss relating to real estate joint ventures, other limited partnerships, and other structured investments is equal to the carrying amounts plus any unfunded commitments, reduced by amounts guaranteed by other partners.

(3) Real estate joint ventures include partnerships and other ventures, which engage in the acquisition, development, management and disposal of real estate investments.

(4) Other limited partnerships include partnerships established for the purpose of investing in real estate funds, public and private debt and equity securities, as well as limited partnerships established for the purpose of investing in low-income housing that qualifies for federal tax credits.

(5) Other structured investments include an offering of a collateralized fund of funds based on the securitization of a pool of private equity funds.

Securities Lending

The Company participates in a securities lending program whereby blocks of securities, which are included in investments, are loaned to third parties, primarily major brokerage firms. The Company requires a minimum of 102% of the fair value of the loaned securities to be separately maintained as collateral for the loans. Securities with a cost or amortized cost of $23,325 million and $22,290 million and an estimated fair value of $24,625 million and $23,461 million were on loan under the program at December 31, 2004 and 2003, respectively. The Company was liable for cash collateral under its control of $25,230 million and $24,065 million at December 31, 2004 and 2003, respectively. Security collateral on deposit from customers may not be sold or repledged and is not reflected in the consolidated financial statements.

Separate Account Assets

The Company had $68.5 billion and $63.7 billion held in its separate accounts, for which the Company generally does not bear investment risk, as of December 31, 2004 and 2003, respectively. The Company manages each separate account's assets in accordance with the prescribed investment policy that applies to that specific separate account. The Company establishes separate accounts on a single client and multi-client commingled basis in compliance with insurance laws. Effective with the adoption of SOP 03-1, on January 1, 2004, the Company reports separately, as assets and liabilities, investments held in separate accounts and liabilities of the separate accounts if (i) such separate accounts are legally recognized; (ii) assets supporting the contract liabilities are legally insulated from the Company's general account liabilities; (iii) investments are directed by the contractholder; and (iv) all investment performance, net of contract fees and assessments, is passed through to the contractholder. The Company reports separate account assets meeting such criteria at their fair value. Investment performance (including investment income, net investment gains (losses) and changes in unrealized gains (losses)) and the corresponding amounts credited to contractholders of such separate accounts are offset within the same line in the consolidated statements of income. In connection with the adoption of SOP 03-1, separate account assets with a fair value of $1.7 billion were reclassified to general account investments with a corresponding transfer of separate account liabilities to future policy benefits and policyholder account balances. See "— Application of Recent Accounting Pronouncements."

The Company's revenues reflect fees charged to the separate accounts, including mortality charges, risk charges, policy administration fees, investment management fees and surrender charges. Separate accounts not meeting the above criteria are combined on a line-by-line basis with the Company's general account assets, liabilities, revenues and expenses.

Off-Balance Sheet Arrangements

Commitments to Fund Partnership Investments

The Company makes commitments to fund partnership investments in the normal course of business. The amounts of these unfunded commitments were $1,320 million and $1,378 million at December 31, 2004 and 2003, respectively. The Company anticipates that these amounts will be invested in partnerships over the next three to five years.

Mortgage Loan Commitments

The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments were $1,161 million and $555 million, respectively, at December 31, 2004 and 2003.

Guarantees

In the course of its business, the Company has provided certain indemnities, guarantees and commitments to third parties pursuant to which it may be required to make payments now or in the future.

In the context of acquisition, disposition, investment and other transactions, the Company has provided indemnities and guarantees, including those related to tax, environmental and other specific liabilities, and other indemnities and guarantees that are triggered by, among other things, breaches of representations, warranties or covenants provided by the Company. In addition, in the normal course of business, the Company provides indemnifications to counterparties in contracts with triggers similar to the foregoing, as well as for certain other liabilities, such as third party lawsuits. These obligations are often subject to time limitations that vary in duration, including contractual limitations and those that arise by operation of law, such as applicable statutes of limitation. In some cases, the maximum potential obligation under the indemnities and guarantees is subject to a contractual limitation ranging from less than $1 million to $800 million, while in other cases such limitations are not specified or applicable. Since certain of these obligations are not subject to limitations, the Company does not believe that it is possible to determine the maximum potential amount due under these guarantees in the future.

In addition, The Company indemnifies its directors and officers as provided in its charters and by-laws. Also, The Company indemnifies other of its agents for liabilities incurred as a result of their representation of The Company's interests. Since these indemnities are generally not subject to limitation with respect to duration or amount, The Company does not believe that it is possible to determine the maximum potential amount due under these indemnities in the future.

The fair value of such indemnities, guarantees and commitments entered into during 2004 was insignificant. The Company's recorded liability at December 31, 2004 and 2003 for indemnities, guarantees and commitments is insignificant. In conjunction with replication synthetic asset transaction, as described in Note 3 of The Company's Consolidated Financial Statements, The Company writes credit default swap obligations requiring payment of principal due in exchange for the reference credit obligation, depending on the nature or occurrence of specified credit events for the referenced entities. In the event of a specified credit event, The Company's maximum amount at risk, assuming the value of the referenced credits become worthless, is $1.1 billion at December 31, 2004. The credit default swaps expire at various times during the next seven years.

Quarterly Results of Operations

Executive Summary

MetLife is a leading provider of insurance and other financial services to millions of individual and institutional customers throughout the United States. The Holding Company, through its subsidiaries and affiliates, offers life insurance and annuities to individuals, as well as group insurance, reinsurance and retirement & savings products and services to corporations and other institutions. The Company's international operations consisting of the Company's Canadian branch and a joint venture in China are reported in Corporate & Other. MetLife is organized into three operating segments: Institutional, Individual, and Reinsurance, as well as Corporate & Other.

As a part of the Travelers acquisition by the Holding Company, management realigned certain products and services within several of its segments to better conform to the way it intends to manage and assess the business going forward. Accordingly, all prior period segment results have been adjusted to reflect such product reclassifications. Also in connection with the Travelers acquisition, management has utilized its economic capital model to evaluate the deployment of capital based upon the unique and specific nature of the risks inherent in the Company's existing and newly acquired businesses and has adjusted such allocations based upon this model.

Three Months Ended September 30, 2005 compared with the Three Months Ended September 30, 2004

The Company reported $556 million in net income for the three months ended September 30, 2005 compared to $569 million in net income for the three months ended September 30, 2004. The three months ended September 30, 2005 and 2004 includes the impact of certain transactions or events, the timing, nature and amount of which are generally unpredictable. These transactions are described in each applicable segment's discussion below. These items contributed a benefit of $20 million, net of income taxes, for the three months ended September 30, 2005 and a benefit of $9 million, net of income taxes, in the comparable 2004 period. Excluding the impact of these items, net income decreased by $24 million for the three months ended September 30, 2005 compared to the prior 2004 period.

Net investment gains (losses) decreased by $173 million, net of income taxes, for the three months ended September 30, 2005 as compared to the corresponding period in 2004. This decrease is primarily due to losses on fixed maturity security sales resulting from portfolio repositioning in the 2005 period and losses from the mark-to-market on derivatives in the 2005 period. The derivative losses resulted from changes in the value of the dollar versus major currencies, including the euro and pound sterling, and changes in U.S. interest rates during the three months ended September 30, 2005.

Nine Months Ended September 30, 2005 compared with the Nine Months Ended September 30, 2004

The Company reported $2,760 million in net income for the nine months ended September 30, 2005 compared to $1,823 million in net income for the nine months ended September 30, 2004. The nine months ended September 30, 2005 and 2004 includes the impact of certain transactions or events, the timing, nature and amount of which are generally unpredictable. These transactions are described in each applicable segment's discussion below. These items contributed a benefit of $60 million, net of income taxes, to the nine months ended September 30, 2005 and a benefit of $113 million, net of income taxes, to the comparable 2004 period. Excluding the impact of these items, net income increased by $990 million for the nine months ended September 30, 2005 compared to the prior 2004 period.

In the second quarter of 2005, the Company completed the sale of the One Madison Avenue property in Manhattan, New York, which resulted in a gain of $431 million, net of income taxes. During the first quarter of 2005, the Company completed the sale of SSRM and recognized a gain of $165 million. Accordingly, income from discontinued operations, and correspondingly net income, increased by $629 million for the nine months ended September 30, 2005 compared to the 2004 period as a result of gains associated with the sale of the real estate property, the sale of SSRM and the sale of MetLife Indonesia.

These increases were partially offset by a decrease in net investment gains (losses) of $83 million, net of income taxes, for the nine months ended September 30, 2005 as compared to the corresponding period in 2004. This decrease is primarily due to losses on fixed maturity security sales resulting from continuing portfolio repositioning in the 2005 period as well as higher gains from the sale of equity securities in the 2004 period. Significantly offsetting these reductions is an increase in gains from the mark-to-market on derivatives in 2005. The derivative gain resulted from changes in the value of the dollar versus major currencies, including the euro and pound sterling, and changes in U.S. interest rates during the nine months ended September 30, 2005.

The increase in net income during the nine months ended September 30, 2005 as compared to the same period in the prior year is partially due to the decrease in net income in the prior year of $52 million, net of income taxes, as a result of a cumulative effect of a change in accounting principle in 2004 recorded in accordance with Statement of Position ("SOP") 03-1, *Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts* (**"SOP 03-1"**).

The remaining increase in net income of $392 million is attributable to the increase in total revenues, offset by a commensurate increase in total expenses resulting from business growth as described in the discussion of results for the Company and by segment.

Industry Trends

The Company's segments continue to be influenced by a variety of trends that affect the industry, as well as the Company.

Financial Environment. The financial environment presents a challenge for the life insurance industry. A low general level of short-term and long-term interest rates can have a negative impact on the demand for and the profitability of spread-based products such as fixed annuities, guaranteed interest contracts and universal life insurance. In addition, continued low interest rates could put pressure on interest spreads on existing blocks of business as declining investment portfolio yields draw closer to minimum crediting rate guarantees on certain products. The compression of the yields between spread-based products and interest rates will be a concern until new money rates on corporate bonds are higher than overall life insurer investment portfolio yields. Recent equity market performance has also presented challenges for life insurers, as fee revenue from variable annuities and pension products is tied to separate account balances, which reflect equity market performance. Also, variable annuity product demand often mirrors consumer demand for equity market investments.

Improving Economy. A recovery in the employment market combined with higher corporate confidence should improve demand for group insurance and retirement & savings type products. Group insurance premium growth, for example life and disability, are closely tied to employers' total payroll growth. Additionally, the potential market for these products is expanded by new business creation. Bond portfolio credit losses have also benefited from an increasingly healthy economy.

Demographics. In the coming decade, a key driver shaping the actions of the industry will be the rising income protection, wealth accumulation, protection and transfer needs of the retiring Baby Boomers — the first of whom have entered their pre-retirement, peak savings years. As a result of increasing longevity, retirees will need to accumulate sufficient savings to finance retirements that may span 30 or more years. Helping the Baby Boomers accumulate assets for retirement and subsequently converting these assets into retirement income represents a transformative opportunity for the life insurance industry.

Life insurers are well positioned to address the Baby Boomers' rapidly increasing need for savings tools and for income protection. In light of recent Social Security reform and pension solvency concerns "protection" is what sets the U.S. life insurance industry apart from other financial services providers pursuing the retiring Baby Boomer segment. The Company believes that, among the life insurers, those with strong brands, high financial strength ratings, and broad distribution, are best positioned to capitalize on the opportunity to offer income protection products to Baby Boomers.

Moreover, the life insurance industry's products and the needs they are designed to address are complex. The Company believes that individuals approaching retirement age will need to seek advice to plan for and manage their retirements and that, in the workplace, as employees take greater responsibility for their benefit options and retirement planning, they will need individually tailored advice. The challenge for the life insurance industry remains delivering tailored advice in a cost effective manner.

Competitive Pressures. The life insurance industry is becoming increasingly competitive. The product development and product life-cycles have shortened in many product segments, leading to more intense competition with respect to product features. Larger companies have the ability to invest in brand equity, product development and risk management, which are among the fundamentals for sustained profitable growth in the life insurance industry. In addition, several of the industry's products can be quite homogeneous and subject to intense price competition, and sufficient scale, financial strength and flexibility are becoming prerequisites for sustainable growth in the life insurance industry. Larger market participants tend to have the capacity to invest in additional distribution capability and the information technology needed to offer the superior customer service demanded by an increasingly sophisticated industry client base.

Regulatory Changes. The life insurance industry is regulated at the state level, with some products also subject to federal regulation. As life insurers introduce new and often more complex products, regulators refine capital requirements and introduce new reserving standards for the life insurance industry. Regulation recently adopted or currently under review can potentially impact the reserve and capital requirements for several of the industry's products. In addition, regulators have undertaken market and sales practices reviews of several markets or products including equity-indexed annuities, variable annuities and group products.

Discussion of Results

The following table presents consolidated financial information for the Company for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Revenues				
Premiums	$4,946	$4,470	$14,413	$12,886
Universal life and investment-type product policy fees	505	529	1,463	1,516
Net investment income	2,907	2,667	8,822	7,964
Other revenues	173	174	523	543
Net investment gains (losses)	(56)	216	339	470
Total revenues	8,475	8,056	25,560	23,379
Expenses				
Policyholder benefits and claims	5,187	4,862	15,364	13,884
Interest credited to policyholder account balances	665	586	1,907	1,747
Policyholder dividends	418	400	1,238	1,230
Other expenses	1,491	1,395	4,065	3,997
Total expenses	7,761	7,243	22,574	20,858
Income from continuing operations before provision for income taxes	714	813	2,986	2,521
Provision for income taxes	195	255	920	711
Income from continuing operations	519	558	2,066	1,810
Income from discontinued operations, net of income taxes	37	11	694	65
Income before cumulative effect of a change in accounting	556	569	2,760	1,875
Cumulative effect of a change in accounting, net of income taxes	—	—	—	(52)
Net income	$ 556	$ 569	$ 2,760	$ 1,823

Three Months Ended September 30, 2005 compared with the Three Months Ended September 30, 2004 — The Company

Income from continuing operations decreased by $39 million, or 7%, to $519 million for the three months ended September 30, 2005 from $558 million in the comparable 2004 period. Income from continuing operations for the three months ended September 30, 2005 and 2004 includes the impact of certain transactions or events, the timing, nature and amount of which are generally unpredictable. These transactions are described in each applicable segment's discussion below. These items contributed a benefit of $20 million, net of income taxes, for the three months ended September 30, 2005 and a benefit of $9 million, net of income taxes, in the comparable 2004 period. Excluding the impact of these items, income from continuing operations decreased by $50 million for the three months ended September 30, 2005 compared to the prior 2004 period. The Institutional segment contributed $40 million, net of income taxes, to this decrease primarily due to a decline in net investment gains (losses) and less favorable underwriting, partially offset by an improvement in interest spreads. The Individual segment contributed $13 million, net of income taxes, to the decrease, as a result of a decline in net investment gains (losses), higher general spending and corporate incentives, principally incentive compensation associated with the

Travelers acquisition, a revision to the estimate for policyholder dividends in the prior period and unfavorable underwriting. These decreases were partially offset by lower amortization of DAC, a decline in the closed block related policyholder dividend obligation, an improvement in interest rate spreads and higher fee income primarily from variable annuity products. Corporate & Other contributed $12 million, net of income taxes, to this decrease primarily due to integration costs, principally incentive compensation, associated with the Travelers acquisition, and lower net investment income. This was partially offset by an increase in net investment gains (losses) and lower legal related costs. These decreases are partially offset by a $15 million, net of income taxes, increase in the Reinsurance segment. The Reinsurance segment's increase is largely attributable to favorable mortality experience as a result of lower claim levels in the U.S. and Canada.

Premiums, fees and other revenues increased by $451 million, or 9%, to $5,624 million for the three months ended September 30, 2005 from $5,173 million from the comparable 2004 period. The Institutional segment contributed $301 million, or 67%, to the period over period increase. This increase is primarily due to overall business growth, favorable persistency and favorable sales in group life and non-medical health & other partially offset by a decrease in closeout and structured settlement sales in retirement & savings. The Reinsurance segment contributed $155 million, or 34%, to the Company's period over period increase in premiums, fees and other revenues. This growth is primarily attributable to new premiums from facultative and automatic treaties and renewal premiums on existing blocks of business, as well as favorable exchange rate movements. These increases were partially offset by a decline of $4 million, or 1%, in the Individual segment primarily due to a new reinsurance agreement. Under the terms of this new reinsurance agreement the Company ceded certain universal life products to an affiliate.

Interest rate margins, which generally represent the margin between net investment income and interest credited to policyholder account balances, increased in the Institutional and Individual segments for the three months ended September 30, 2005 compared to the prior year period. Earnings from interest rate spreads are influenced by several factors, including business growth, movement in interest rates, and certain investment and investment-related transactions, such as corporate joint venture income and bond and commercial mortgage prepayment fees for which the timing and amount are generally unpredictable, and as a result, can fluctuate from period to period. If interest rates remain low, it could result in compression of the Company's interest rate spreads on several of its products, which provide guaranteed minimum rates of return to policyholders. This compression could adversely impact the Company's future financial results.

Underwriting results were favorable within the Reinsurance segment while they were less favorable in the retirement & savings and non-medical health & other products within the Institutional segment and unfavorable in the life products within the Individual segment. Underwriting results are generally the difference between the portion of premium and fee income intended to cover mortality, morbidity or other insurance costs less claims incurred and the change in insurance related reserves. Underwriting results are significantly influenced by mortality, morbidity, or other insurance related experience trends and the reinsurance activity related to certain blocks of business, and as a result can fluctuate from period to period.

Other expenses increased by $96 million, or 7%, to $1,491 million for the three months ended September 30, 2005 from $1,395 million for the comparable 2004 period. The Institutional segment contributed $62 million, or 65%, to the period over period increase primarily attributable to an increase in corporate incentive accruals, higher corporate support-related expenses and an increase in non-deferrable volume-related expenses associated with general business growth. The Reinsurance segment contributed $53 million, or 55%, to the period over period variance primarily due to an increase in minority interest expense associated with an increase in Reinsurance Group of America, Incorporated's ("RGA") earnings and higher amortization of DAC, as well as a change in DAC associated with the increase in net investment gains (losses). In addition, Corporate & Other contributed $18 million, or 19%, to the period over period increase primarily attributable to integration costs, principally incentive compensation, associated with the acquisition of Travelers, partially offset by lower legal fees. These increases were partially offset by a decline of $37 million, or 39%, in the Individual segment primarily due to lower amortization of DAC.

Net investment gains (losses) decreased by $272 million, or 126%, to ($56) million for the three months ended September 30, 2005 from $216 million for the comparable 2004 period. This decrease is primarily due to losses on fixed maturity security sales resulting from portfolio repositioning in the 2005 period and losses from the mark-to-market on derivatives in the 2005 period. The derivative losses resulted from changes in the value of the dollar versus major currencies, including the euro and pound sterling, and changes in U.S. interest rates during the three months ended September 30, 2005.

Income tax expense for the three months ended September 30, 2005 is $195 million, or 27% of income from continuing operations before provision for income taxes, compared with $255 million, or 31%, for the comparable 2004 period. The 2005 effective tax rate differs from the corporate tax rate of 35% primarily due to the impact of non-taxable investment income and tax credits for investments in low income housing. In addition, the 2005 effective tax rate reflects an adjustment of a benefit of $20 million consisting primarily of a revision in the estimate of income taxes for 2004. The 2004 effective tax rate differs from the corporate tax rate of 35% primarily due to the impact of non-taxable investment income and tax credits for investments in low income housing. In addition, the 2004 effective tax rate reflects an adjustment of a benefit of $9 million consisting primarily of a revision in the estimate of income taxes for 2003.

Income from discontinued operations during the three months ended September 30, 2005 and 2004 includes the net investment income and net investment gains related to real estate properties that the Company has classified as available-for-sale or has sold. For the three months ended September 30, 2005 income from discontinued operations includes the discontinued operations and the gain upon disposal on the sale of MetLife Indonesia on September 29, 2005. For the three months ended September 30, 2004 income from discontinued operations includes the discontinued operations of SSRM and MetLife Indonesia. As previously discussed, SSRM was sold effective January 31, 2005. Income from discontinued operations, net of income taxes, increased by $26 million, or 236%, to $37 million for the three months ended September 30, 2005 from $11 million for the comparable 2004 period. For the three months ended September 30, 2005, the Company recognized $31 million of investment gains, net of income taxes, from discontinued operations related to real estate properties sold or held-for-sale and a gain upon sale of $10 million, net of income taxes, related to the sale of MetLife Indonesia offset by net investment losses on real estate properties of $1 million, net of income taxes, and a loss from discontinued operations of $3 million, net of income taxes, on MetLife Indonesia. For the three months ended September 30, 2004, the Company recognized $4 million of investment losses, net of income taxes, from discontinued operations related to real estate properties sold or held-for-sale offset by net investment income on real estate properties of $12 million, net of income taxes, and income from discontinued operations of SSRM of $5 million, net of income taxes, and a loss from operations of $2 million, net of income taxes, on MetLife Indonesia.

Nine Months Ended September 30, 2005 compared with the Nine Months Ended September 30, 2004 — The Company

Income from continuing operations increased by $256 million, or 14%, to $2,066 million for the nine months ended September 30, 2005 from $1,810 million in the comparable 2004 period. Income from continuing operations for the nine months ended September 30, 2005 and 2004 includes the impact of certain transactions or events, the timing, nature and amount of which are generally unpredictable. These transactions are described in each applicable segment's discussion below. These items contributed a benefit of $60 million, net of income taxes, to the nine months ended September 30, 2005 and a benefit of $113 million, net of income taxes, to the comparable 2004 period. Excluding the impact of these items, income from continuing operations increased by $309 million for the nine months ended September 30, 2005 compared to the prior 2004 period. The Individual segment contributed $282 million, net of income taxes, to the increase, as a result of an improvement in net investment gains (losses) and interest rate spreads, increased fee income related to the growth in variable annuity products, higher non spread net investment income, revision to certain expenses and policyholder liabilities, partially offset by higher general spending and corporate incentives and lower amortization of DAC. These increases were partially offset by unfavorable underwriting, a decrease in closed block related policyholder dividend obligation and the impact of a reinsurance agreement with an affiliate. The Institutional segment contributed $22 million, net of income taxes, to this increase primarily due to an improvement in interest spreads, partially offset by a decrease in net investment gains (losses) and less favorable underwriting. In addition, the Reinsurance segment contributed $3 million to the increase, net of income taxes, primarily due to favorable mortality experience in the U.S. and Canada. Corporate & Other contributed $2 million, net of income taxes, to this increase primarily due to higher net investment income, a reduction in allocated corporate support expenses and lower legal related costs. These increases were partially offset by lower net investment gains (losses) and integration costs, principally incentive compensation, associated with the acquisition of Travelers.

Premiums, fees and other revenues increased by $1,454 million, or 10%, to $16,399 million for the nine months ended September 30, 2005 from $14,945 million from the comparable 2004 period. The Institutional segment contributed $1,143 million, or 79%, to the period over period increase. This increase is primarily due to sales growth and the acquisition of new business in the non-medical health & other business, as well as improved sales and favorable persistency in group life and higher structured settlement sales and pension close-outs in retirement & savings. The Reinsurance segment contributed $381 million, or 26%, to the Company's period over period increase in premiums, fees and other revenues. This growth is primarily attributable to new premiums from facultative and automatic treaties and renewal premiums on existing blocks of business, as well as favorable exchange rate movements. These increases were partially offset by a decrease of $66 million, or 5%, in the Individual segment. The decrease is primarily due to a reinsurance agreement with an affiliate. Under the terms of this reinsurance agreement the Company ceded certain universal life products to an affiliate.

Interest rate margins, which generally represent the margin between net investment income and interest credited to policyholder account balances, increased in the Institutional and Individual segments for the nine months ended September 30, 2005 compared to the prior year period. Earnings from interest rate spreads are influenced by several factors, including business growth, movement in interest rates, and certain investment and investment-related transactions, such as corporate joint venture income and bond and commercial mortgage prepayment fees for which the timing and amount are generally unpredictable, and as a result, can fluctuate from period to period. If interest rates remain low, it could result in compression of the Company's interest rate spreads on several of its products, which provide guaranteed minimum rates of return to policyholders. This compression could adversely impact the Company's future financial results.

Underwriting results were unfavorable within the life products in the Individual segment and less favorable in the retirement & savings and non-medical health & other products within the Institutional segment. Underwriting results are generally the difference between the portion of premium and fee income intended to cover mortality, morbidity or other insurance costs less claims incurred and the change in insurance-related reserves. Underwriting results are significantly influenced by mortality, morbidity or other insurance-related experience trends and the reinsurance activity related to certain blocks of business, and as a result can fluctuate from period to period.

Other expenses increased by $68 million, or 2%, to $4,065 million for the nine months ended September 30, 2005 from $3,997 million for the comparable 2004 period. The nine months ended September 30, 2005 includes a $28 million benefit associated with the reduction of a previously established real estate transfer tax liability related to the Company's demutualization in 2000. The nine months ended September 30, 2004 reflects a $49 million reduction of a premium tax liability and a $22 million reduction of a liability for interest associated with the resolution of all issues relating to the Internal Revenue Service's audit of Metropolitan Life's and its subsidiaries' tax returns for the years 1997-1999. These decreases were partially offset by a $50 million contribution of appreciated stock to the MetLife Foundation. Excluding the impact of these transactions, other expenses increased by $75 million, or 2%, from the comparable 2004 period. Institutional segment contributed $141 million, or 188%, to the period over period variance primarily due to higher non-deferrable volume-related expense associated with general business growth, corporate support expenses and higher expenses related to additional incentive accruals. Corporate & Other contributed $48 million, or 64%, to the period over period variance primarily attributable to integration costs associated with the acquisition of Travelers, partially offset by lower legal related costs. The Reinsurance segment also contributed $34 million, or 45%, of this increase primarily due to an increase in the amortization of DAC. These increases are partially offset by a $148 million or 197%, decrease in the Individual segment, primarily due to revisions to decrease certain expenses, lower amortization of DAC, partially offset by higher general spending and corporate incentives, a portion of which is attributable to the Travelers acquisition.

Net investment gains (losses) decreased by $131 million, or 28%, to $339 million for the nine months ended September 30, 2005 from a net investment gain of $470 million for the comparable 2004 period. This decrease is primarily due to losses on fixed maturity security sales resulting from continuing portfolio repositioning in the 2005 period as well as higher gains from the sale of equity securities in the 2004 period. Significantly offsetting these reductions is an increase in gains from the mark-to-market on derivatives in 2005. The derivative gains resulted from changes in the value of the dollar versus major currencies, including the euro and pound sterling, and changes in U.S. interest rates during the nine months ended September 30, 2005.

Income tax expense for the nine months ended September 30, 2005 is $920 million, or 31% of income from continuing operations before provision for income taxes, compared with $711 million, or 28%, for the comparable 2004 period. The 2005 effective tax rate differs from the corporate tax rate of 35% primarily due to the impact of non-taxable investment income and tax credits for investments in low income housing. In addition, the 2005 effective tax rate reflects a tax benefit related to an adjustment of a benefit of $20 million consisting primarily of a revision in the estimate of income taxes for 2004. The 2004 effective tax rate differs from the corporate tax rate of 35% primarily due to the impact of non-taxable investment income, tax credits for investments in low income housing, and the contribution of appreciated stock to the MetLife Foundation. In addition, the 2004 effective tax rate reflects an adjustment of $91 million for the resolution of all issues relating to the Internal Revenue Service's audit of Metropolitan Life's and its subsidiaries' tax returns for the years 1997-1999 and an adjustment of a benefit of $9 million consisting primarily of a revision in the estimate of income taxes for 2003.

Income from discontinued operations is comprised of the operations and the gain upon disposal from the sale of MetLife Indonesia on September 29, 2005 and SSRM on January 31, 2005, as well as net investment income and net investment gains related to real estate properties that the Company has classified as available-for-sale or has sold. Income from discontinued operations, net of income taxes, increased by $629 million, or 968%, to $694 million for the nine months ended September 30, 2005 from $65 million for the comparable 2004 period. This increase is primarily due to a gain of $431 million, net of income taxes, on the sale of the One Madison Avenue property in Manhattan, New York and the gains on the sale of SSRM and MetLife Indonesia of $165 million and $10 million, respectively, both net of income taxes, in the nine months ended September 30, 2005.

During the nine months ended September 30, 2004, the Company recorded a $52 million charge, net of income taxes, for a cumulative effect of a change in accounting in accordance with SOP 03-1, which provides guidance on (i) the classification and valuation of long-duration contract liabilities; (ii) the accounting for sales inducements; and (iii) separate account presentation and valuation. This charge is primarily related to those long-duration contract liabilities where the amount of the liability is indexed to the performance of a target portfolio of investment securities.

Institutional

The following table presents consolidated financial information for the Institutional segment for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Revenues				
Premiums	$2,959	$2,662	$ 8,637	$ 7,519
Universal life and investment-type product policy fees	188	182	565	533
Net investment income	1,325	1,126	3,891	3,376
Other revenues	158	160	482	489
Net investment gains (losses)	(63)	104	149	248
Total revenues	4,567	4,234	13,724	12,165
Expenses				
Policyholder benefits and claims	3,216	2,970	9,522	8,356
Interest credited to policyholder account balances	346	255	972	742
Policyholder dividends	—	(1)	—	(1)
Other expenses	573	511	1,619	1,429
Total expenses	4,135	3,735	12,113	10,526
Income from continuing operations before provision for income taxes	432	499	1,611	1,639
Provision for income taxes	140	167	542	561
Income from continuing operations	292	332	1,069	1,078
Income from discontinued operations, net of income taxes	—	2	162	10
Income before cumulative effect of a change in accounting	292	334	1,231	1,088
Cumulative effect of a change in accounting, net of income taxes	—	—	—	(59)
Net income	$ 292	$ 334	$ 1,231	$ 1,029

The Company's Institutional segment offers a broad range of group insurance and retirement & savings products and services to corporations and other institutions. Group insurance products are offered as either employer-paid benefits, or as voluntary benefits where all or a portion of the premiums are paid by the employee. Retirement & savings products and services include an array of annuity and investment products, as well as bundled administrative and investment services sold to sponsors of small and mid-sized 401(k) and other defined contribution plans.

Three Months Ended September 30, 2005 compared with the Three Months Ended September 30, 2004 — Institutional

Income from continuing operations decreased by $40 million, or 12%, to $292 million for the three months ended September 30, 2005 from $332 million for the comparable 2004 period. A decrease of $109 million, net of income taxes, in net investment gains (losses), partially offset by a decrease of $41 million, net of income taxes, in policyholder benefits and claims related to net investment gains (losses), contributed to the decrease in income from continuing operations. Underwriting results were lower in the retirement & savings and non-medical health and other products by $6 million and $5 million, respectively. Underwriting results are generally the difference between the portion of premium and fee income intended to cover mortality, morbidity or other insurance costs less claims incurred and the change in insurance related liabilities. Underwriting results are significantly influenced by mortality, morbidity, or other insurance related experience trends and the reinsurance activity related to certain blocks of business. In addition, increases in operating expenses, which include higher incentive compensation expenses related to Travelers integration costs, have more than offset growth in premiums, fees and other revenues compared to the prior year period. Partially offsetting these decreases to income from continuing operations is an increase of $48 million, net of income taxes, due to an improvement in interest spreads compared to the prior year period. The retirement & savings, non-medical health & other, and group life products generated a $26 million, $17 million, and $5 million, net of income taxes, increase, respectively. Higher earnings primarily from corporate and real estate joint venture income and growth in the asset base are the primary drivers of the period over period increase. Interest spreads are generally the percentage point difference between the yield earned on invested assets and the interest rate the Company uses to credit on certain liabilities. Therefore, given a constant value of assets and liabilities, an increase in interest rate spreads would result in higher income to the Company. Interest rate spreads for the three months ended September 30, 2005 decreased to 1.77% and 2.03% from 1.81%, and 2.07% in the comparable prior year period, for the retirement & savings and group life businesses, respectively. Interest rate spreads for the three months ended September 30, 2005 increased to 3.33% from 2.37% in the comparable prior year period for the non-medical health & other business. Management generally expects these spreads to be in the range of 1.60% to 1.80%, 1.20% to 1.35%, and 1.30% to 1.60% for the group life, retirement & savings, and the non-medical health & other businesses, respectively. Earnings from interest rate spreads are influenced by several factors, including business growth, movement in interest rates, and certain investment and investment-related transactions, such as corporate joint venture income and bond and commercial mortgage prepayment fees for which the timing and amount are generally unpredictable. As a result, income from these investment transactions may fluctuate from period to period.

Total revenues, excluding net investment gains (losses), increased by $500 million, or 12%, to $4,630 million for the three months ended September 30, 2005 from $4,130 million for the comparable 2004 period. This increase is comprised of growth of $301 million in premiums, fees, and other revenues and $199 million in higher net investment income. The increase in premiums, fees, and other revenues is primarily due to an increase in group life of $225 million, which is largely due to business growth, favorable persistency and a significant increase in premiums from two large customers. In addition, non-medical health & others' premiums, fees and other revenues increased by $128 million, compared to the prior year period primarily due to growth in the dental, disability, long-term care and accidental death and dismemberment (**"AD&D"**) products. Management attributes the growth in these products primarily to favorable sales results and improved persistency. These increases are partially offset by a decrease in retirement & savings of $52 million. This decrease is primarily due to lower closeout and structured settlement sales of $30 million and $20 million, respectively. The remaining decrease is due to minor declines among several products. Premiums, fees and other revenues from retirement & savings products are significantly influenced by large transactions, and as a result, can fluctuate from period to period. Net investment income increased by $199 million, primarily due to higher income from growth in the asset base driven by sales, particularly in guaranteed interest contracts and the structured settlement business. In addition, increases in corporate and real estate joint venture income and higher short-term interest rates contributed to the growth compared to the prior year period.

Total expenses increased by $400 million, or 11%, to $4,135 million for the three months ended September 30, 2005 from $3,735 million for the comparable 2004 period. This increase is due to higher policyholder benefits and claims and policyholder dividends of $247 million, an increase in interest credited to policyholder account balances of $91 million and other expenses of $62 million. The increase of $247 million in policyholder benefits and policyholder dividends is primarily attributable to increases of $221 million and $78 million in the group life and non-medical health & other businesses, respectively, both of which are predominately attributable to the business growth referenced in the revenue section. These increases include $2 million and $18 million of policyholder benefits related to Hurricane Katrina in the group life and non-medical health & other businesses, respectively. These increases are partially offset by a decrease in retirement & savings of $52 million, which is consistent with the decrease in premiums referenced in the revenue discussion above. Interest credited to policyholder account balances increased by $91 million over the prior year period primarily as a result of the impact of growth in guaranteed interest contracts within the retirement & savings business. In addition, the impact of higher short-term interest rates, in the current period, contributed to the increase compared to the prior year period. Other expenses increased $62 million. This increase is primarily attributable to Travelers related integration costs, principally incentive accruals, of $34 million, higher corporate support related expenses of $21 million and an increase in non-deferrable volume-related expenses of $6 million, which are associated with general growth in the business.

Nine Months Ended September 30, 2005 compared with the Nine Months Ended September 30, 2004 — Institutional

Income from continuing operations decreased by $9 million, or 1%, to $1,069 million for the nine months ended September 30, 2005 from $1,078 million for the comparable 2004 period. A decrease of $66 million, net of income taxes, in net investment gains (losses) contributed to the decrease in income from continuing operations. In addition, a decrease of $31 million, net of income taxes, is due to the impact of a 2004 prior year period benefit related to a reduction of a premium tax liability. Underwriting results decreased $22 million, net of income taxes, compared to the prior year period. This decline is primarily due to less favorable results of $30 million in non-medical health & other and a $13 million decrease in retirement & savings, partially offset by an improvement of $21 million in group life's underwriting results, primarily due to favorable claim experience. Underwriting results are generally the difference between the portion of premium and fee income intended to cover mortality, morbidity or other insurance costs less claims incurred and the change in insurance related reserves. Underwriting results are significantly influenced by mortality, morbidity, or other insurance related experience trends and the reinsurance activity related to certain blocks of business. In addition, increases to operating expenses, which include higher incentive compensation expenses related to Travelers integration costs, have more than offset the remaining growth in premiums, fees and other revenues. These decreases to income from continuing operations are partially offset by an increase in interest margins of $111 million, net of income taxes, compared to the prior year period. Management attributes this increase to an improvement in interest spreads for the retirement & savings and non-medical health products for $80 million and $34 million, both net of income taxes, respectively. Higher earnings from growth in the asset base and corporate and real estate joint venture income are the primary drivers of the period over period increase. These increases are partially offset by a decrease in group life of $3 million, which is primarily due to a decline in income from securities lending activities. Interest spreads are generally the percentage point difference between the yield earned on invested assets and the interest rate the Company uses to credit on certain liabilities. Therefore, given a constant value of assets and liabilities, an increase in interest rate spreads would result in higher income to the Company. Interest rate spreads for the nine months ended September 30, 2005 increased to 1.86% and 3.40% from 1.94% and 3.10% in the comparable prior year period, for the retirement & savings and non-medical health & other businesses, respectively. Interest rate spreads for the nine months ended September 30, 2005 decreased to 2.08% from 2.33% in the comparable prior year period for the group life business. Management generally expects these spreads to be in the range of 1.60% to 1.80%, 1.20% to 1.35%, and 1.30% to 1.60% for the group life, retirement & savings, and the non-medical health & other businesses, respectively. Earnings from interest rate spreads are influenced by several factors, including business growth, movement in interest rates, and certain investment and investment-related transactions, such as corporate joint venture income and bond and commercial mortgage prepayment fees for which the timing and amount are generally unpredictable. As a result, income from these investment transactions may fluctuate from period to period.

Total revenues, excluding net investment gains (losses), increased by $1,658 million, or 14%, to $13,575 million for the nine months ended September 30, 2005 from $11,917 million for the comparable 2004 period. This increase is comprised of growth in premiums, fees and other revenues of $1,143 million and higher net investment income of $515 million. The increase of $1,143 million in premiums, fees, and other revenues is largely due to an increase in non-medical health & other of $413 million, primarily due to growth in the disability, dental and AD&D products of $295 million. In addition, continued growth in the long-term care business contributed $103 million, of which $23 million is related to the 2004 acquisition of TIAA/CREF's long-term care business. Group life insurance premiums, fees and other revenues increased by $396 million, which management primarily attributes to improved sales and favorable persistency, as well as a significant increase in premiums from two large customers. Retirement & savings' premiums, fees and other revenues increased by $334 million, which is largely due to growth in premiums, resulting primarily from an increase of $232 million in structured settlement sales and $106 million in pension close-outs. Premiums, fees and other revenues from retirement & savings products are significantly influenced by large transactions, and as a result, can fluctuate from period to period. In addition, net investment income increased $515 million primarily due to higher income from growth in the asset base driven by sales, particularly in guaranteed interest contracts and the structured settlement business. In addition, increases in corporate and real estate joint venture income across the majority of the businesses, and higher short-term interest rates contributed to the growth compared to the prior year period.

Total expenses increased by $1,587 million, or 15%, to $12,113 million for the nine months ended September 30, 2005 from $10,526 million for the comparable 2004 period. This increase is comprised of higher policyholder benefits and policyholder dividends of $1,167 million, an increase in interest credited to policyholder account balances of $230 million and an increase in other expenses of $190 million. The increase in policyholder benefits and policyholder dividends of $1,167 million is primarily attributable to a $400 million, a $388 million, and a $379 million increase in the retirement & savings, the non-medical health & other, and group life businesses, respectively. These increases are predominately attributable to the business growth referenced in the revenue discussion above. The increase in expenses in the non-medical health & other business include the impact of the acquisition of TIAA/CREF of approximately $30 million. These increases include $2 million and $18 million of policyholder benefits related to Hurricane Katrina in the group life and non-medical health & other business, respectively. The increase in interest credited to policyholder account balances of $230 million is primarily the result of the impact of growth in guaranteed interest contracts within the retirement & savings business. In addition, the impact of higher short-term interest rates, in the current period, also contributed to the increase. The rise in other expenses of $190 million is primarily due to higher non-deferrable volume-related expenses of $65 million, which are largely associated with business growth, an increase of $40 million in corporate support related expenses, and $35 million of Travelers related integration costs, principally incentive accruals. In addition, expenses increased as a result of the impact of a $49 million benefit recorded in the second quarter of 2004, which is related to a reduction in a premium tax liability.

Individual

The following table presents consolidated financial information for the Individual segment for the periods indicated:

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
	(In millions)			
Revenues				
Premiums	$1,011	$ 988	$2,967	$2,930
Universal life and investment-type product policy fees	316	345	896	981
Net investment income	1,388	1,330	4,192	3,994
Other revenues	(6)	(8)	(22)	(4)
Net investment gains (losses)	(27)	126	195	126
Total revenues	2,682	2,781	8,228	8,027
Expenses				
Policyholder benefits and claims	1,187	1,227	3,530	3,568
Interest credited to policyholder account balances	256	283	772	854
Policyholder dividends	417	399	1,236	1,228
Other expenses	569	606	1,517	1,665
Total expenses	2,429	2,515	7,055	7,315
Income from continuing operations before provision for income taxes	253	266	1,173	712
Provision for income taxes	92	92	407	228
Income from continuing operations	161	174	766	484
Income from discontinued operations, net of income taxes	27	6	248	18
Income before cumulative effect of a change in accounting	188	180	1,014	502
Cumulative effect of a change in accounting, net of income taxes	—	—	—	9
Net income	$ 188	$ 180	$1,014	$ 511

MetLife's Individual segment offers a wide variety of protection and asset accumulation products aimed at serving the financial needs of its customers throughout their entire life cycle. Products offered by Individual include insurance products, such as traditional, universal and variable life insurance and variable and fixed annuities. In addition, Individual sales representatives distribute disability insurance and long-term care insurance products offered through the Institutional segment, investment products, such as mutual funds, as well as other products offered by the Company's other businesses.

Three Months Ended September 30, 2005 compared with the Three Months Ended September 30, 2004 — Individual

Income from continuing operations decreased by $13 million, net of income taxes, or 7%, to $161 million for the three months ended September 30, 2005 from $174 million for the comparable 2004 period. Included in this decrease are net investment losses of $98 million, net of income taxes. Higher general spending and corporate incentives, principally attributable to the Travelers acquisition, contributed $29 million, net of income taxes, to the decrease in income from continuing operations. Additionally, the prior period includes a revision to the estimate for policyholder dividends, which contributed $12 million, net of income taxes, to the decrease in income from continuing operations. Unfavorable underwriting results in the life products decreased income from continuing operations by $4 million, net of income taxes primarily due to a new reinsurance agreement which the Company reinsures certain universal life insurance products to an affiliate. Underwriting results are generally the difference between the portion of premium and fee income intended to cover mortality, morbidity or other insurance costs less claims incurred and the change in insurance related liabilities. Underwriting results are significantly influenced by mortality, morbidity, or other insurance related experience trends and the reinsurance activity related to certain blocks of business, and as a result can fluctuate from period to period. Partially offsetting these decreases in income from continuing operations are lower DAC amortization of $52 million, net of income taxes, and a $25 million, net of income taxes, decline in the closed block related policyholder dividend obligation, as a result of lower net investment income in the closed block. Additionally, interest rate spreads increased by $16 million, net of income taxes. Interest rate spreads are generally the percentage point difference between the yield earned on invested assets and the interest rate the Company uses to credit on certain liabilities. Therefore, given a constant value of assets and liabilities, an increase in interest rate spreads would result in higher income to the Company. Interest rate spreads include income from certain investment transactions, including corporate joint venture income and prepayment fees from bonds and commercial mortgages, the timing and amount of which are generally unpredictable. In addition, fee income increased by $17 million, net of income taxes, primarily related to growth in variable annuity products.

Total revenues, excluding net investment gains (losses), increased by $54 million, or 2%, to $2,709 million for the three months ended September 30, 2005 from $2,655 million for the comparable 2004 period. This increase is primarily due to higher net investment income of $58 million from higher variable income and growth in the asset base partially offset by a decline in bond yields. Additionally, income from annuity premiums increased by $18 million which management attributes to the active marketing of these products. Although, premiums associated with the Company's closed block of business continue to decline as expected, the growth in premiums of other traditional life products more than offset the decline of the closed block by $1 million. Partially offsetting these increases in revenues, was a decline in fee income of $20 million primarily due to lower fees on universal life products, resulting from the previously mentioned new reinsurance agreement offset by higher fee income from variable annuity products resulting from favorable market performance and growth in the business.

Total expenses decreased by $86 million, or 3%, to $2,429 million for the three months ended September 30, 2005 from $2,515 million for the comparable 2004 period. Expenses decreased primarily due to lower DAC amortization of $81 million, resulting from net investment losses and an adjustment for management's update of assumptions used to determine estimated gross margins partially offset by growth in the business. Policyholder benefits decreased primarily due to favorable mortality in the life products of $41 million and a decrease in the closed block related policyholder dividend obligation of $39 million due to lower net investment income in the closed block. Interest credited to policyholder account balances decreased $27 million due to lower crediting rates. Partially offsetting the decline in expenses were higher general spending and corporate incentives, principally attributable to the Travelers acquisition, of $46 million. In addition, future policyholder benefits increased by $19 million commensurate with the net increase in premiums from annuity and life products. Policyholder dividends partially offset the decline in expenses by $18 million due to a revision in estimates of policyholder dividends in the prior period.

Nine Months Ended September 30, 2005 compared with the Nine Months Ended September 30, 2004 — Individual

Income from continuing operations increased by $282 million, or 58%, to $766 million for the nine months ended September 30, 2005 from $484 million for the comparable 2004 period. Included in this increase is an improvement in net investment gains (losses) of $45 million, net of income taxes. Higher fee income from variable annuity products of $117 million, net of income taxes, contributed to the period over period increase. Improvements in interest rate spreads contributed $76 million, net of income taxes. These spreads are generally the percentage point difference between the yield earned on invested assets and the interest rate the Company uses to credit on certain liabilities. Therefore, given a constant value of assets and liabilities, an increase in interest rate spreads would result in higher income to the Company.

Interest rate spreads are influenced by several factors, including business growth, movement in interest rates, and certain investment and investment-related transactions, such as corporate joint venture income and prepayment fees on bonds and commercial mortgages, for which the timing and amount are generally unpredictable. As a result, income from these investment transactions may fluctuate from period to period. Additionally, income from continuing operations increased by $52 million due to higher non spread net investment income, net of income tax, and lower DAC amortization of $38 million net of income taxes. Additionally, income from continuing operations increased by $57 million, net of income taxes, primarily due to lower expenses. The decline in expenses was primarily due to the revision to the estimate of certain expense and policyholder liabilities, partially offset by higher corporate incentives principally attributable to the Travelers acquisition and general spending. Income from continuing operations increased by $17 million, net of income taxes, due to a decrease in the closed block related policyholder dividend obligation expenses, associated primarily with lower net investment income in the closed block. Unfavorable underwriting results in the life products primarily due to a new reinsurance agreement which the Company reinsures certain universal life insurance products to an affiliate, partially offset the increases to income from continuing operations by $126 million, net of income taxes. Underwriting results are generally the difference between the portion of premium and fee income intended to cover mortality, morbidity or other insurance costs less claims incurred and the change in insurance related liabilities. Underwriting results are significantly influenced by mortality, morbidity, or other insurance related experience trends and the reinsurance activity related to certain blocks of business, and as a result can fluctuate from period to period. In addition, the increase in income from continuing operations was partially offset by $21 million related to the prior year impact of a reinsurance agreement for annuity products with an affiliate, which was recaptured in the fourth quarter of 2004.

Total revenues, excluding net investment gains (losses), increased by $132 million, or 2%, to $8,033 million for the nine months ended September 30, 2005 from $7,901 million for the comparable 2004 period. This increase is primarily due to higher net investment income of $198 million from higher variable income and growth in the asset base partially offset by a decline in bond yields. Additionally, income from annuity premiums increased by $63 million which management attributes to the active marketing of these products. Partially offsetting these increases in revenues was a decline of $70 million in fee income due to lower fees on universal life products resulting from the previously mentioned new reinsurance agreement offset by higher fee income from variable annuity products resulting from favorable market performance and growth in the business. Premiums in the traditional life products declined by $30 million due to the expected decline of the closed block partially offset by growth in other traditional life products. In addition, the increases in revenues are partially offset by $32 million related to the prior year impact of a reinsurance agreement for annuity products with an affiliate, which was recaptured in the fourth quarter of 2004.

Total expenses decreased by $260 million, or 4%, to $7,055 million for the nine months ended September 30, 2005 from $7,315 million for the comparable 2004 period. Expenses decreased primarily due to lower expenses of $88 million, resulting from the revision to the estimate of certain expense and policyholder liabilities, partially offset by higher corporate incentives principally attributable to the Travelers acquisition and higher general spending. In addition, DAC amortization decreased by $59 million, resulting from net investment losses and an adjustment for management's update of assumptions used to determine estimated gross margins partially offset by growth in the business. Policyholder benefits decreased primarily due to favorable mortality in the life products of $57 million and a decrease in the closed block related policyholder dividend obligation of $25 million due to lower net investment income in the closed block. Additionally interest credited to policyholder account balances decreased $80 million due to lower crediting rates. Partially offsetting the decline in expenses, future policyholder benefits increased by $33 million commensurate with the net increase in premiums from annuity and life products. Additionally, policyholder dividends also offset the decline in expenses by $8 million due to a revision in estimates of policyholder dividends in the prior period.

Reinsurance

The following table presents consolidated financial information for the Reinsurance segment for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Revenues				
Premiums	$ 976	$ 819	$2,807	$2,431
Universal life and investment-type product policy fees	(2)	—	—	—
Net investment income	158	134	445	381
Other revenues	13	13	45	40
Net investment gains (losses)	7	(19)	28	35
Total revenues	1,152	947	3,325	2,887
Expenses				
Policyholder benefits and claims	779	660	2,346	1,943
Interest credited to policyholder account balances	64	55	163	151
Policyholder dividends	—	(1)	—	—
Other expenses	265	212	722	688
Total expenses	1,108	926	3,231	2,782
Income before provision for income taxes	44	21	94	105
Provision for income taxes	16	8	30	36
Net income	$ 28	$ 13	$ 64	$ 69

MetLife's Reinsurance segment is comprised of the life reinsurance business of RGA, a publicly traded company. RGA has operations in North America and has subsidiary companies, branch offices, or representative offices in Australia, Barbados, Hong Kong, India, Ireland, Japan, Mexico, South Africa, South Korea, Spain, Taiwan and the United Kingdom.

Three Months Ended September 30, 2005 compared with the Three Months Ended September 30, 2004 — Reinsurance

Net income increased $15 million, or 115%, to $28 million for the three months ended September 30, 2005 from $13 million for the comparable 2004 period. This increase is attributable to a 19% increase in premiums, offset in part by a 18% increase in policyholder benefits and claims. Additionally, investment income increased 18%, primarily related to an increase in RGA's invested asset base. The increase in net income was largely attributable to a lower loss ratio in the current year period, primarily due to favorable mortality experience in the U.S. and Canada and a decrease in the loss reported by RGA's accident and health business from a $9 million loss for the three months ended September 30, 2004 to a $3 million loss for the three months ended September 30, 2005.

Total revenues, excluding net investment gains (losses), increased by $179 million, or 19%, to $1,145 million for the three months ended September 30, 2005 from $966 million for the comparable 2004 period due primarily to a $157 million, or 19% increase in premiums and a $24 million, or 18% increase in net investment income. The premium increase during the three months ended September 30, 2005 is primarily the result of new premiums from facultative and automatic treaties and renewal premiums on existing blocks of business in the U.S. and certain international operations, particularly in the Asia Pacific region and Canada. Premium levels are significantly influenced by large transactions and reporting practices of ceding companies, and as a result, can fluctuate from period to period. The growth in net investment income is the result of the growth in RGA's operations and invested asset base. Additionally, a component of the total revenue increase is attributable to changes in foreign currency exchange rate movements, contributing an estimated $16 million.

Total expenses increased by $182 million, or 20%, to $1,108 million for the three months ended September 30, 2005 from $926 million for the comparable 2004 period. This increase is primarily attributable to an increase of $119 million in policyholder benefits and claims, primarily associated with growth in RGA's insurance in force of approximately $254 billion, offset in part by the favorable mortality experience in the U.S. and Canada. Other expenses increased $53 million, or 25% from the comparable 2004 period. The increase in other expenses is primarily driven by a $21 million increase in minority interest expense associated with an increase in RGA's earnings, an $11 million increase in the amortization of deferred acquisition costs, and an $18 million increase in change in deferred acquisition costs associated with the increase in net investment gains (losses). Additionally, approximately $15 million of the total expense increase is attributable to changes in foreign currency exchange rate movements.

Nine Months Ended September 30, 2005 compared with the Nine Months Ended September 30, 2004 — Reinsurance

Net income decreased $5 million, or 7%, to $64 million for the nine months ended September 30, 2005 from $69 million for the comparable 2004 period. This decrease is attributable to a 21% increase in policyholder benefits and claims, partially offset by a 15% increase in premiums. In addition, net investment income increased $64 million, or 17%, primarily related to an increase in RGA's invested asset base. The decrease in net income was largely attributable to a higher loss ratio in the current year period, primarily due to unfavorable mortality experience as a result of high claims levels in the U.S. and the U.K. during the first six months of the year, along with strengthening of reserves of $24 million for RGA's Argentine pension business, which is currently in run-off. These factors were partially offset by favorable mortality experience in the U.S. and Canada during the third quarter of 2005.

Total revenues, excluding net investment gains (losses), increased by $445 million, or 16%, to $3,297 million for the nine months ended September 30, 2005 from $2,852 million for the comparable 2004 period due primarily to a $376 million, or 15% increase in premiums and a $64 million, or 17% increase in net investment income. The premium increase during the first nine months ended September 30, 2005 is primarily the result of new premiums from facultative and automatic treaties and renewal premiums on existing blocks of business in the U.S. and certain international operations. Premium levels are significantly influenced by large transactions and reporting practices of ceding companies and, as a result, can fluctuate from period to period. The growth in net investment income is the result of the growth in RGA's operations and invested asset base. Additionally, a component of the total revenue increase is attributable to changes in foreign currency exchange rate movements contributing an estimated $57 million.

Total expenses increased by $449 million, or 16%, to $3,231 million for the nine months ended September 30, 2005 from $2,782 million for the comparable 2004 period. This increase is primarily attributable to an increase of $403 million in policyholder benefits and claims, primarily associated with growth in RGA's insurance in force of approximately $254 billion, the aforementioned unfavorable mortality experience in the U.S. and U.K. during the first six months of the year, and strengthening of reserves of $24 million for the Argentine pension business. These factors were partially offset by favorable mortality experience in the U.S. and Canada during the third quarter of 2005. Other expenses increased $34 million, or 5%, due primarily to an increase in the amortization of deferred acquisition costs. Additionally, approximately $54 million of the total expense increase is attributable to changes in foreign currency exchange rate movements.

Corporate & Other

The following table presents consolidated financial information for Corporate & Other for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Revenues				
Premiums	$ —	$ 1	$ 2	$ 6
Universal life and investment-type product policy fees	3	2	2	2
Net investment income	36	77	294	213
Other revenues	8	9	18	18
Net investment gains (losses)	27	5	(33)	61
Total revenues	74	94	283	300
Expenses				
Policyholder benefits and claims	5	5	(34)	17
Interest credited to policyholder account balances	(1)	(7)	—	—
Policyholder dividends	1	3	2	3
Other expenses	84	66	207	215
Total expenses	89	67	175	235
Income (loss) from continuing operations before income tax benefit	(15)	27	108	65
Income tax benefit	(53)	(12)	(59)	(114)
Income from continuing operations	38	39	167	179
Income from discontinued operations, net of income taxes	10	3	284	37
Income before cumulative effect of a change in accounting	48	42	451	216
Cumulative effect of a change in accounting, net of income taxes	—	—	—	(2)
Net income	$ 48	$ 42	$ 451	$ 214

Corporate & Other contains the excess capital not allocated to the business segments, international entities other than those of the reinsurance segment, various start-up and run-off entities, as well as interest expense related to the majority of the Company's outstanding debt and expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of all intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings, as well as intersegment transactions. Additionally, the Company's asset management business, including amounts reported as discontinued operations, is included in the results of operations for Corporate & Other.

Three Months Ended September 30, 2005 compared with the Three Months Ended September 30, 2004 — Corporate & Other

Income from continuing operations decreased by $1 million, or 3%, to $38 million for the three months ended September 30, 2005 from $39 million for the comparable 2004 period. The 2005 period includes a $20 million benefit from a revision of the income taxes for 2004. The 2004 period includes a $9 million benefit from a revision of the estimate of income taxes for 2003. Excluding the impact of these items, income from continuing operations decreased by $12 million for the three months ended

September 30, 2005 from the comparable 2004 period. The decrease in income in 2005 over the prior year period is primarily attributable to integration costs, principally incentive compensation, associated with the acquisition of Travelers and lower net investment income of $30 million and $23 million, respectively, all of which are net of income taxes. This decrease is partially offset by an increase in net investment gains (losses) of $20 million, as well as lower legal related costs of $7 million, predominantly from the reduction of previously established liabilities related to legal disputes, and a reduction in allocated corporate support related expenses of $7 million, all of which are net of income taxes. The remainder of the difference is primarily driven by the difference between the actual and the estimated tax rate allocated to the various segments.

Total revenues, excluding net investment gains (losses), decreased by $42 million, or 47%, to $47 million for the three months ended September 30, 2005 from $89 million for the comparable 2004 period. The decrease is primarily attributable to lower income from invested assets as a result of the special dividend paid to the Holding Company during the second quarter of 2005.

Total expenses increased by $22 million, or 33%, to $89 million for the three months ended September 30, 2005 from $67 million for the comparable 2004 period. This increase is attributable to integration costs, principally incentive compensation, associated with the acquisition of Travelers of $46 million. This increase is partially offset by lower legal related costs of $11 million, predominantly from the reduction of previously established liabilities related to legal disputes, and a reduction in allocated corporate support expenses of $10 million.

Nine Months Ended September 30, 2005 compared with the Nine Months Ended September 30, 2004 — Corporate & Other

Income from continuing operations decreased by $12 million, or 7%, to $167 million for the nine months ended September 30, 2005 from $179 million for the comparable 2004 period. The 2005 period includes a $30 million benefit, net of income taxes, associated with the reduction of a previously established liability for settlement death benefits related to the Company's sales practices class action settlement recorded in 1999, a $20 million benefit from a revision of the income taxes for 2004, as well as an $18 million benefit, net of income taxes, associated with the reduction of a previously established real estate transfer tax liability related to the Company's demutualization in 2000. The 2004 period includes a $105 million benefit associated with the resolution of issues relating to the Internal Revenue Service's audit of Metropolitan Life's and its subsidiaries' tax returns for the years 1997-1999. Also included in the 2004 period is an expense related to a $32 million, net of income taxes, contribution to the MetLife Foundation and a $9 million benefit from a revision of the estimate of income taxes for 2003. Excluding the impact of these one-time items, income from continuing operations increased by $2 million for the nine months ended September 30, 2005 from the comparable 2004 period. The increase in income in 2005 over the prior year period is primarily attributable to higher net investment income of $54 million, net of income taxes, a reduction in allocated corporate support expenses of $12 million, net of income taxes, and lower legal related costs of $6 million, predominantly from the reduction of previously established liabilities related to legal disputes, net of income taxes. This is partially offset by lower net investments gains (losses) of $46 million and integration costs, principally attributable to incentive compensation costs, associated with the acquisition of Travelers of $46 million, both of which are net of income taxes. The remainder of the difference is primarily driven by the difference between the actual and the estimated tax rate allocated to the various segments.

Total revenues, excluding net investment gains (losses), increased by $77 million, or 32%, to $316 million for the nine months ended September 30, 2005 from $239 million for the comparable 2004 period. The increase is primarily attributable to increases in income on fixed maturities as a result of higher yields from lengthening the duration and a higher asset base, as well as increased income from corporate joint ventures and mortgage loans on real estate.

Total expenses decreased by $60 million, or 26%, to $175 million for the nine months ended September 30, 2005 from $235 million for the comparable 2004 period. The 2005 period includes a

$47 million benefit associated with a reduction of a previously established liability for settlement death benefits related to the Company's sales practices class action settlement recorded in 1999, as well as a $28 million benefit associated with the reduction of a previously established real estate transfer tax liability related to the Company's demutualization in 2000. The 2004 period includes a $50 million contribution to the MetLife Foundation, partially offset by a $22 million reduction of a liability associated with the resolution of all issues relating to the Internal Revenue Service's audit of Metropolitan Life's and its subsidiaries' tax returns for the years 1997-1999. Excluding the impact of these items, total expenses increased by $43 million for the nine months ended September 30, 2005 from the comparable 2004 period. This increase is attributable to integration costs, principally incentive compensation, associated with the acquisition of Travelers of $72 million. This is partially offset by lower legal related costs of $9 million, predominantly from the reduction of previously established liabilities related to legal disputes, and a reduction in allocated corporate support expenses of $19 million.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions (collectively, the **"Terms and Conditions"** and each, a **"Condition"**) of the Notes which, as supplemented, modified or replaced in relation to any Notes by the relevant Final Terms will be applicable to each Series of Notes. Certain provisions relating to the Notes while in global form, and certain modifications of these Terms and Conditions applicable to Notes while in global form, are described in the section of this Offering Circular entitled **"Global Notes."** Capitalized terms which are not otherwise defined within the Terms and Conditions shall have the meanings attributed to them in the Indenture.

The Notes will be issued pursuant to and in accordance with the Indenture. References herein to the **"Paying Agents"** shall include the Principal Paying Agent, the Irish Paying Agent, and any substitute or additional paying agent appointed in accordance with the Indenture, and their respective permitted successors and assigns. For the purposes of making determinations or calculations of interest rates, interest amounts, redemption amounts or any other matters requiring determination or calculation in accordance with the Terms and Conditions of any Series of Notes, the Issuer may appoint a calculation agent (the **"Calculation Agent"**) for such purposes, in accordance with the provisions of the Indenture, and such Calculation Agent shall be specified in the applicable Final Terms. All persons from time to time entitled to the benefit of obligations under any Notes shall be deemed to have notice of all of the provisions of the Indenture, the relevant Funding Agreement or Funding Agreements issued by Metropolitan Life insofar as they relate to the relevant Notes. Copies of the Indenture and the Funding Agreement relating to the relevant Tranche (as defined below), will be provided free of charge to each person to whom a copy of the Offering Circular has been delivered, upon the request of such person, as described under "Available Information."

The Indenture contains general provisions for the retirement and removal of the Indenture Trustee and the Series Agents including, but not limited to, the resignation of the Indenture Trustee or a Series Agent without reason, the removal of the Indenture Trustee or a Series Agent with respect to the Notes of any Series by Act (as defined in the Indenture) of the Holders representing at least a majority in aggregate principal amount of the outstanding Notes of such Series and termination of the Indenture Trustee or a Series Agent by the Issuer in the event of, among other things, bankruptcy or insolvency of the Indenture Trustee or a Series Agent, all as more fully described in the Indenture.

The Notes will be issued in Series pursuant to the Indenture. Each Series of Notes may be comprised of one or more Tranches, each of which will be the subject of a Final Terms and will be issued pursuant to a Tranche Supplement. Copies of each Final Terms will be available for inspection during normal business hours at the specified office of the Issuer and the Principal Paying Agent and/or, as the case may be, the Registrar and, in the case of Notes listed on the Irish Stock Exchange and so long as the rules of such exchange shall require, shall be obtainable at the principal office of the Irish Listing Agent. In the case of a Series or Tranche of Notes in relation to which application has not been made for listing on any stock exchange, copies of the Tranche Supplement and/or the Final Terms will only be available for inspection by a Holder (as defined below) of such Series or Tranche of Notes at the specified office of the Principal Paying Agent and/or, as the case may be, the Registrar.

References in these Terms and Conditions to Notes are to Notes of the relevant Series and any references to Coupons (as defined in Condition 1.02) and Receipts (as defined in Condition 1.02) are to Coupons and Receipts relating to Bearer Notes of the relevant Series.

References in these Terms and Conditions to the Final Terms are to the Final Terms prepared in relation to the Notes of the relevant Tranche.

In respect of any Notes, references herein to these Terms and Conditions are to these terms and conditions as supplemented or modified or (to the extent thereof) replaced by the relevant Final Terms.

1. Form and Denomination

Form of Notes

1.01 Notes will be issued as Bearer Notes or Registered Notes, as specified in the Final Terms, and will be serially numbered. Registered Notes are not exchangeable for Bearer Notes.

1.02 Interest-bearing Bearer Notes will have attached thereto at the time of their initial delivery coupons (**"Coupons"**), presentation of which will be a prerequisite to the payment of interest except in certain circumstances specified herein. In addition, if so specified in the Final Terms, such Notes will have attached thereto at the time of their initial delivery a talon (**"Talon"**) for further coupons. Bearer Notes, the principal amount of which is repayable by installments (**"Installment Notes"**), will have attached thereto at the time of their initial delivery payment receipts (**"Receipts"**) in respect of the installments of principal. The expression "Coupons" shall, where the context so requires, include Receipts and Talons.

1.03 Any Note issued in registered or bearer form, whether global or definitive, will bear a legend substantially to the following effect:

THE NOTES EVIDENCED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED AS AN INVESTMENT COMPANY UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT").

THE NOTES EVIDENCED HEREBY SHALL ONLY BE OFFERED, SOLD, DELIVERED, PLEDGED OR OTHERWISE TRANSFERRED TO OR HELD BY (A) (1) A PERSON WHO IS (I) A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), AND (II) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF PERSONS WHO ARE QUALIFIED INSTITUTIONAL BUYERS, AND (III) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A SO LONG AS THE NOTES EVIDENCED HEREBY ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A IN ACCORDANCE WITH RULE 144A; OR (2) A PERSON THAT IS NOT A U.S. PERSON OUTSIDE THE UNITED STATES OR ANY OF ITS TERRITORIES OR POSSESSIONS IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT; AND (B) IN EACH CASE, IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE UNITED STATES, ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION.

THE NOTES EVIDENCED HEREBY SHALL NOT BE OFFERED, SOLD, DELIVERED, PLEDGED OR OTHERWISE TRANSFERRED TO A PERSON WHO IS AN INSURER DOMICILED IN THE STATE OF ARKANSAS, A HEALTH MAINTENANCE ORGANIZATION, FARMERS' MUTUAL AID ASSOCIATION OR OTHER ARKANSAS DOMESTIC COMPANY REGULATED BY THE ARKANSAS INSURANCE DEPARTMENT. ANY PERSON DESCRIBED IN THE FOREGOING SENTENCE WHO ACQUIRES A NOTE SHALL NOT BE ENTITLED TO RECEIVE ANY PAYMENTS THEREUNDER. THE INDIANA INSURANCE DEPARTMENT HAS STATED THAT INDIANA DOMESTIC INSURERS SHOULD CONTACT THE INDIANA INSURANCE DEPARTMENT BEFORE PURCHASING THE NOTES.

BY ITS ACCEPTANCE OF THE NOTES, EACH HOLDER OF THE NOTES SHALL BE DEEMED TO HAVE REPRESENTED TO THE ISSUER THAT (A) SUCH HOLDER IS EITHER (1) (I) NOT A U.S. PERSON; AND (II) NOT PURCHASING THE NOTES IN THE UNITED STATES OR ANY OF ITS TERRITORIES OR POSSESSIONS; OR (2) (I) A QUALIFIED INSTITUTIONAL BUYER; AND

(II) PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF PERSONS WHO ARE QUALIFIED INSTITUTIONAL BUYERS; AND (III) EITHER (X) IT IS NOT AN EMPLOYEE BENEFIT OR OTHER PLAN SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AN ENTITY USING (OR WHOSE ASSETS CONSTITUTE) ASSETS OF SUCH A PLAN, NOR A GOVERNMENTAL PLAN SUBJECT TO PROVISIONS OF FEDERAL, STATE OR LOCAL LAW SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (Y) THE ACQUISITION, HOLDING AND DISPOSITION OF THE NOTES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW) UNLESS AN EXEMPTION IS AVAILABLE, ALL THE CONDITIONS OF WHICH HAVE BEEN SATISFIED; (B) IT IS NOT AN INSURER DOMICILED IN THE STATE OF ARKANSAS, A HEALTH MAINTENANCE ORGANIZATION, FARMERS' MUTUAL AID ASSOCIATION OR OTHER ARKANSAS DOMESTIC COMPANY REGULATED BY THE ARKANSAS INSURANCE DEPARTMENT; AND (C) IT IS ITS INTENT AND IT UNDERSTANDS IT IS THE INTENT OF THE ISSUER, FOR PURPOSES OF UNITED STATES FEDERAL, STATE AND LOCAL INCOME TAXES THAT THE NOTES BE TREATED AS DEBT, AGREES TO SUCH TREATMENT AND AGREES TO TAKE NO ACTION INCONSISTENT WITH SUCH TREATMENT.

IN CONNECTION WITH ANY TRANSFER OF THE NOTES, THE PROPOSED TRANSFEREE WILL BE REQUIRED TO DELIVER TO THE INDENTURE TRUSTEE SUCH CERTIFICATES, OPINIONS AND OTHER INFORMATION AS THE ISSUER (BASED ON THE WRITTEN ADVICE OF THE ISSUER'S COUNSEL) MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

The following legend will also appear on any Bearer Notes, whether global or definitive, and any Coupons appertaining thereto:

NOTES IN BEARER FORM, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR ITS POSSESSIONS OR TO UNITED STATES PERSONS, AS DEFINED IN SECTION 7701(a)(30) OF THE CODE.

ANY UNITED STATES PERSON, AS DEFINED IN SECTION 7701(a)(30) OF THE CODE, WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO THE LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE CODE.

Denomination of Bearer Notes

1.04 Bearer Notes will be in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Final Terms. Bearer Notes of one denomination may not be exchanged for Bearer Notes of any other denomination, provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €50,000 (or the equivalent thereof in another currency at the time of issue of the relevant Series of Notes).

Denomination of Registered Notes

1.05 Registered Notes will be in the minimum denomination specified in the Final Terms or integral multiples thereof, provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €50,000 (or the equivalent thereof in another currency at the time of issue of the relevant Series of Notes).

Currency of Notes

1.06 The Notes will be denominated in such currency or currencies as may be specified in the Final Terms. Any currency or currencies may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

2. Title and Transfer

2.01 Title to Bearer Notes, Receipts and Coupons passes by delivery. References herein to the **"Holders"** of Bearer Notes or of Receipts or Coupons are to the bearers of such Bearer Notes or such Receipts or Coupons. Bearer Notes are subject to United States tax law requirements and, subject to certain exceptions, may not be offered, sold or delivered within the United States or to United States persons (as defined in Section 7701(a)(30) of the Code and United States Treasury Regulations).

2.02 Title to Registered Notes passes by registration in the register which the Issuer shall procure to be kept by the Registrar. References herein to the **"Holders"** of Registered Notes are to the persons in whose names such Registered Notes are so registered in the relevant register.

2.03 The Holder of any Bearer Note, Coupon, or Registered Note will (except as otherwise required by applicable law or regulatory requirements) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

Transfer of Registered Notes and Exchange of Bearer Notes for Registered Notes

2.04 A Registered Note may, upon the terms and subject to the conditions set forth in the Indenture, be transferred in whole or in part (provided that such part is, or is an integral multiple of, the minimum denomination specified in the Final Terms) only upon the surrender of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or at the office of Kredietbank S.A. Luxembourgeoise in its capacity as Luxembourg Transfer Agent, which shall include any successor to Kredietbank S.A. Luxembourgeoise in its capacity as such. A new Registered Note will be issued to the transferee and, in the case of a transfer of only part of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor. Registered Notes will not be exchangeable for Bearer Notes.

2.05 If so specified in the Final Terms, the Holder of Bearer Notes may exchange the same for the same aggregate principal amount of Registered Notes upon the terms and subject to the conditions set forth in the Indenture. In order to exchange a Bearer Note for a Registered Note, the Holder thereof shall surrender such Bearer Note at the specified office outside the United States of the Luxembourg Transfer Agent in Luxembourg, the Principal Paying Agent or the Registrar together with a written request for the exchange in the form provided for this purpose by the Principal Paying Agent or, as the case may be, the Registrar or the Transfer Agent. Each Bearer Note so surrendered must be accompanied by all unmatured Receipts and

Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the Bearer Note Exchange Date (as defined in Condition 2.06) where the Bearer Note Exchange Date would, but for the provisions of Condition 2.06, occur between the Record Date (as defined in Condition 12B.03) for such payment of interest and the date on which such payment of interest is due.

2.06 Each new Registered Note to be issued upon the transfer of a Registered Note or the exchange of a Bearer Note for a Registered Note will, within three Relevant Banking Days (as defined below) of the Transfer Date or, as the case may be, the Bearer Note Exchange Date, be available for collection by each relevant Holder at the specified office of the Registrar or, at the option of the Holder requesting such exchange or transfer, be available for collection at the office of the Luxembourg Transfer Agent or be mailed (by uninsured mail at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. For these purposes, a form of transfer or request for exchange received by the Registrar or the Principal Paying Agent after the Record Date in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar or the Principal Paying Agent until the day following the due date for such payment. For the purposes of these Terms and Conditions:

(i) **"Relevant Banking Day"** means a day on which commercial banks are generally open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Note for a Registered Note where such request for exchange is made to the Transfer Agent, the Registrar or the Principal Paying Agent, in the place where the specified office of the Transfer Agent, the Registrar or the Principal Paying Agent is located;

(ii) **"Bearer Note Exchange Date"** means the Relevant Banking Day immediately following the day on which the relevant Bearer Note shall have been surrendered for exchange in accordance with Condition 2.05; and

(iii) **"Transfer Date"** means the Relevant Banking Day immediately following the day on which the relevant Registered Note shall have been surrendered for transfer in accordance with Condition 2.04.

2.07 The issue of new Registered Notes on transfer or on the exchange of Bearer Notes for Registered Notes will be effected without charge by or on behalf of the Issuer, the Principal Paying Agent or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Principal Paying Agent or the Registrar may require in respect of) any tax, duty, levy, assessment or other governmental charges which may be imposed in relation thereto.

2.08 The Holder of a Registered Note will be recognized by the Issuer as entitled to such Registered Note free from any equity, set-off or counterclaim on the part of the Issuer against the original or any intermediate Holder of such Registered Note.

3. Status of the Notes

3.01 The Notes constitute direct, unconditional, unsubordinated and secured non-recourse obligations of the Issuer and rank *pari passu* without any preference among themselves.

4. Trust Estate for each Series of Notes

4.01 Each Series of Notes will be secured by a separate Trust Estate (as defined below) which will consist of certain assets and rights of the Issuer in which the Issuer grants to the Series Agent for the benefit and security of the Holders of the Notes of a particular Series and to the Indenture Trustee, the relevant Series Agent, the Agents, the Delaware Trustee and the

Administrator, a security interest pursuant to the relevant Tranche Supplement to be entered into by the Issuer, the relevant Series Agent and the Indenture Trustee for each Tranche for the purpose of granting and perfecting such security interests in the Trust Estate for such Series of Notes. Holders of Notes of a particular Series of Notes will be entitled to the benefit and security of only the Trust Estate applicable to such Series of Notes. Any claims of the Holders of the Notes of a particular Series of Notes in excess of amounts received by the Issuer under the relevant Trust Estate will be extinguished.

4.02 Unless otherwise provided in the Final Term(s) and the relevant Tranche Supplement(s) relating to the Tranche(s) of a particular Series of Notes, the **"Trust Estate"** for any Series of Notes will consist of all the Issuer's estate, right, title and interest in and to (a) the relevant Funding Agreements and the Support and Expenses Agreements (subject to the subrogation rights of Metropolitan Life set forth in such Support and Expenses Agreements) entered into in connection with each Tranche of such Series, (b) all amounts and instruments on deposit from time to time in the related Collection Account (as defined in the Indenture), (c) all interest, securities, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the foregoing, (d) all present and continuing exclusive right, power and authority of the Issuer to make claim for, collect and receive any and all rents, sums, amounts, income, revenues, issues, profits, proceeds, security and other monies payable or receivable under, on account of or with respect to the foregoing, including payments in respect of the relevant Funding Agreements, (e) all present and continuing right, power and authority of the Issuer, in the name and on behalf of the Issuer, as agent and attorney-in-fact, or otherwise, to make claim for and demand performance on, under or pursuant to any of the foregoing, to bring actions and proceedings thereunder or for the specific or other enforcement thereof, or with respect thereto, to make all waivers and agreements, to grant or refuse requests, to give or withhold notices, and to exercise all rights, remedies, powers, privileges and options, to grant or withhold consents and approvals and do any and all things and exercise all other discretionary rights, options, privileges or benefits which the Issuer is or may become entitled to do with respect to the foregoing, without notice to, consent or approval by or joinder of the Issuer, (f) all Collateral Management Rights (as defined in the Indenture) with respect to the Trust Estate and each contract, agreement or other document or instrument included therein, and (g) all revenues, issues, products, accessions, substitutions, replacements, profits and proceeds of and from all the foregoing.

4.03 In furtherance of the grant of the Trust Estate for such Series of Notes, the Issuer will appoint the Series Agent for such Series of Notes as its attorney-in-fact to exercise any and all Collateral Management Rights with respect to the Trust Estate held for the benefit of the Holders of such Series of Notes, the Indenture Trustee, the relevant Series Agent, the Agents, the Delaware Trustee and the Administrator, and each contract, agreement or other document or instrument included therein. The amounts held in the relevant Expense Account for any Series of the Issuer (as described below) will not be included in the Trust Estate for the related Series of Notes. In addition, the subrogation rights of Metropolitan Life under each relevant Support and Expenses Agreement and any amounts relating thereto will not be included in the Trust Estate for the related Series of Notes.

4.04 Pursuant to the Indenture, the Indenture Trustee, the Series Agents, the Principal Paying Agent, the Registrar and Paying Agents take priority over the Holders of Notes upon a liquidation of the Issuer or of the Trust Estate.

To the extent that the Issuer's current obligation to pay interest on a particular Series of Notes has been satisfied, the excess amounts, if any, paid under the related Funding Agreements will be deposited in the Expense Account for the relevant Series of the Issuer established by the Indenture Trustee. The Indenture Trustee, pursuant to the terms of the Indenture, will promptly deposit any amounts in such Expense Account into a bank account, where they will be held in trust and withdrawn solely by the Indenture Trustee for the purpose of paying Anticipated Expenses and Unanticipated Expenses (each, as defined in the Indenture). The Indenture Trustee will pay Anticipated Expenses prior to Unanticipated Expenses. After all such expenses of the relevant Series of the Issuer have been paid in full, the Indenture Trustee will dissolve the relevant bank account and the remaining funds, if any, that are on deposit in such bank account shall immediately be distributed (i) first, in respect of any administrative expenses incurred in connection with such bank account and (ii) second, the remainder to the Series Beneficial Owner in accordance with the terms of the Trust Agreement. The Expense Account for a Series of the Issuer will not be a part of the Trust Estate for the related Series of Notes.

5. Covenants of the Issuer

5.01 Under the Indenture, the Issuer has made certain covenants regarding payment of principal and interest with respect to any Tranche, maintenance of office or agency, money for each Series of Notes to be held in trust, protection of the Trust Estate, initial and annual statements as to compliance, performance of obligations, existence, notices and payment of taxes and other claims and reports and financial information for each Series of the Issuer. In addition, the Issuer has covenanted that it will not:

(i) sell, transfer, exchange, assign, lease, convey or otherwise dispose of any of the assets of the Issuer or any Series of the Issuer (now owned or hereafter acquired), including, without limitation, any portion of any Trust Estate other than the Deposit in which the relevant Beneficial Owner owns the sole beneficial interest or any Expense Account, except as expressly permitted by the Indenture;

(ii) make any deduction or withholding from the principal of, or interest on, any Series of Notes issued under the Indenture (other than amounts that may be required to be withheld from such payments, or in respect of payments under any relevant Funding Agreement, under the Code or any other applicable tax law) except to the extent specified in the Indenture, the relevant Tranche Supplement or in any relevant Final Terms;

(iii) engage in any business or activity other than in connection with, or relating to, (a) the execution and/or delivery of, and the performance of its obligations under the Notes, the Indenture, the Administrative Services Agreement, the Dealership Agreement, the Indemnification Agreement, the Tranche Supplements, the Deeds of Novation, the Support and Expenses Agreements, the Funding Agreements, and any Assigned Documents (as defined in the Indenture) relating to any Series or Tranche of Notes and the transactions contemplated thereby, (b) the issuance of the Notes pursuant to the Indenture and corresponding Tranche Supplements, (c) holding the Deposit for the benefit of the Beneficial Owner and (d) any activities, including entering into agreements, that are necessary, suitable or convenient to accomplish the objectives listed in Section 2.7(a) of the Trust Agreement;

(iv) incur or otherwise become liable, directly or indirectly, for any Indebtedness or Contingent Obligation (each, as defined in the Indenture), except for the Notes and then only on a non-recourse basis and as otherwise required or contemplated under the Program;

(v) (a) permit the validity or effectiveness of the Indenture or any Tranche Supplement or any grant of a security interest, pledge or collateral assignment thereunder to be impaired, or permit the Lien (as defined in the Indenture) under the Indenture or under any Tranche Supplement to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person (as defined in the Indenture) to be released from any covenants or obligations under any Assigned Document, except as may be expressly permitted thereby, (b) amend or vary, or acquiesce in any amendment or variation of, or terminate any outstanding Funding Agreement or any Support and Expenses Agreement, except for any such amendments or variations as are not materially prejudicial to the interests of the Holders of the affected Series or other amendments or variations of a minor or technical nature, or which are to correct manifest errors or as required by applicable law, (c) create, incur, assume, or permit any Lien or other encumbrance (other than the Lien under the Indenture and any relevant Tranche Supplement) on any of its properties or assets now owned or hereafter acquired, interest therein or the proceeds thereof, or (d) permit the Lien under the Indenture and any relevant Tranche Supplement not to constitute a valid first priority perfected security interest in the applicable Trust Estate;

(vi) fail to comply with any material provision of the Trust Agreement or any supplement thereto;

(vii) lend or advance any moneys to, or make any investment in, any Person, except for the investment of any funds of the Issuer or any Series of the Issuer held by the Indenture Trustee, a Series Agent, the Registrar or a Paying Agent as provided in any Assigned Document or the Indenture;

(viii) directly or indirectly make any distribution or other payment to the Beneficial Owner, or pay, prepay, purchase, repurchase or retire any Indebtedness (as defined in the Indenture) (or part thereof) other than (x) the repayment, redemption or repurchase of one or more Series of Notes in accordance with their respective originally stated terms of issue or (y) payments of Permitted Expenses;

(ix) make any withdrawals or transfers from any Funding Agreement or give any notice or instruction or take any other action with respect to any Funding Agreement without (a) obtaining the prior consent of the Indenture Trustee and the relevant Series Agent to any such action and (b) notifying any Rating Agency then rating the Program or the relevant Series of Notes;

(x) exercise any Collateral Management Rights with respect to the Trust Estate except at the direction of, or with the prior written approval of, the relevant Series Agent;

(xi) become an "investment company" or become under the "control" of an "investment company," as such terms are defined in the Investment Company Act, required to be registered under the Investment Company Act;

(xii) enter into any transaction of merger or consolidation or liquidate or dissolve itself (or suffer any liquidation or dissolution), or acquire by purchase or otherwise all or substantially all the business or assets of, or any stock or other evidence of beneficial ownership of, any Person;

(xiii) have any subsidiaries or any employees other than the Delaware Trustee, the Administrator and other Persons necessary to conduct its business and enter into transactions contemplated under the Indenture and the Trust Agreement;

(xiv) have an interest in any bank account other than (1) the Collection Accounts, (2) the Expense Accounts and (3) further accounts expressly permitted by the Indenture Trustee; *provided,* that any such further accounts or the Issuer's interest therein shall be charged or otherwise secured in favor of the relevant Series Agent on terms acceptable to the Indenture Trustee or the relevant Series Agent;

(xv) take any position for any United States federal income tax purposes that is inconsistent with the treatment of the Notes as indebtedness of Metropolitan Life for United States federal income tax purposes, unless otherwise required by applicable law; or

(xvi) vary the assets of any Series of the Issuer or otherwise take any action or fail to take any action which action or failure to act would cause any Series of the Issuer to fail to qualify as a "grantor trust" for United States Federal income tax purposes.

6. Non-Recourse Enforcement of Notes

6.01 Notwithstanding anything to the contrary contained in the Indenture, any Tranche Supplement or in the Notes of any Series, none of the Delaware Trustee, the Administrator or beneficial owners of the Issuer or any Series of the Issuer, or the Indenture Trustee or any Affiliate of the foregoing (collectively, the **"Non-Recourse Parties"**) shall be personally liable for the payment of any principal, interest, Additional Amounts, any Permitted Expenses or any other sums now or hereafter owing under the terms of any Series of Notes, any Funding Agreement or any Support and Expenses Agreement. The obligations under any Series of Notes shall be payable only from the Trust Estate of such Series. If any Event of Default shall occur with respect to any Series of Notes, the right of the Holders of such Series and the Series Agent or the Indenture Trustee on behalf of such Holders shall be limited to a proceeding against the related Trust Estate (including the exercise of the Collateral Management Rights relating to such Series of Notes) for such Series of Notes or against any other third party other than the Non-Recourse Parties, and none of the Holders, the relevant Series Agent or the Indenture Trustee on behalf of such Holders will have the right to proceed against the Non-Recourse Parties or for the deficiency judgment remaining after foreclosure of any property included in such Trust Estate. However, this will not in any manner or way constitute or be deemed a release of the debt or other obligations evidenced by a particular Series of Notes or otherwise affect or impair the enforceability against the Issuer of the Liens created by the Indenture, any Assigned Documents (as defined in the Indenture), any Tranche Supplement, the Trust Estate for such Series of Notes, or any other instrument or agreement evidencing, securing or relating to the Indebtedness or the obligations evidenced by such Series of Notes until the Trust Estate for such Series of Notes has been realized and applied in accordance with the Indenture, whereupon the debt and other obligations of the Issuer in respect of such Series of Notes shall be extinguished and any monies remaining in the Expense Account will be released to the Series Beneficial Owner. The Series Agent shall not be precluded from foreclosing upon any property included in the Trust Estate for such Series of Notes or from enforcing any of the Collateral Management Rights relating to such Series of Notes or any other rights or remedies in law or in equity against the Issuer or the assets of each Series except as stated in the Indenture. Holders may not seek to enforce rights against the Issuer with respect to any Notes (i) by commencing any recovery or enforcement proceedings against the Issuer, (ii) by applying to wind up the Issuer, (iii) otherwise than through the Indenture Trustee in its exercise of powers, appointing a receiver or administrator for the Issuer or any of its assets, (iv) by making any statutory demand upon the Issuer under applicable corporation law, or (v) in any other manner except as may be provided in the Indenture, the applicable Tranche Supplement or in the Notes of the relevant Series.

Each of the Indenture Trustee, each Series Agent, each Holder of a Note by its acceptance of a Note, each Agent (as defined in the Indenture), the Delaware Trustee and the Administrator has covenanted and agreed that, for a period of one year plus one day after payment in full of all amounts payable under or in respect of the Indenture and the Notes, it will not institute against, or join with any other person in instituting against, the Issuer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings any applicable bankruptcy or similar law.

7. Interest

Interest

7.01 Notes may be interest-bearing or non-interest-bearing, as specified in the Final Terms. Words and expressions appearing in this Condition 7 and not otherwise defined herein or in the Final Terms shall have the meanings given to them in Condition 7.09.

Interest-bearing Notes

7.02 Notes which are specified in the Final Terms as being interest-bearing shall bear interest from their Interest Commencement Date at the Interest Rate payable in arrears on each Interest Payment Date.

Floating Rate Notes

7.03 If the Final Terms specifies the Interest Rate applicable to the Notes as being Floating Rate (as defined in the ISDA Definitions), it shall also specify which page (the **"Relevant Screen Page"**) on the Bloomberg Screen, Reuters Screen, Telerate or any other information vending service shall be applicable. If such a page is so specified, the Interest Rate applicable to the relevant Notes for each Interest Accrual Period shall be determined by the Calculation Agent on the following basis:

(i) the Calculation Agent will determine the offered rate for deposits (or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Accrual Period on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) if, on any Interest Determination Date, two or more rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates so quoted; or

(iii) if, on any Interest Determination Date, fewer than two rates are so quoted, no such rate for deposits so appears or if the Relevant Screen Page is unavailable, the Calculation Agent will request appropriate quotations and will determine the arithmetic mean (rounded as aforesaid) of the rates at which deposits in the relevant currency are offered by four major banks in the Relevant Financial Center (or, in the case of Notes denominated or payable in euro, in such financial center or centers within the Euro Zone as the Calculation Agent may select), selected by the Calculation Agent, at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Center for a period of the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;

and the Interest Rate applicable to such Notes during each Interest Accrual Period will be the sum of the relevant margin (the **"Relevant Margin"**) specified in the Final Terms and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) so determined, *provided, however,* that if the Calculation Agent is unable to determine a rate (or, as the case may be, an arithmetic mean of rates) in accordance with the above provisions in relation to any Interest Accrual Period, the Interest Rate applicable to such Notes during such Interest Accrual Period will be the sum of the Relevant Margin and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) determined in relation to such Notes in respect of the last preceding Interest Accrual Period.

ISDA Rate Notes

7.04 Capitalized terms used in this Condition 7.04 and not otherwise defined in the Terms and Conditions shall have the meanings ascribed to them in the ISDA Definitions. If the Final Terms specifies the Interest Rate applicable to the Notes as being an ISDA Rate, each Note shall bear interest from such date, and at such rate or in such amounts, and such interest will be payable on such dates, as would have applied (regardless of any Event of Default or termination event or tax event thereunder) if the Issuer had entered into an interest rate swap transaction with the Holder of such Note under the terms of an agreement to which the ISDA Definitions applied and under which:

- the Fixed Rate Payer, Fixed Amount Payer, Fixed Price Payer, Floating Rate Payer, Floating Amount Payer or, as the case may be, the Floating Price Payer is the Issuer (as specified in the Final Terms);
- the Effective Date is the Interest Commencement Date;
- the Termination Date is the Maturity Date;
- the Calculation Agent is the Calculation Agent as specified in the Final Terms;
- the Calculation Periods are the Interest Accrual Periods;
- the Period End Dates are the Interest Period End Dates;
- the Payment Dates are the Interest Payment Dates;
- the Reset Dates are the Interest Period End Dates;
- the Calculation Amount is the principal amount of such Note;
- the Day Count Fraction applicable to the calculation of any amount is that specified in the Final Terms or, if none is so specified, as may be determined in accordance with the ISDA Definitions;
- the Applicable Business Day Convention applicable to any date is that specified in the Final Terms; and
- the other terms are as specified in the Final Terms.

Maximum or Minimum Interest Rate

7.05 If any Maximum or Minimum Interest Rate is specified in the Final Terms, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified.

Accrual of Interest

7.06 Interest shall accrue on the Outstanding Principal Amount of each Note during each Interest Accrual Period from and including the Interest Commencement Date to but excluding the Interest Payment Date. Interest will cease to accrue on the due date for redemption therefor (or, in the case of an Installment Note, in respect of each installment of principal, on the due date for payment of the relevant Installment Amount) unless upon due presentation or surrender thereof (if required), payment in full of the Redemption Amount (as defined in Condition 8.07) or the relevant Installment Amount is improperly withheld or refused or default is otherwise made in the payment thereof, in which case interest shall accrue on the principal amount in respect of which payment has been improperly withheld or refused or default has been made (as well after as before any demand or judgment) at the Interest Rate then applicable or such other rate as may be specified for this purpose in the Final Terms (the **"Default Interest Rate"**) from the original due date for payment to but excluding the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which, the Principal Paying Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 17 that the Principal Paying Agent or, as the case may be, the Registrar has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

Interest Amount(s), Calculation Agent and Reference Banks

7.07 If a Calculation Agent is specified in the Final Terms, the Calculation Agent, as soon as practicable after the Relevant Time on each Interest Determination Date (or such other time on such date as the Calculation Agent may be required to calculate any Redemption Amount or Installment Amount, obtain any quote or make any determination or calculation) will determine the Interest Rate and calculate the amount(s) of interest payable (the **"Interest Amount(s)"**) in respect of each denomination of the Notes (in the case of Bearer Notes) and the minimum denomination (in the case of Registered Notes) for the relevant Interest Accrual Period, calculate the Redemption Amount or Installment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date or, as the case may be, the Redemption Amount or any Installment Amount to be notified to the Indenture Trustee, the Principal Paying Agent, the Registrar (in the case of Registered Notes), the Issuer, the Holders in accordance with Condition 17 and, if the Notes are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination or calculation but in no event later than the fourth London Banking Day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the rules of the relevant stock exchange. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of an Interest Accrual Period or the Interest Period. If the Notes become due and payable under Condition 9, the Interest Rate and the accrued interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no notice of the Interest Rate or the Interest Amount so calculated need be made. The determination of each Interest Rate, Interest Amount, Redemption Amount and Installment Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon the Issuer and the Holders and none of the Indenture Trustee, the Calculation Agent and any Reference Bank shall have any liability to the Holders in respect of any determination, calculation, quote or rate made or provided by it.

The Issuer will procure that there shall at all times be such Reference Banks as may be required for the purpose of determining the Interest Rate applicable to the Notes and a Calculation Agent, if provision is made for one in the Final Terms for a particular Series of Notes.

If the Calculation Agent is incapable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for any Interest Accrual Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint the Principal Paying Agent or another leading bank to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

Calculations and Adjustments

7.08 The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Interest Rate and the Outstanding Principal Amount by the Day Count Fraction, except that if the Final Terms specifies a specific amount in respect of such period, the amount of interest payable in respect of such Note for such period will be equal to such specified amount. Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period will be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

For the purposes of any calculations referred to in these Terms and Conditions (unless otherwise specified in the Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 percent being rounded upwards), (b) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount and (c) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

Definitions

7.09 **"Applicable Business Day Convention"** means the Business Day Convention which may be specified in the Final Terms as applicable to any date in respect of the Notes. Where the Final Terms specifies "No Adjustment" in relation to any date, such date shall not be adjusted in accordance with any Business Day Convention. Where the Final Terms fails either to specify an Applicable Business Day Convention or "No Adjustment" for the purposes of an Interest Payment Date or an Interest Period End Date, then in the case of Notes which bear interest at a fixed rate, "No Adjustment" shall be deemed to have been so specified and in the case of Notes which bear interest at a floating rate, the Modified Following Business Day Convention shall be deemed to have been so specified. Different Business Day Conventions may apply, or be specified in relation to, the Interest Payment Dates, Interest Period End Dates and any other date or dates in respect of any Notes.

"Banking Day" means, in respect of any city, any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in that city.

"Bloomberg Screen" means, when used in connection with any designated information, the information so designated on the Bloomberg Financial Markets Service (and, if used in connection with a designated page, includes such other page as may replace that page on that service for the purpose of displaying such information).

"Business Day" means a day (other than a Saturday, Sunday or legal holiday) on which commercial banks and foreign exchange markets are open for business and settle payments in the Relevant Financial Center in respect of the relevant Notes or, in relation to Notes payable in Euro, a day on which the TARGET System is operating and, in either case, a day (other than a Saturday, Sunday or legal holiday) on which commercial banks are open for business and foreign exchange markets settle payments in any place specified in the relevant Final Terms.

"Business Day Convention" means a convention for adjusting any date if it would otherwise fall on a day that is not a Business Day and the following Business Day Conventions, where specified in the Final Terms in relation to any date applicable to any Notes, shall have the following meanings:

(i) **"Following Business Day Convention"** means that such date shall be postponed to the first following day that is a Business Day;

(ii) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that such date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day;

(iii) **"Preceding Business Day Convention"** means that such date shall be brought forward to the first preceding day that is a Business Day; and

(iv) **"FRN Convention"** or **"Eurodollar Convention"** means, for each relevant date, the date which numerically corresponds to the preceding relevant date in the calendar month which is the number of months specified in the Final Terms after the calendar month in which the preceding relevant date occurred, *provided that*:

(a) if there is no such numerically corresponding day in the calendar month in which any relevant date should occur, then the date will be the last day which is a Business Day in that calendar month;

(b) if the date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(c) if the preceding relevant date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding relevant date occurred.

"Day Count Fraction" means, in respect of the calculation of an amount for any period of time (**"Calculation Period"**), such day count fraction as may be specified in the Final Terms and:

(i) if **"Actual/365"** or **"Actual/Actual (Historical)"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;

(iii) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360;

(iv) if **"30/360"** is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(v) if **"30E/360"** or **"Eurobond Basis"** is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and

(vi) if **"Actual/Actual (Bond)"** is so specified, and if the Interest Payment Dates all fall at regular intervals between the Issue Date and the Maturity Date, means the number of days in the Calculation Period divided by the product of (A) the number of days in the Interest Period in which the Calculation Period falls and (B) the number of Interest Periods in any period of one year.

"Euro Zone" means the zone comprising the member states of the European Union which adopt or have adopted the euro as their lawful currency in accordance with the treaty establishing the European Community, as amended by the treaty on European Union.

"Interest Accrual Period" means, in respect of an Interest Period, each successive period beginning on, and including, an Interest Period End Date and ending on, but excluding, the next succeeding Interest Period End Date during that Interest Period, provided always that the first Interest Accrual Period shall commence on and include the Interest Commencement Date and the final Interest Accrual Period shall end on but exclude the date of final maturity.

"Interest Commencement Date" means the date of issue of the Notes (as specified in the Final Terms) or such other date as may be specified as such in the Final Terms.

"Interest Determination Date" means, in respect of any Interest Accrual Period, the date falling such number (if any) of Banking Days in such city(ies) as may be specified in the Final Terms prior to the first day of such Interest Accrual Period, or if none is specified:

(i) in the case of Notes denominated in Sterling, the first day of such Interest Accrual Period;

(ii) in the case of Notes denominated or payable in euro, the date falling two TARGET Business Days prior to the first day of such Interest Accrual Period; or

(iii) in any other case, the date falling two Banking Days prior to the first day of such Interest Accrual Period.

"Interest Payment Date" means the date or dates specified as such in, or determined in accordance with the provisions of, the Final Terms and (i) if an Applicable Business Day Convention is specified in the Final Terms, as the same may be adjusted in accordance with the Applicable Business Day Convention or (ii) if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Final Terms as being the Interest Period, each of such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the date of issue of the Notes (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

"Interest Period" means each successive period beginning on, and including, an Interest Payment Date and ending on, but excluding, the next succeeding Interest Payment Date, provided always that the first Interest Period shall commence on and include the Interest Commencement Date and the final Interest Period shall end on but exclude the date of final maturity.

"Interest Period End Date" means the date or dates specified as such in, or determined in accordance with the provisions of, the Final Terms and (i) if an Applicable Business Day Convention is specified in the Final Terms, as the same may be adjusted in accordance with the Applicable Business Day Convention or (ii) if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Final Terms as the Interest Accrual Period, such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the Interest Commencement Date (in the case of the first Interest Period End Date) or the previous Interest Period End Date (in any other case) or (iii) if none of the foregoing is specified in the Final Terms, means the date or each of the dates which correspond with the Interest Payment Date(s) in respect of the Notes.

"Interest Rate" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in, or calculated or determined in accordance with the provisions of, the Final Terms.

"ISDA Definitions" means the 2000 ISDA Definitions and the 1998 ISDA Euro Definitions (as amended and updated as at the date of issue of the first Tranche of Notes of the relevant Series (as specified in the Final Terms) as published by the International Swaps and Derivatives Association, Inc. (formerly the International Swap Dealers Association, Inc.)).

"Outstanding Principal Amount" means, with respect to any Note, its principal amount less, in respect of any Installment Note, any principal amount on which interest shall have ceased to accrue in accordance with the Terms and Conditions thereof or, in the case of a Partly Paid Note (as defined in the Indenture), the paid up amount of such Note or otherwise as indicated in the relevant Final Terms except that the paid up amount shall be deemed to be nil for Notes which have been forfeited by the Issuer on or after any forfeiture date as provided for in the Terms and Conditions thereof.

"Reference Banks" means such banks as may be specified in the Pricing Final Terms as the Reference Banks or, if none are specified, **"Reference Banks"** has the meaning given in the ISDA Definitions, *mutatis mutandis.*

"Relevant Financial Center" means such financial center or centers as may be specified in relation to the relevant currency for the purposes of the definition of "Business Day" in the ISDA Definitions, as the same may be amended, modified, restated, supplemented and/or replaced from time to time in the relevant Final Terms.

"Relevant Time" means the time as of which any rate is to be determined as specified in the Final Terms or, if none is specified, at which it is customary to determine such rate.

"Reuters Screen" means, when used in connection with a designated page and any designated information, the display page so designated on the Reuter Monitor Money Rates Service (or such other page as may replace that page on that service for the purpose of displaying such information).

"TARGET Business Day" means a day on which the TARGET System is operating.

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer System.

"Telerate" means, when used in connection with any designated page and any designated information, the display page so designated on the Dow Jones Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying such information).

Non-Interest Bearing Notes

7.10 If any Redemption Amount (as defined in Condition 8.07) or Installment Amount in respect of any Note which is non-interest bearing is not paid when due, interest shall accrue on the overdue amount at a rate per annum (expressed as a percentage per annum) equal to the amortization yield (the **"Amortization Yield"**) defined in, or determined in accordance with the provisions of, the Final Terms or at such other rate as may be specified for this purpose in the Final Terms. Such interest shall accrue until the earlier of (x) the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made or (y) (except where presentation or surrender of the relevant Note is not required as a precondition of payment) the seventh day after the date on which, the Principal Paying Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 17 that the Principal Paying Agent or, as the case may be, the Registrar has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder). The amount of any such interest shall be calculated in accordance with the provisions of Condition 7.08 as if the Interest Rate was the Amortization Yield, the Outstanding Principal Amount was the overdue sum and the Day Count Fraction was as specified for this purpose in the Final Terms or, if not so specified, 30E/360 (as defined in Condition 7.09).

Indexed Notes

7.11 In the case of Indexed Notes, if the rate of interest or amount of interest is to be determined by reference to an index and/or a formula or, as the case may be, an exchange rate, such rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms. Without limiting the foregoing, Notes may be issued as Indexed Notes, as set forth in a Final Terms relating to such Indexed Notes. Holders of such Indexed Notes may receive a principal amount at maturity that is greater than or less than the face amount of the Indexed Notes, or an interest rate that is greater than or less than the stated interest rate on the Indexed Notes, or both, depending upon the structure of the Indexed Note and the relative value at the maturity date or at the relevant interest payment date, as the case may be, of the specified indexed item. Information as to the method for determining the principal amount payable at the maturity date, the manner of determining the interest rate, certain historical information with respect to the specified indexed item and tax considerations associated with an investment in Indexed Notes will be set forth in the applicable Final Terms.

8. Redemption and Purchase

Redemption at Maturity

8.01 Unless previously redeemed, or purchased and cancelled, each Note shall be redeemed at its maturity redemption amount (the **"Maturity Redemption Amount"**) (which shall be its Outstanding Principal Amount or such other redemption amount as may be specified in or determined in accordance with the provisions of the Final Terms) (or, in the case of Installment Notes, in such number of installments and in such amounts (the **"Installment Amounts"**) as may be specified in, or determined in accordance with the provisions of, the Final Terms) on the date or dates (or, in the case of Notes which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the Final Terms.

Mandatory Early Redemption

8.02 The Issuer shall redeem the Notes of the relevant Series, in whole, but not in part, at their **"Mandatory Early Redemption Amount"** (which in the case of Notes which are interest bearing, shall be their Outstanding Principal Amount or, in the case of Notes which are non-interest bearing, their Amortized Face Amount (as defined in Condition 8.08) or such other redemption amount as may be specified in or determined in accordance with the related Final Terms(s)) together with accrued interest to the date fixed for redemption (if any), in the event that, with respect to Notes of a Tranche of the relevant Series, Metropolitan Life terminates the relevant Funding Agreement related to such Tranche because Metropolitan Life would be required to pay Additional Amounts prior to the scheduled termination date of such relevant Funding Agreement (such redemption, a **"Mandatory Early Redemption"**).

8.03 If the Notes shall be redeemed pursuant to Condition 8.02 the redemption shall only become effective, as specified by the Issuer in the notice of redemption, no less than 30 nor more than 75 days (ending, in the case of Notes which bear interest at a floating rate, on a day upon which interest is payable) after notice of redemption of the relevant Notes is given to the Holders of the relevant Notes in accordance with Condition 17 (which notice shall be irrevocable); *provided*, that no such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the relevant Notes then due.

Purchase of Notes

8.04 (i) The Issuer may purchase some or all Notes of any Series in the open market or otherwise at any time, and from time to time, and, with respect to any Series of Notes issued after the date of the First Supplemental Indenture, with the prior written consent of Metropolitan Life as to both the making of such purchase and the purchase price to be paid for such Notes; provided that all unmatured Receipts, Coupons or Talons appertaining thereto are purchased therewith. If purchases are made by tender, tenders must be available to all Holders of relevant Notes alike.

(ii) With respect to any Series of Notes issued after the date of the First Supplemental Indenture, the parties to the Indenture have agreed that if Metropolitan Life, in its sole discretion, consents to such purchase of Notes by the Issuer, they will take such actions as may be necessary or desirable to effect the prepayment of such portion, or the entirety, of the Deposit Amount(s) (as specified in the relevant Funding Agreement), under each applicable Funding Agreement as may be necessary to provide for the payment of the purchase price for such Notes. Upon such payment, the Deposit Amount(s) under each relevant Funding Agreement shall be reduced (a) with respect to any purchase of fixed rate Notes or floating rate Notes, by an amount equal to the aggregate principal amount of Notes so purchased (or the portion thereof applicable to such Funding Agreement) and (b) with respect to any purchase of Notes other than fixed rate Notes or floating rate Notes, by an amount to be agreed between the Issuer and Metropolitan Life to reflect such prepayment under the Funding Agreement. With respect to any Series of Notes issued after the date of the First Supplemental Indenture, the parties to the Indenture have also agreed that no Opinion of Counsel (as defined in the Indenture), certificate of the Issuer or any other document or instrument shall be requested to be provided in connection with any purchase of Notes pursuant to Condition 8.02, Condition 8.03 or this Condition 8.04.

Cancellation of Redeemed and Purchased Notes

8.05 All unmatured Notes and Coupons and unexchanged Talons redeemed or purchased, otherwise than in the ordinary course of business of dealing in securities or as a nominee in accordance with this Condition 8, will be cancelled forthwith and may not be reissued or resold.

Further Provisions Applicable to Redemption Amount and Installment Amounts

8.06 The provisions of Condition 7.07 and the last paragraph of Condition 7.08 shall apply to any determination or calculation of the Redemption Amount (as defined below) or any Installment Amount required by the Final Terms to be made by the Calculation Agent.

8.07 References herein to **"Redemption Amount"** shall mean, as appropriate, the Maturity Redemption Amount, the final Installment Amount, and the Mandatory Early Redemption Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms.

8.08 In the case of any Note which is non-interest-bearing, the **"Amortized Face Amount"** shall be an amount equal to the sum of:

(i) the issue price specified in the Final Terms; and

(ii) the product of the Amortization Yield (compounded annually) being applied to the issue price from (and including) the Issue Date specified in the Final Terms to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of the Day Count Fraction (as defined in Condition 7.09) specified in the Final Terms for the purposes of this Condition 8.08.

8.09 In the case of any Note which is non-interest-bearing, if any Redemption Amount (other than the Maturity Redemption Amount) is improperly withheld or refused or default is otherwise made in the payment thereof, the Amortized Face Amount shall be calculated as provided in Condition 8.08 but as if references in subparagraph (ii) to the date fixed for redemption or the date upon which such Note becomes due and repayable were replaced by references to the earlier of:

(i) the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made; and

(ii) (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which, the Principal Paying Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 17 of that circumstance (except to the extent that there is a failure in the subsequent payment thereof to the relevant Holder).

9. Event of Default

9.01 (a) If (x) an Event of Default specified in sub-paragraphs (iii) or (x) of Condition 9.01(b) below occurs and is continuing with respect to the Notes of any Series, each Note of such Series (and, if such Note is interest-bearing, all interest then accrued on such Note) will become due and payable upon the Indenture Trustee notifying the Issuer (after the Indenture Trustee has received notice from Holders of Notes representing not less than 25 percent of the aggregate Outstanding Principal Amount of the Notes of the relevant Series that the Notes have become due and payable) that the Notes of such Series have become due and payable, without any further action whatsoever on the part of the Issuer, the Indenture Trustee or the Holders of the relevant Series of Notes, or (y) an Event of Default specified in sub-paragraphs (i), (vi) or (vii) of Condition 9.01(b) occurs and is continuing with respect to the Notes of any Series, each Note of such Series (and, if such Note is interest-bearing, all interest then accrued on such Note) will become due and payable upon the Indenture Trustee notifying the Issuer (after the Indenture Trustee has received notice from any Holder of Notes of the relevant Series that the Notes have become due and payable) that the Notes of such Series have become due and payable, without any further action whatsoever on the part of the Issuer, the Indenture Trustee or the Holder of the relevant Series of Notes, or (z) an Event of Default specified in sub-paragraphs (ii), (iv), (v), (viii) or (ix) of Condition 9.01(b) below has occurred, each Note of such Series (and, if such Note is interest-bearing, all interest then accrued on such Note) will become due and payable immediately without any notice or any action on the part of the Issuer, the Indenture Trustee or the Holders of the relevant Series of Notes, in each case at its early termination amount (the **"Early Termination Amount"**) (which shall be its Outstanding Principal Amount or, if such Notes are non-interest bearing, its Amortized Face Amount (as defined in Condition 8.08) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms(s)), together with all interest (if any) accrued thereon, without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary notwithstanding, unless, in the case of an acceleration described in the preceding clause (x) or (y), prior to the giving of such notice of acceleration by the Indenture Trustee to the Issuer, all Events of Default in respect of the Notes of the relevant Series shall have been cured as provided in the Terms and Conditions.

(b) **"Event of Default"** with respect to the Notes of any Series means any one of the following events (whatever the reason for such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) as modified by and/or such other events as may be specified in, the Final Terms(s) relating to that Series of Notes:

(i) default in the payment of any interest on any Note of that Series when such interest becomes due and payable, and continuance of such default for a period of five Business Days;

(ii) default in the payment of the principal of any Note of that Series at its due date for payment, whether at the Stated Maturity (as defined in the Indenture) thereof or by declaration of acceleration, call for redemption or otherwise and continuance of such default for a period of three Business Days;

(iii) default in the performance, or breach, of any one or more of the other covenants of the Issuer in the Terms and Conditions or in the Indenture, and continuance of such default or breach for a period of 45 days after there has been given notice thereof to the Issuer by the Indenture Trustee, or to the Issuer and the Indenture Trustee by the Holders of Notes representing at least 25 percent of the aggregate Outstanding Principal Amount of the Notes of that Series, which notice will specify such default or breach and require it to be remedied and which notice will state that it is a "Notice of Default" under the Indenture; *provided,* that the Indenture Trustee may, without the consent of the Holders of Notes of any Series and without prejudice to its rights in respect of any subsequent breach, from time to time and at any time, if in its opinion the interests of the Holders of Notes of any Series will not be materially prejudiced thereby, waive or authorize, on such terms as seem expedient to it, any such breach by the Issuer; *provided, further,* that, except as provided in Condition 9.04, the Indenture Trustee shall not so waive or authorize any breach in contravention of an express notice given by the Holders of Notes representing at least 25 percent of the aggregate Outstanding Principal Amount of the Notes of that Series; *provided, still further*, that no such express notice shall affect any previous waiver or authorization, and any such previous waiver or authorization shall be binding on the Holders of the Notes of that Series to which such previous waiver or authorization was granted, and if the Indenture Trustee deems it appropriate, such waiver or authorization shall be provided to the Holders of the Notes of that Series as soon as practicable; *provided, however*, that a failure by the Issuer to pay any Permitted Expenses (as defined in the Indenture) to the Indenture Trustee, any Series Agent, any Agents, the Delaware Trustee and the Administrator shall not constitute an Event of Default;

(iv) a court having jurisdiction in the premises has entered a decree or order for relief in respect of the Issuer in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect of the State of Delaware or any other applicable jurisdiction, which decree or order is not stayed, or any other similar relief has been granted under any applicable law; an insolvency case has been commenced against the Issuer under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect of the State of Delaware or any other applicable jurisdiction; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over the Issuer, or over all or a substantial part (as determined by the Indenture Trustee in its sole discretion) of its property, has been entered; or there has occurred the involuntary appointment of an interim receiver, trustee or other custodian of the Issuer for all or a substantial part (as determined by the Indenture Trustee in its sole discretion) of its property; or a court having jurisdiction in the premises has entered a decree or order declaring the dissolution of the Issuer; or a warrant of attachment, execution or similar process has been issued against any substantial part of the property of the Issuer and any such event described in this sub-paragraph (iv) will continue for 30 days unless dismissed, bonded or discharged;

(v) the Issuer consents to an order for relief entered with respect to it or commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect of the State of Delaware or any other applicable jurisdiction, or consents to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or consents to the appointment of, or taking possession by, a receiver, trustee or other custodian for all or a substantial part of its property; or the Issuer makes any general assignment of its assets for the benefit of creditors; or the Issuer admits in writing its inability generally to pay its debts as such debts become due; or the Delaware Trustee or Administrator adopts any resolution or otherwise authorizes any action to approve or for the purpose of effecting any of the actions referred to in this subparagraph (v);

(vi) a failure by Metropolitan Life under any Funding Agreement relating to that Series of Notes to make any payment of interest at its due date in accordance with the terms of the relevant Funding Agreement, and such failure to pay shall continue for five Business Days (as defined in the relevant Funding Agreement);

(vii) a failure by Metropolitan Life under any Funding Agreement relating to that Series of Notes to make payment of any Additional Amounts MetLife has agreed to pay pursuant to the terms of the relevant Funding Agreement, subject to certain exceptions set out in full in Condition 11.01, to the relevant Funding Agreement Holder, and such failure to pay shall continue for five Business Days (as defined in the relevant Funding Agreement);

(viii) a failure by Metropolitan Life under any Funding Agreement relating to that Series of Notes to make any payment of the applicable Funding Account Balance when due in accordance with the terms of the relevant Funding Agreement, whether at the Stated Maturity thereof, at the termination of the relevant Funding Agreement or in connection with any withdrawal or transfer from the relevant Funding Agreement including, but not limited to, a termination pursuant to Section 2 of the relevant Funding Agreement;

(ix) Metropolitan Life (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger in which the resulting entity assumes its obligations); (b) becomes insolvent or is unable generally to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (d) institutes or has instituted against it an administrative or legal proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any supervision, rehabilitation, liquidation, bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (1) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its rehabilitation, winding-up or liquidation or (2) is not dismissed, discharged, stayed or restrained in each case within 60 days of the institution or presentation thereof; (e) has a resolution passed for its rehabilitation, winding-up, official management, dissolution or liquidation (other than pursuant to a consolidation, amalgamation or merger in which the resulting entity assumes obligations of Metropolitan Life); (f) seeks or becomes subject to the appointment of an administrator, supervisor, rehabilitator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for substantially all its assets; (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 60 days thereafter; (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (a) to (g) (inclusive) of this sub-paragraph; or (i) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(x) a failure by Metropolitan Life to make payment of any Support Obligations owed under any Support and Expenses Agreement relating to that Series of Notes and such failure shall continue for a period of five Business Days.

Proceedings

9.02 Holders representing at least $66\frac{2}{3}$ percent of the aggregate Outstanding Principal Amount of the Notes of a Series, which Holders shall in any event represent a majority of the existing Holders of Notes of such Series, shall have the right to direct the time, method and place of conducting any proceedings or any remedy available to the Indenture Trustee and the Series Agent for such Series with respect to the Notes of that Series, including with respect to any Trust Estate appertaining thereto, subject to certain conditions set forth in the Indenture.

9.03 No Holder of a Note of any Series or any Coupons appertaining thereto shall have any right to institute any proceedings, judicial or otherwise, with respect to the Indenture or any agreement or instrument included in the Trust Estate or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless:

(i) such Holder has previously given written notice to the Indenture Trustee of a continuing Event of Default;

(ii) the Holders of Notes representing not less than 25 percent of the aggregate Outstanding Principal Amount of the Notes of that Series shall have made written request to the Indenture Trustee or the relevant Series Agent to institute proceedings in respect of such Event of Default in its own name as Indenture Trustee or Series Agent under the Indenture;

(iii) the Indenture Trustee and the relevant Series Agent are indemnified or secured (whether by payment in advance or otherwise by such Holder or Holders) to the satisfaction of the Indenture Trustee and such Series Agent, as applicable, against all out-of-pocket costs, expenses, fees and liabilities which may be reasonably incurred in compliance with such request;

(iv) the Indenture Trustee or the relevant Series Agent for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(v) no direction inconsistent with such written request has been given to the Indenture Trustee or the relevant Series Agent during such 60 day period by the Holders of Notes representing at least 66⅔ percent of the aggregate Outstanding Principal Amount of the Notes of that Series.

No one or more Holders of the Notes or Coupons of any Series shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other Holders of Notes or Coupons of such Series or to obtain or to seek to obtain priority or preference over any other Holders of Notes or Coupons of such Series or to enforce any right under the Indenture, except in a manner therein provided and for the equal and rateable benefit of all the Holders of the Notes and Coupons of such Series.

Waiver of Defaults

9.04 Holders representing at least 66⅔ percent of the aggregate Outstanding Principal Amount of the Notes of a Series may on behalf of the Holders of all the Notes of such Series and any Coupons appertaining thereto waive any past Default thereunder with respect thereto and its consequences, except a Default:

(i) in the payment of any principal of, interest on or other payments with respect to any Note of such Series;

(ii) in respect of a covenant or provision thereof that under Article 8 of the Indenture cannot be modified or amended without the consent of the Holder of each Outstanding (as defined in the Indenture) Note of such Series; or

(iii) in respect of any covenant or provision of the Indenture for the protection or benefit of the Indenture Trustee, without the Indenture Trustee's express written consent.

For this purpose, **"Default"** is any occurrence that is, or with notice or passage of time or both would become, an Event of Default.

Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of the Indenture and the Notes of a Series, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Rescission and Annulment of Declaration of Acceleration

9.05 At any time after a declaration of acceleration of maturity of the Notes has been made and before a judgment or decree for payment of the money due has been obtained by the Indenture Trustee as provided in Article 5 of the Indenture, the Holders of Notes representing at least 66⅔ percent of the Outstanding Principal Amount of the Notes of that Series, by written notice to the Issuer and the Indenture Trustee, may rescind and annul such declaration and its consequences if:

(i) the Issuer has paid or deposited with the Indenture Trustee a sum sufficient to pay:

(a) all overdue installments of interest on and Additional Amounts, if any, with respect to all Notes of such Series and any Coupons appertaining thereto;

(b) the principal of and premium on any Notes of that Series which have become due otherwise than by such declaration of acceleration and interest thereon and any Additional Amounts with respect thereto at the rate borne by the Notes of that Series; and

(c) all sums paid or advanced by the Indenture Trustee under the Indenture and the compensation, expenses, disbursements and advances of the Indenture Trustee, its agents and counsel; and

(ii) all Events of Default, other than the nonpayment of the principal of or interest on and any Additional Amounts with respect to any Notes of that Series which have become due solely as a result of such acceleration, have been cured or waived as provided in Condition 9.04 and the Indenture.

No such rescission shall affect any subsequent Default or Event of Default or impair any right consequent thereon.

10. Withholding Taxes

10.01 All amounts due in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, duties, levies, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any governmental authority in the United States having the power to tax on payments in respect of a Funding Agreement or the related Notes unless the withholding or deduction is required by law. In that event, the Issuer will pay, or cause to be paid, Additional Amounts to compensate for any withholding or deduction for or on account of any present or future taxes, duties, levies, assessments or governmental charges of whatever nature imposed or levied on payments in respect of a Funding Agreement or the related Notes by or on behalf of any governmental authority in the United States having the power to tax, so that the amount received by the Holders of the related Notes, after giving effect to such withholding or deduction, whether or not currently payable, will equal the amount that would have been received under the related Notes were no such deduction or withholding required; provided that no such Additional Amounts shall be required for or on account of (a) any tax, duty, levy, assessment or other governmental charge imposed which would not have been imposed but for a Holder or beneficial owner of one or more of the related Notes (v) having any present or former connection with the United States, including, without limitation, being or having been a citizen or resident thereof, or having been present, having been incorporated in, having engaged in a trade or business or having (or having had) a permanent establishment or principal office therein, (w) being a controlled foreign corporation within the meaning of Section 957(a) of the Code related within the meaning of Code Section 864(d)(4) to Metropolitan Life, (x) being an actual or constructive owner of 10 percent or more of the total combined voting power of all classes of stock of Metropolitan Life entitled to vote, (y) being a bank for United States federal income tax purposes whose receipt of interest on the Note is described in Section 881(c)(3)(A) of the Code or (z) being subject to backup withholding as of the date of the purchase by the Holder of the related Note; (b) any tax, duty, levy, assessment or other governmental charge which would not have been imposed but for the presentation of the related Note (where presentation is required) for payment on a date more than 30 days after the date on which such payment becomes due and payable or the date on which payment is duly provided for, whichever occurs later; (c) any tax, duty, levy, assessment or other governmental charge which is imposed or withheld solely by reason of the failure of the Holder or beneficial owner of a Note to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the Holder or beneficial owner of such Note, if compliance is required by statute, by regulation of the United States Treasury Department, judicial or administrative interpretation, other law or by an applicable income tax treaty to which the United States is a party as a condition to exemption from such tax, duty, levy, assessment or other governmental charge; (d) any inheritance, gift, estate, personal property, sales, transfer or similar tax, duty, levy, assessment, or similar governmental charge; (e) any tax, duty, levy, assessment, or other governmental charge that is payable otherwise than by withholding from payments in respect of the Notes;

(f) any tax, duty, levy, assessment or governmental charge imposed by reason of payments on a Funding Agreement or the Notes being treated as contingent interest described in Section 871(h)(4) of the Code but only to the extent such treatment was disclosed in writing to the Holder of the Notes at the time such Holder acquired the Notes; (g) any tax, duty, levy, assessment or governmental charge that would not have been imposed but for an election by the Holder of the Notes, the effect of which is to make one or more payments in respect of the Notes subject to United States federal income tax or withholding tax provisions; or (h) any combination of items (a), (b), (c), (d), (e), (f) or (g) above.

10.02 For the purposes of these Terms and Conditions, the "relevant date" means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Principal Paying Agent, or as the case may be, the Registrar on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to Holders, notice to that effect shall have been duly given to the Holders of the Notes of the relevant Series in accordance with Condition 17.

10.03 In the event that any deduction or withholding on account of tax is required to be made, or is made, in connection with the European Union Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to such directive, no Additional Amounts shall be payable or paid by the Issuer to any Holder in respect of the Notes in order that the net amounts receivable by such Holder after such deduction or withholding shall be equal to the respective amounts which would have been receivable by such Holder in the absence of such deduction or withholding.

10.04 Any reference in these Terms and Conditions to "principal" and/or "interest" in respect of the Notes shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 10. Unless the context otherwise requires, any reference in these Terms and Conditions to "principal" shall include any premium payable in respect of a Note, any Installment Amount or Redemption Amount and any other amounts in the nature of principal payable pursuant to these Terms and Conditions and "interest" shall include all amounts payable pursuant to Condition 8 and any other amounts in the nature of interest payable pursuant to these Terms and Conditions.

10.05 Except as permitted under the Indenture, the Issuer shall not buy any security or other property for sale to others in the ordinary course of its business and shall invest solely for its own account and not as an agent or nominee for any other person.

10.06 In the event that any withholding or deduction for or on account of any present or future taxes, duties, levies, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United States or any political subdivision thereof or any authority or agency therein or thereof having the power to tax on payments in respect of a Funding Agreement issued by Metropolitan Life is, or will be required by law on such payments, the Issuer shall have the right, upon notice to any rating agency which has rated either the Program for the issuance of Notes as set forth in this Offering Circular or the relevant Series of Notes and with the consent of the Indenture Trustee (which consent shall not be unreasonably withheld), but without the consent of the Holders of the Notes, (i) to change its domicile from Delaware to any other jurisdiction, or (ii) to substitute any person, the main objects of which are funding, purchases and administration of securities, with the Issuer as a principal debtor under the Indenture and the Notes, in each case so that such withholding or deduction will not be required by law; provided that (x) the Issuer provides the Indenture Trustee with a written notice of its intention to effect the change described in (i) or (ii) above as soon as practicable and (y) such change is not disadvantageous in any material respect to the Holders of Notes, Metropolitan Life as the issuer of the Funding Agreements and (z) a written notice of such change shall have been given by the Indenture Trustee to the Holders in accordance with the Terms and Conditions of the relevant Notes and the rating agencies that have rated the Program or the relevant Notes no later than thirty days after receipt of the notice of such change from the Issuer.

10.07 In the event that the Issuer elects to substitute another person with the Issuer as a principal debtor under the Indenture and the Notes, any such person elected by the Issuer shall be the successor of the Issuer hereunder and under the Indenture and the Notes; *provided* that such person shall expressly assume with respect to all the Notes, by a supplement to the Indenture, executed and delivered to the Indenture Trustee and each Holder of Notes, the due and punctual payment of the principal of, premium or interest on all the Notes and the Additional Amounts, if any, and the performance of every covenant in the Terms and Conditions and the Indenture on the part of the Issuer to be performed or observed.

11. Payment of Additional Amounts and Early Termination of a Funding Agreement for Taxation Reasons; Income Tax Treatment

11.01 Metropolitan Life will agree in each Funding Agreement to pay Additional Amounts to the Funding Agreement Holder to compensate for any withholding or deduction for or on account of any present or future taxes, duties, levies, assessments or governmental charges of whatever nature imposed or levied on payments in respect of a Funding Agreement or the related Notes by or on behalf of any governmental authority in the United States having the power to tax, so that the amount received by the Funding Agreement Holder under that Funding Agreement, and the Holders of the related Notes under such Notes after giving effect to such withholding or deduction, whether or not currently payable, will equal the amount that would have been received under such Funding Agreement or related Notes, as the case may be, were no such deduction or withholding required; *provided,* that no such Additional Amounts shall be required for or on account of (a) any tax, duty, levy, assessment or other governmental charge imposed which would not have been imposed but for a Funding Agreement Holder, Holder of the Notes or a beneficial owner (as determined for U.S. federal income tax purposes) of a Funding Agreement or Note, (v) having any present or former connection with the United States, including, without limitation, being or having been a citizen or resident thereof, or having been present, having been incorporated in, having engaged in a trade or business or having (or having had) a permanent establishment or principal office therein, (w) being a controlled foreign corporation within the meaning of Section 957(a) of the Code related within the meaning of Code Section 864(d)(4) to Metropolitan Life, (x) being an actual or constructive owner of 10 percent or more of the total combined voting power of all classes of stock of Metropolitan Life entitled to vote, (y) being a bank for United States federal income tax purposes whose receipt of interest in respect of a Funding Agreement or Note is described in Section 881(c)(3)(A) of the Code or (z) being subject to backup withholding as of the date of becoming a beneficial owner (as determined for U.S. federal income tax purposes) of a Funding Agreement or Note; (b) any tax, duty, levy, assessment or other governmental charge which would not have been imposed but for the presentation of a Funding Agreement, Note, or evidence of beneficial ownership thereof (where presentation is required) for payment on a date more than 30 days after the date on which such payment becomes due and payable or the date on which payment is duly provided for, whichever occurs later; (c) any tax, duty, levy, assessment or other governmental charge which is imposed or withheld solely by reason of the failure of a Funding Agreement Holder, Holder of the Notes, or a beneficial owner (as determined for U.S. federal income tax purposes) of a Funding Agreement or Note to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the Funding Agreement Holder, Holder of the Notes, or beneficial owner (as determined for U.S. federal income tax purposes) of a Funding Agreement or Note, as the case may be, if compliance is required by statute, by regulation of the United States Treasury Department, judicial or administrative interpretation, other law or by an applicable income tax treaty to which the United States is a party as a condition to exemption from such tax, duty, levy, assessment or other governmental charge; (d) any inheritance, gift, estate, personal property, sales, transfer or similar tax, duty, levy, assessment, or similar governmental charge; (e) any tax, duty, levy, assessment, or other governmental charge that is payable otherwise than by withholding from payments in respect of the relevant Funding Agreement or Note, as the case may be; (f) any tax, duty, levy, assessment or governmental charge imposed by reason of payments on a Funding Agreement or the Notes being treated as contingent interest described in Section 871(h)(4) of the Code but only to the extent such treatment was disclosed in writing to the Funding Agreement Holder or Holder of the Notes, as the case may be, at the time such holder acquired the Funding Agreement or Notes, as the case may be; (g) any tax, duty, levy, assessment or governmental charge that would not have been imposed but for an election by the Funding Agreement Holder or Holder of the Notes, as the case may be, the effect of which is to make one or more payments in respect of the Funding Agreement or Notes, as applicable, subject to United States federal income tax or withholding tax provisions; or (h) any combination of items (a), (b), (c), (d), (e), (f) or (g) above.

11.02 The relevant Funding Agreement will provide that if Metropolitan Life is obligated to withhold or deduct any United States taxes or to pay any Additional Amounts with respect to any payment under the Funding Agreement or with respect to any payment under any related contract between Metropolitan Life and the Funding Agreement Holder, or if there is a material probability that Metropolitan Life will become obligated to withhold or deduct any such United States taxes or otherwise pay Additional Amounts (in the opinion of independent counsel selected by Metropolitan Life), in each case pursuant to any change in or amendment to any United States tax laws (or any regulations or rulings thereunder) or any change in position of the IRS regarding the application or interpretation thereof (including, but not limited to, Metropolitan Life's receipt of a written adjustment from the IRS in connection with an audit), then Metropolitan Life may terminate the relevant Funding Agreement by giving not less than 30 and no more than 75 days prior written notice to the Funding Agreement Holder; provided, that no such notice of termination may be given earlier than 90 days prior to the earliest day when Metropolitan Life would become obligated to pay such Additional Amounts were a payment in respect of the Funding Agreement then due.

12. Payments

12A Payments — Bearer Notes

12A.01 This Condition 12A is applicable in relation to Notes in bearer form.

12A.02 Payment of amounts (other than interest) due in respect of Bearer Notes will be made against presentation and (except in the case of partial payment or payment of an Installment Amount (other than the final Installment Amount)) surrender of the relevant Bearer Notes at the specified office of any of the Paying Agents, including the Irish Paying Agent at its specified office in Ireland.

Payment of Installment Amounts (other than the final Installment Amount) in respect of an Installment Bearer Note which is a Definitive Bearer Note with Receipts will be made against presentation of the Bearer Note together with (where applicable) the relevant Receipt and surrender of such Receipt.

The Receipts are not and shall not in any circumstances be deemed to be documents of title and if separated from the Bearer Note to which they relate will not represent any obligation of the Issuer. Accordingly, the presentation of a Bearer Note without the relevant Receipt or the presentation of a Receipt without the Bearer Note to which it appertains shall not entitle the Holder to any payment in respect of the relevant Installment Amount.

12A.03 Payment of amounts in respect of interest on Bearer Notes will be made:

(i) in the case of Bearer Notes without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Bearer Notes at the specified office of any of the Paying Agents outside (unless Condition 12A.04 applies) the United States, including the Irish Paying Agent at its specified office in Ireland; and

(ii) in the case of Bearer Notes delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Bearer Notes, in either case at the specified office of any of the Paying Agents outside (unless Condition 12A.04 applies) the United States, including the Irish Paying Agent at its specified office in Ireland.

12A.04 Payments of amounts due in respect of interest on the Bearer Notes and exchanges of Talons for Coupon sheets in accordance with Condition 12A.07 will not be made at the specified office of any Paying Agent in the United States or its possessions (as defined in the Code and Regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Bearer Notes when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States and its possessions is illegal or effectively precluded because of the imposition of exchange controls or other similar restrictions, which condition of illegality or preclusion was reasonably not anticipated at the time the Bearer Notes were issued, and (b) such payment or exchange is permitted by applicable United States law. If paragraphs (a) and (b) of the previous sentence apply, the Issuer shall forthwith appoint a further Paying Agent with a specified office in the United States.

12A.05 If the due date for payment of any amount due in respect of any Bearer Note is not a Relevant Financial Center Day and a Local Banking Day (each as defined in Condition 12C.03), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day (or as otherwise specified in the Final Terms) and from such day and thereafter will be entitled to receive payment by check on any Local Banking Day, and will be entitled to payment by transfer to a designated account on any day which is a Local Banking Day, a Relevant Financial Center Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such delay or adjustment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 7.06 or, if appropriate, Condition 7.10.

12A.06 Each Bearer Note initially delivered with Coupons, Talons or Receipts attached thereto should be presented and, except in the case of partial payment of the Redemption Amount, surrendered for final redemption together with all unmatured Receipts, Coupons and Talons relating thereto, failing which:

(i) if the Final Terms specifies that this paragraph (i) of Condition 12A.06 is applicable (and, in the absence of specification, this paragraph (i) shall apply to Bearer Notes which bear interest at a fixed rate or rates or in fixed amounts) and subject as hereinafter provided, the amount of any missing, unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the Redemption Amount paid bears to the total Redemption Amount due) (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents, including the specified office of the Irish

Paying Agent, at any time within ten years (subject to applicable law) of the Relevant Date applicable to payment of such Redemption Amount;

(ii) if the Final Terms specifies that this paragraph (ii) of Condition 12A.06 is applicable (and, in the absence of specification, this paragraph (ii) shall apply to Bearer Notes which bear interest at a floating rate or rates or in variable amounts) all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) relating to such Bearer Notes (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them;

(iii) in the case of Bearer Notes initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them; and

(iv) in the case of Bearer Notes initially delivered with Receipts attached thereto, all Receipts relating to such Bearer Notes in respect of a payment of an Installment Amount which (but for such redemption) would have fallen due on a date after such due date for redemption (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them.

The provisions of paragraph (i) of this Condition 12A.06 notwithstanding, if any Bearer Notes are issued with a maturity date and an Interest Rate or Rates such that, on the presentation for payment of any such Bearer Note without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (i) to be deducted would be greater than the Redemption Amount otherwise due for payment, then, upon the due date for redemption of any such Bearer Note, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the Redemption Amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Bearer Note to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

12A.07 In relation to Bearer Notes initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside (unless Condition 12A.04 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 13 below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures.

12B Payments — Registered Notes

12B.01 This Condition 12B is applicable in relation to Notes in registered form.

12B.02 Payment of the Redemption Amount (together with accrued interest) due in respect of Registered Notes will be made against presentation and, except in the case of partial payment of the Redemption Amount, surrender of the relevant Registered Notes at the specified office of the Registrar or, as the case may be, the Transfer Agent with a specified office in Ireland. If the due date for payment of the Redemption Amount of any Registered Note is not a Relevant Financial Center Day (as defined in Condition 12C.03), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment by check on any

Local Banking Day, and, will be entitled to payment by transfer to a designated account on any day which is a Local Banking Day, a Relevant Financial Center Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 7.06 or, as appropriate, Condition 7.10.

12B.03 Payment of amounts (whether principal, interest or otherwise) due (other than the Note Redemption Amount) in respect of Registered Notes will be paid by the Registrar to the Holder thereof (or, in the case of joint Holders, the first-named) which shall be the person appearing as Holder in the register kept by the Registrar as at opening of business (local time in the place of the specified office of the Registrar) on the fifteenth Relevant Banking Day (as defined in Condition 2.06) before the due date for such payment (the **"Record Date"**).

12B.04 Notwithstanding the provisions of Condition 12C.02, payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Notes will be made in the currency in which such amount is due by check (in the case of payment in Japanese Yen to a non-resident of Japan, drawn on an authorized foreign exchange bank) and posted to the address (as recorded in the register held by the Registrar) of the Holder thereof (or, in the case of joint Holders, the first-named) on the Relevant Banking Day (as defined in Condition 2.06) not later than the relevant due date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first-named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency (in the case of payment in Japanese Yen to a non-resident of Japan, a nonresident account with an authorized foreign exchange bank) in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Relevant Financial Center Day, then the Holder thereof will not be entitled to payment thereof until the first day thereafter which is a Relevant Financial Center Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 7.06 or, as appropriate, Condition 7.10.

12C Payments — General Provisions

12C.01 Except as otherwise specified in these Terms and Conditions, this Condition 12C is applicable in relation to Notes whether in bearer or in registered form.

12C.02 Payments of amounts due (whether principal, interest or otherwise) in respect of Notes will be made in the currency in which such amount is due (a) by check (in the case of payment in Japanese Yen to a non-resident of Japan, drawn on an authorized foreign exchange bank) or (b) at the option of the payee, by transfer to an account denominated in the relevant currency specified by the payee (in the case of payment in Japanese Yen to a non-resident of Japan, a non-resident account with an authorized foreign exchange bank specified by the payee). Payments will, without prejudice to the provisions of Condition 10, be subject in all cases to any applicable fiscal or other laws and regulations.

12C.03 For the purposes of these Terms and Conditions:

(i) **"Relevant Financial Center Day"** means, in the case of any currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Center and in any other Relevant Financial Center specified in the Final Terms, or in the case of payment in Euro, a day on which the TARGET System is operating; and

(ii) **"Local Banking Day"** means a day (other than a Saturday or Sunday or legal holiday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Note or, as the case may be, Coupon.

12C.04 No commissions or expenses shall be charged to the Holders of Notes or Coupons in respect of payments.

13. Prescription

13.01 Subject to all provisions of applicable law, the Bearer Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) after the Relevant Date therefor.

13.02 In relation to Definitive Bearer Notes initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 12A.06 or the due date for the payment of which would fall after the due date for the redemption of the relevant Bearer Note or which would be void pursuant to this Condition 13 or any Talon the maturity date of which would fall after the due date for redemption of the relevant Bearer Note.

14. The Paying Agents, the Registrar, the Transfer Agent and the Calculation Agent

14.01 The initial Paying Agents, Transfer Agent and Registrar and their respective initial specified offices are specified on the back cover page of this Offering Circular. The Calculation Agent in respect of any Notes shall be specified in the Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Principal Paying Agent) or the Registrar or the Calculation Agent or the Transfer Agent and to appoint additional or other Paying Agents or another Registrar or another Calculation Agent or Transfer Agent, provided that it will at all times maintain (i) a Principal Paying Agent, (ii) in the case of Registered Notes, a Registrar, (iii) a Paying Agent (which may be the Principal Paying Agent) with a specified office in a continental European city, (iv) so long as the Notes are listed on the Irish Stock Exchange and/or any other stock exchange, a Paying Agent (which may be the Principal Paying Agent) and the Transfer Agent each with a specified office in Ireland and/or in such other place as may be required by the rules of such other stock exchange, (v) in the circumstances described in Condition 12A.04, a Paying Agent with a specified office in the United States, (vi) a Calculation Agent where required by the Terms and Conditions applicable to any Notes (in the case of (i), (ii), (iii) and (vi) with a specified office located in such place (if any) as may be required by the Terms and Conditions) and (vii) pursuant to European Union Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such directive, the Issuer will ensure that it maintains a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to any such directive or law. The Paying Agents, the Registrar and the Calculation Agent reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of any Paying Agent, the Registrar, the Transfer Agent or the Calculation Agent will be given promptly by the Issuer to the Holders in accordance with Condition 17.

14.02 The Paying Agents, the Registrar, the Transfer Agent and the Calculation Agent act solely as agents of the Issuer with respect to the relevant Series and, except as provided in the Indenture or any other agreement entered into with respect to its appointment, do not assume any obligations towards or relationship of agency or trust for any Holder of any Note, Receipt or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Indenture or other agreement entered into with respect to its appointment or incidental thereto.

15. Replacement of Notes

15.01 If any Note, Receipt, Talon or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent or such Paying Agent or Paying Agents as may be specified for such purpose in the Final Terms (in the case of Bearer Notes, Receipts, Talons and Coupons) or of the Registrar (in the case of Registered Notes) **("Replacement Agent")**, subject to all applicable laws and the requirements of any stock exchange on which the Notes are listed, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Replacement Agent may require. Mutilated or defaced Notes, Receipts, Talons and Coupons must be surrendered before replacements will be delivered therefor.

16. Meetings of Holders and Modification

16.01 The Indenture contains provisions (which shall have effect as if incorporated herein) for convening meetings of the Holders of Notes of any Series to consider any matter affecting their interest, including (without limitation) the modification by Extraordinary Resolution (as defined in the Indenture) of these Terms and Conditions. An Extraordinary Resolution passed at any meeting of the Holders of Notes of any Series will be binding on all Holders of the Notes of such Series, whether or not they are present at the meeting, and on all Holders of Coupons relating to Notes of such Series.

16.02 The Issuer may, with the consent of the Indenture Trustee, but without the consent of the Holders of the Notes or Coupons of any Series, amend these Terms and Conditions insofar as they may apply to such Notes to correct a manifest error. Subject as aforesaid, no other modification may be made to these Terms and Conditions except with the sanction of an Extraordinary Resolution.

17. Notices

17.01 Notices to Holders of Bearer Notes will, except where another means of effective communication has been specified herein or in the Final Terms, be deemed to be validly given if (i) published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*), (ii) in the case of any Notes which are listed on the Irish Stock Exchange (so long as such Notes are listed on the Irish Stock Exchange and the rules of that exchange so require), in a leading daily newspaper having general circulation in Ireland (which is expected to be the *Irish Times*) or (in the case of (i) or (ii)), if such publication is not practicable, if published in a leading general circulation newspaper in Europe. The Issuer shall also ensure that notices are duly published in compliance with the requirements of each stock exchange on which the Notes are listed. Any notice so given will be deemed to have been validly given on the date of first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bearer Notes in accordance with this Condition.

17.02 Notices to Holders of Registered Notes will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day. With respect to Registered Notes listed on the Irish Stock Exchange, any notices to Holders must also be published in a leading daily newspaper having general circulation in Ireland (which is expected to be the *Irish Times*) and, in addition to the foregoing, will be deemed validly given only after the date of such publication.

18. Reopenings

18.01 The Issuer may, within six months following the date of issue of a Series of Notes, in order to create larger, more liquid issues and without the consent of the Holders of the Notes, issue additional Tranches of Notes having the same terms as previously issued Notes (other than the date of issuance, denomination size, the interest commencement date, if any, the amount of first payment of interest, and the offering price, all of which may vary) that will form a single Series with the previously issued Notes. The Issuer may only issue additional Tranches of Notes if Metropolitan Life simultaneously issues one or more Funding Agreements which will become a part of the relevant Trust Estate.

19. Waiver and Remedies

19.01 No failure to exercise, and no delay in exercising, on the part of the Holder of any Note, any right under the Terms and Conditions shall operate as a waiver of such right nor shall any single or partial exercise of such right preclude any other or future exercise thereof or the exercise of any other right. Rights under these Terms and Conditions shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

20. Law and Jurisdiction

20.01 Unless otherwise specified in the relevant Final Terms, the Notes, the Indenture, each Tranche Supplement, each Support and Expenses Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. The Funding Agreements shall be governed by, and construed in accordance with, the laws of the State of New York.

20.02 Unless otherwise specified in the relevant Final Terms, the Issuer irrevocably agrees for the benefit of the Holders of the Notes that the United States Federal Court located in New York City, the Borough of Manhattan shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (respectively, **"Proceedings"** and **"Disputes"**), and, for such purposes, irrevocably submits to the jurisdiction of such court.

20.03 The Issuer irrevocably waives any objection which it might now or hereafter have to the United States Federal Court located in New York City, the Borough of Manhattan being nominated as the forum to hear and determine any Proceedings and to settle any Disputes and agrees not to claim that any such court is not a convenient or appropriate forum.

20.04 The Issuer agrees that the process by which any proceedings in New York City are begun may be served on it by being delivered to it at CT Corporation System, 111 Eighth Avenue, 13th Floor, New York, New York 10011. If the appointment of CT Corporation System ceases to be effective, the Issuer shall forthwith appoint a further person in the United States to accept service of process on its behalf and notify the name and address of such person to the Principal Paying Agent and the Indenture Trustee and, failing such appointment within fifteen days, any Holder of a Note or the Funding Agreement Holder, as the case may be, shall be entitled to appoint such a person by written notice addressed to the Issuer or to the specified office of the Principal Paying Agent and the Indenture Trustee. Nothing contained herein shall affect the right of any Holder of a Note to serve process in any other manner permitted by law.

20.05 The submission to the jurisdiction of the United States federal court located in New York City shall not (and shall not be construed so as to) limit the right of the Holders of the Notes to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

20.06 In respect of Listed Swiss Franc Notes, the Issuer has agreed in the Indenture for the benefit of the Holders of such Notes to the additional jurisdiction of the ordinary Courts of the Canton of Zurich, the place of jurisdiction being Zurich 3, with the right of appeal, where the law permits, to the Swiss federal Court of Justice in Lausanne, the decision of which shall be final. In connection with such Notes, the Indenture Trustee and the Issuer elect legal and special domicile at the registered office of Credit Suisse, Uetlibergstrasse 231, CH8045, Zurich, Switzerland, in respect of any legal proceedings in Switzerland. A Swiss Paying Agent must be appointed for any issue of Listed Swiss Franc Notes under the Program.

21. The Indenture Trustee and Series Agent

21.01 The Indenture Trustee may assume, unless a Responsible Officer (as defined in the Indenture) has received actual notice thereof, that (i) none of the following has occurred: a Default, an Event of Default or an event that will or may, with the passage of time or the giving of notice, cause the early termination of the relevant Funding Agreement and (ii) the Issuer has complied with its obligations and covenants under the Indenture.

21.02 None of the Indenture Trustee or the Series Agent makes any representations with respect to any Trust Estate or as to the validity, sufficiency or enforceability of the Indenture or of the Notes, Coupons, Receipts or Talons of any Tranche or of any security interest created hereunder or under the Indenture.

21.03 No provision of the Indenture shall require the Indenture Trustee or the Series Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have grounds for believing that repayment of such funds or satisfactory indemnity against such risk or liability is not assured to it.

21.04 Any money collected by the Indenture Trustee and the Series Agent following an Event of Default under the Indenture, any supplements thereto, or any Assigned Document (as defined in the Indenture), and any monies that may then be held or thereafter received by the Indenture Trustee or relevant Series Agent as security with respect to the Notes or Coupons of any Series shall be held in the Collection Account relating to such Series of Notes and be applied in the following order, at the date or dates fixed by the Indenture Trustee and, in case of distributions on account of principal, any premium, interest or Additional Amounts, upon presentation of the Notes or Coupons of such Series, or both, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

first, to the payment of all Anticipated Expenses with respect to such Series of the Indenture Trustee and the relevant Series Agent and then to the payment of Accelerated Unanticipated Expenses. **"Accelerated Unanticipated Expenses"** means Unanticipated Expenses (as defined in the Indenture) of the Indenture Trustee and the relevant Series Agent relating to a Series with respect to which an Event of Default has occurred and limited to reasonable and customary fees and expenses (including all reasonable and duly documented legal expenses) incurred by the

Indenture Trustee and such relevant Series Agent in connection with the performance of any of their respective fiduciary duties that the Indenture Trustee or relevant Series Agent reasonably determined to have occurred with respect to such Series. Under the Indenture, Accelerated Unanticipated Expenses during the Program cannot exceed an aggregate amount of U.S.$500,000 for all Series of Notes and shall be applied to each outstanding Series in accordance with its Specified Proportionate Share (as defined in the Indenture);

second, to the payment of all remaining Anticipated Expenses with respect to such Series of the Issuer;

third, to the payment of the amounts then due and unpaid upon the Notes and any Coupons with respect to such Series for the principal and any premium, if any, interest and Additional Amounts, if any, in respect of which or for the benefit of which such amount has been collected, ratably, without preference or priority of any kind, according to the aggregate amounts due and payable on such Notes and Coupons for principal and any premium, interest and any Additional Amounts, respectively;

fourth, to the payment of all remaining Unanticipated Expenses with respect to such Series due to the Indenture Trustee and the relevant Series Agent, including, without limitation, amounts due under section 6.7 of the Indenture, whether in payment of the compensation, expenses, disbursements or advances of the Indenture Trustee, its agents and counsel or otherwise;

fifth, to the payment of all remaining Unanticipated Expenses with respect to the relevant Series of the Issuer including, without limitation, amounts due under Section 6.7 of the Indenture, whether in payment of the compensation, expenses, disbursements and advances of the Indenture Trustee and its agents and counsel or otherwise;

sixth, to the payment of any other secured obligations in respect of which or for the benefit of which such amount has been collected, ratably, without preference or priority of any kind, according to the aggregate amounts due and payable on such obligations, respectively; and

seventh, any remaining balance shall be paid to the Issuer for the benefit of the Series Beneficial Owner or its successors or assigns or to whomever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may determine.

If no Event of Default exists, the priority of payments pursuant to the grant of a security interest in, pledge and collateral assignment of, the Issuer's estate, right, title and interest in the relevant Trust Estate shall be as follows:

first, to the payment of the amounts then due and unpaid upon the Notes and the Coupons for the principal and any premium, interest and Additional Amounts in respect of which or for the benefit of which such amount has been collected, ratably, without preference or priority of any kind, according to the aggregate amounts due and payable on such Notes and Coupons for principal and any premium, interest and Additional Amounts, respectively;

second, to the payment of all Permitted Expenses due with respect to the Notes to the Indenture Trustee and the relevant Series Agent, the Agents, the Delaware Trustee and the Administrator;

third, to the payment of any other secured obligations in respect of which or for the benefit of which such an amount has been collected, ratably, without preference or priority of any kind, according to the aggregate amounts due and payable on such obligations, respectively; and

fourth, any remaining balance shall be paid to the Issuer for the benefit of the Series Beneficial Owner or its successors or assigns or to whomever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may determine.

21.05 The Indenture Trustee and the Series Agent in respect of any Series of Notes have no responsibility for any rating assigned to the Program, or any Notes issued thereunder, by any person.

22. Exchange of Talons

22.01 In relation to Definitive Bearer Notes initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which (i) would be void upon issue pursuant to Condition 12A.06, (ii) has a due date for payment falling after the due date for the redemption of the relevant Note, (iii) would be void pursuant to Condition 13 or (iv) has a maturity date falling after the due date for redemption of the relevant Note.

GLOBAL NOTES

1. Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of DTC, Euroclear, Clearstream Luxembourg or any other clearing system as the holder of a Note represented by a Global Bearer Note or by a Global Registered Note must look solely to DTC, Euroclear and/or Clearstream Luxembourg for such person's share of each payment made by the Issuer to the registered holder of the Global Registered Note or the bearer of the Global Bearer Note, as the case may be, and in relation to all other rights arising under the Global Registered Notes or Global Bearer Notes, subject to and in accordance with the respective rules and procedures of DTC, Euroclear and/or Clearstream Luxembourg.

Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Bearer Note or Global Registered Note (collectively, the **"Global Notes"**) and such obligations of the Issuer will be discharged by payment to the bearer or the registered holder of such Global Note, as the case may be, in respect of each amount so paid. References in these provisions relating to the Notes in global form to "holder" or "accountholder" are to those persons shown in the records of the relevant clearing system as a holder of a Note.

Upon the issuance of Global Notes, DTC or Euroclear and/or Clearstream Luxembourg will each credit, on its internal system, the respective principal amounts of the individual beneficial interests represented by each such Global Note to the accounts of persons who have accounts with such depositary. Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC or Euroclear and/or Clearstream Luxembourg (**"Participants"**) or persons who hold interests through Participants. Ownership of beneficial interests in the Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or Euroclear and/or Clearstream Luxembourg (with respect to interests of Participants) and the records of Participants (with respect to interests of persons other than Participants).

Non-U.S. Persons may hold their beneficial interests in a Regulation S Temporary Global Registered Note or a Regulation S Permanent Global Registered Note through Euroclear and/or Clearstream Luxembourg if they are Participants in such systems, or indirectly through organizations which are Participants in such systems. In the case of U.S. Dollar denominated Registered Notes, Qualified Institutional Buyers may hold their beneficial interests in Rule 144A Permanent Global Registered Notes directly through DTC if they are Participants in such system or indirectly through organizations which are Participants in such system.

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly.

So long as DTC or its nominee is the depositary for a Permanent Global Registered Note or its nominee is the registered owner or holder of such Permanent Global Registered Note, DTC or such depositary or such nominee, as the case may be, will be considered the sole owner or Holder of those Notes beneficially owned by other persons for all purposes under the Indenture and the Notes. Except as set forth below, owners of beneficial interests in such Permanent Global Registered Notes will not be entitled to have the Notes registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive form, will not be able to transfer that interest except in accordance with DTC's or such depositary's applicable procedures and will not be considered the owners or Holders thereof under the Indenture.

2. Form and Exchange — Global Registered Notes

(1) Subject to the provisions of the applicable Final Terms, Rule 144A Notes of any Tranche will initially be represented by one or more Rule 144A Permanent Global Registered Notes without Coupons, Talons or Receipts which will be (i) in the case of U.S. Dollar denominated Notes, registered in the name of a nominee for, and deposited with a custodian for, DTC, and (ii) in the case of non-U.S. Dollar denominated Notes, registered in the name of a nominee for, and deposited with a depositary or common depositary for, Euroclear and/or Clearstream Luxembourg.

Subject to the provisions of the applicable Final Terms and except as set forth below with respect to certain Notes issued in an Overseas Directed Offering, including Listed Swiss Franc Notes, Regulation S Registered Notes will initially be represented by one or more Regulation S Temporary Global Registered Notes, which will be registered in the name of the nominee of, and deposited with a depositary or common depositary for, Euroclear and/or Clearstream Luxembourg.

Subject to the provisions of the applicable Final Terms, on or after the Exchange Date, beneficial interests in each Regulation S Temporary Global Registered Note will be exchangeable (i) for beneficial interests in one or more Regulation S Permanent Global Registered Notes without Coupons, Talons or Receipts and (ii) upon and to the extent of the certification of the non-U.S. beneficial ownership of the relevant Notes as required by Regulation S, in whole but not in part, for Definitive Registered Notes (a) if DTC, Euroclear, Clearstream Luxembourg or any other applicable clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays), announces an intention permanently to cease business, or notifies the Issuer that it is unwilling or unable to continue as the depositary and a successor clearing corporation is not appointed within 90 days, (b) if an Event of Default as described in Condition 9 of the Terms and Conditions occurs and the maturity of the Notes of the relevant Series is accelerated in accordance with the Terms and Conditions of the relevant series of Notes, (c) if the Issuer determines in its sole discretion that the Notes of such Series should no longer be evidenced solely by one or more Notes in global form, or (d) to the extent provided in the relevant Final Terms, at any time at the request of the relevant Holder.

Subject to the provisions of the applicable Final Terms, each Regulation S Permanent Global Registered Note will be registered in the name of a nominee of, and deposited with a depositary or common depositary for, Euroclear and/or Clearstream Luxembourg, or such other relevant clearing system as may be specified in the applicable Final Terms.

Subject to the provisions of the applicable Final Terms, beneficial interests in each Permanent Global Registered Note may be exchanged, in whole but not in part, for Definitive Registered Notes upon the occurrence and during the continuation of a Definitive Notes Exchange Event.

Subject to the provisions of the applicable Final Terms, each Tranche of Regulation S Registered Notes issued in an Overseas Directed Offering will initially be represented by one or more Regulation S Permanent Global Registered Notes, beneficial interests in which will be exchangeable for Definitive Registered Notes in the circumstances set forth therein and in the relevant Final Terms.

(2) Whenever beneficial interests in a Global Registered Note are to be exchanged for Definitive Registered Notes, such Definitive Registered Notes will be issued in an aggregate principal amount equal to the principal amount of the relevant Global Registered Note within five business days of the delivery, by or on behalf of the registered Holder of the Global Registered Note, DTC, Euroclear and/or Clearstream Luxembourg, to the Registrar of such information as is required to complete and deliver such Definitive Registered Notes (including, without limitation, the names and addresses of the persons in whose names the Definitive Registered Notes are to be registered and the principal amount of each such person's holding) against the surrender of the relevant Global Registered Note at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Indenture and the regulations concerning the transfer and registration of Notes scheduled therein and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If (a) Definitive Registered Notes have not been issued and delivered by 5:00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the relevant Global Registered Note or (b) any of the Notes evidenced by the Global Registered Note has become due and payable in accordance with the Terms and Conditions or the date for final redemption of the relevant Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Holder of the relevant Global Registered Note on the due date for payment in accordance with the terms of the Global Registered Note, then each person (or its successor or assigns) shown in the records of DTC, Euroclear and/or Clearstream Luxembourg (or other relevant clearing system) may file any claim, take any action or institute any proceeding to enforce, directly against the Issuer, the obligation of the Issuer under the relevant Global Registered Note to pay any amount due in respect of each Note represented by the relevant Global Registered Note which is credited to such person's securities account with a clearing system without the production of the relevant Global Registered Note, provided that the registered holder of the relevant Global Registered Note shall not theretofore have filed a claim, taken action or instituted proceedings to enforce the same in respect of such Note.

3. Form and Exchange — Global Bearer Notes

(1) Subject to the provisions of the applicable Final Terms and except as set forth below with respect to certain Notes issued in certain Overseas Directed Offerings, including any Listed Swiss Franc Notes, Bearer Notes of any Tranche will initially be represented by one or more Temporary Global Bearer Notes, which will be deposited with a depositary or common depositary for Euroclear and/or Clearstream Luxembourg.

Subject to the provisions of the applicable Final Terms on or after the Exchange Date, upon and to the extent of the certification of the non-U.S. beneficial ownership of the relevant Notes as required by United States Treasury Regulations and Regulation S, beneficial interests in each Temporary Global Bearer Note will be exchangeable (i) for beneficial interests in a Permanent Global Bearer Note or (ii) upon the occurrence and during the continuation of a Definitive Notes Exchange Event, in whole but not in part, for Definitive Bearer Notes and, if so specified in the relevant Final Terms Definitive Registered Notes (collectively, **"Definitive Notes"**).

Subject to the provisions of the applicable Final Terms, beneficial interests in each Permanent Global Bearer Note will be exchangeable (i) if so specified in the applicable Final Terms, for beneficial interests in the Global Registered Notes and (ii) upon the occurrence and during the continuation of a Definitive

Notes Exchange Event, in whole but not in part, for Definitive Bearer Notes and, if so specified in the relevant Final Terms, Definitive Registered Notes.

Subject to the provisions of the applicable Final Terms, each Tranche of Bearer Notes issued in an Overseas Directed Offering into a foreign country designated by the Commissioner of the IRS as a foreign country in which the certification as to the non-U.S. beneficial ownership of the relevant Notes is not required (including Listed Swiss Franc Notes), will initially be represented by one or more Permanent Global Bearer Notes, beneficial interests in which will be exchangeable (i) if so specified in the applicable Final Terms, for beneficial interests in the Global Registered Notes and (ii) for Definitive Bearer Notes and, if so specified in the relevant Final Terms, Definitive Registered Notes, in each case only in the circumstances set forth therein and in the relevant Final Terms.

(2) Holders of interests in any Temporary Global Bearer Note shall not (unless, upon due presentation of such Temporary Global Bearer Note for exchange for a Permanent Global Bearer Note or for delivery of Definitive Notes, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Notes represented by such Temporary Global Bearer Note which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.

(3) Subject to paragraph (2) above, if any date on which a payment of interest is due on the Notes of a Tranche occurs while any of the Notes of that Tranche are represented by a Temporary Global Bearer Note, the related interest payment will be made only to the extent that the certification of the non-U.S. Beneficial ownership thereof as required by United States Treasury Regulations and Regulation S (in substantially the form set out in the Temporary Global Bearer Note or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received by Euroclear and/or Clearstream Luxembourg (or other relevant clearing system). Payments of amounts due in respect of beneficial interests in a Permanent Global Bearer Note will be made through Euroclear and/or Clearstream Luxembourg (or other relevant clearing system).

(4) The provisions of the applicable Final Terms may provide that so long as the Bearer Notes are represented by a Temporary Global Bearer Note or Permanent Global Bearer Note and the relevant clearing system(s) so permit, such Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided hereon and integral multiples of the tradeable amount in excess thereof provided in the relevant Final Terms.

(5) Whenever a Global Bearer Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery of such Definitive Notes, duly authenticated and where and to the extent applicable, with Receipts, Coupons and Talons attached, in an aggregate principal amount equal to the principal amount of the relevant Global Bearer Note to the Holder of the relevant Global Bearer Note against its surrender at the specified office of the Principal Paying Agent within 30 days of the Holder's requesting such exchange.

If (a) Definitive Notes have not been delivered in accordance with the foregoing by 5:00 p.m. (London time) on the thirtieth day after the Holder has requested exchange, or (b) the Global Bearer Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions or the date for final redemption of the relevant Global Bearer Note has occurred and, in either case, payment in full of the amount of the Redemption Amount together with all accrued interest thereon has not been made to the Holder in accordance with the Terms and Conditions on the due date for payment, then each Holder or its successor or assigns may, without the consent and to the exclusion of the Holder of the relevant Global Bearer Note, file any claim, take any action or institute any proceeding to enforce directly against the Issuer the obligation of the Issuer under the relevant Global Bearer Note to pay any amount due in respect of each Note represented by the relevant Global Bearer Note which is credited to such Holder's securities account with a clearing system as fully as though such Note were evidenced by a Definitive Bearer Note without the production of the relevant Global Bearer Note, provided that the Holder of the relevant Global Bearer Note shall not theretofore have filed a claim, taken action or instituted proceedings to enforce the same in respect of such Note. The face amount of the relevant Global Bearer Note shall be reduced by the face amount, if any, of each Note represented thereby in respect of which full settlement has occurred as a result of any such claim, action or proceeding by such relevant Holders or their successors or assigns.

4. Amendments to Conditions

The Global Notes contain provisions that apply to the Notes that they represent, some of which modify the effect of the Terms and Conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

(1) *Meetings:* The Holder of a Permanent Global Bearer Note or of the Notes represented by a Permanent Global Registered Note shall (unless such Permanent Global Bearer Note or Permanent Global Registered Note represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Holders and, at any such meeting, the Holder of a Permanent Global Bearer Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All Holders of Registered Notes are entitled to one vote in respect of each Note comprising such Holder's holding, whether or not represented by a Permanent Global Registered Note).

(2) *Cancellation:* Cancellation of any Note represented by a Permanent Global Bearer Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Permanent Global Bearer Note.

(3) *Purchase:* Notes represented by a Permanent Global Bearer Note may only be purchased by the Issuer if they are purchased together with the rights to receive all future payments of interest, principal and Installment Amounts (if any) thereon.

(4) *Notices:* So long as any Notes are represented by a Permanent Global Bearer Note or Permanent Global Registered Note and such Permanent Global Bearer Note or Permanent Global Registered Note is held by or on behalf of a clearing system, notices to the Holders of Notes of that Series may be given by delivery of the relevant notice to the clearing system for communication by it to entitled accountholders in substitution for publication as required by the Terms and Conditions or by delivery of the relevant notice to the Holder of the Permanent Global Bearer Note or Permanent Global Registered Note except that so long as the Notes of a Series are listed on the Irish Stock Exchange and the rules of that exchange so require, notice shall also be published in a leading daily newspaper having general circulation in Ireland (which is expected to be the *Irish Times*).

(5) *Payments:* So long as any of the Notes remains in global form, payments will be made to Holders of Notes in accordance with customary operating procedures of DTC, Euroclear and/or Clearstream Luxembourg.

DESCRIPTION OF COLLATERAL

General

Each Series of Notes will be secured by all of the Funding Agreements issued by Metropolitan Life to the Relevant Dealer in respect of the Tranches of Notes comprising such Series, the Support and Expenses Agreements in respect of the Tranches of Notes of such Series (subject to the subrogation rights of Metropolitan Life set forth in such Support and Expenses Agreements) and the related Trust Estate as specified in each applicable Final Terms. For each Tranche of Notes issued, the Relevant Dealer (or an affiliate thereof) will immediately novate the Funding Agreement pursuant to a Deed of Novation (as defined in the Indenture). The Issuer will then grant a security interest in each Funding Agreement and each Support and Expenses Agreement in respect of the Tranches of Notes of such Series (subject to the subrogation rights of Metropolitan Life set forth in each such Support and Expenses Agreement) to the relevant Series Agent for the benefit and security of the Secured Parties.

The obligations of the Issuer evidenced by the Notes will not be obligations of, and will not be guaranteed by, any other person, including, but not limited to, Metropolitan Life, the Holding Company or any of their respective subsidiaries or affiliates. The obligations of Metropolitan Life under the Funding Agreements and the Support and Expenses Agreements will not be obligations of, and will not be guaranteed by, any other person.

Funding Agreements

The Funding Agreements are unsecured obligations of Metropolitan Life. Metropolitan Life is the sole owner of all deposits received under the Funding Agreements and all assets acquired therewith. All amounts that Metropolitan Life receives under the Funding Agreements and all assets acquired therewith are and remain a part of Metropolitan Life's general account without any duty or requirement of segregation or separate investment on Metropolitan Life's part.

Payments Under Funding Agreements

The currency of denomination, maturity, redemption and interest rate provisions of the Funding Agreement entered into in connection with a Tranche of Notes will be structured to provide the relevant Series of the Issuer with such payments as are necessary for such Series of the Issuer to meet in full its scheduled payment obligations under the relevant Tranche of Notes.

Any amendment or modification of the Notes or the Terms and Conditions thereof made after the effective date of a relevant Funding Agreement will not affect Metropolitan Life's payment and other obligations pursuant to such Funding Agreement.

The Funding Account Balance of the relevant Funding Agreement will be equal to the outstanding aggregate principal amount of the relevant Tranche of Notes at maturity (including any early maturity date due to a Mandatory Early Redemption or an Event of Default) plus accrued and unpaid interest. The Funding Agreement shall become effective immediately upon the receipt by Metropolitan Life of an amount equal to the Net Deposit Amount due thereunder.

Withholding; Termination for Taxation Reasons

Metropolitan Life will agree in each Funding Agreement, subject to certain exceptions provided in Condition 11.01 of the Terms and Conditions set forth under the section "Terms and Conditions of the Notes," to pay Additional Amounts to the Funding Agreement Holder to compensate for any withholding or deduction for or on account of any present or future taxes, duties, levies, assessments or governmental charges of whatever nature imposed or levied on payments in respect of a Funding Agreement or the Note, as the case may be, by or on behalf of any governmental authority in the United States having the power to tax, so that the amount received by the Funding Agreement Holder under that Funding Agreement and the Holder of the related Notes under such Notes, as the case may be, after giving effect to such withholding or deduction, whether or not currently payable, will equal the amount that would have been received under such Funding Agreement or Notes, as the case may be, were no such deduction or withholding required.

The relevant Funding Agreement will provide that if Metropolitan Life is obligated to withhold or deduct any United States taxes or to pay any Additional Amounts with respect to any payment under the Funding Agreement or with respect to any payment under any related contract between Metropolitan Life and the Funding Agreement Holder, or if there is a material probability that Metropolitan Life will become obligated to withhold or deduct any such United States taxes or otherwise pay Additional Amounts (in the opinion of independent counsel selected by Metropolitan Life), in each case pursuant to any change in or amendment to any United States tax laws (or any regulations or rulings thereunder) or any change in position of the IRS regarding the application or interpretation thereof (including, but not limited to, Metropolitan Life's receipt of a written adjustment from the IRS in connection with an audit), then Metropolitan Life may terminate the relevant Funding Agreement by giving not less than 30 and no more than 75 days prior written notice to the Funding Agreement Holder; provided, that no such notice of termination may be given earlier than 90 days prior to the earliest day when Metropolitan Life would become obligated to pay such Additional Amounts were a payment in respect of the Funding Agreement then due.

Termination for Other Reasons; Demand for Payment

The Funding Agreement Holder may demand payment of the entire balance in the account of the relevant Funding Agreement if (i) Metropolitan Life fails to make a payment of interest or an Additional Amount (as such term is defined in the relevant Funding Agreement) required to be made under the relevant Funding Agreement and such failure continues for a period of five Business Days (as such term is defined in the relevant Funding Agreement); (ii) Metropolitan Life fails to make any payment of principal in accordance with the relevant Funding Agreement and such failure continues for a period of three Business Days; or (iii) a final order or decree is issued by a court of competent jurisdiction appointing a receiver or liquidator in any insolvency, rehabilitation, or similar proceeding involving all or substantially all of the assets, liabilities and property of Metropolitan Life.

Supplemental Funding Agreements

The first Funding Agreement issued in connection with a particular Series of Notes may provide that within six months of the effective date of such Funding Agreement related to such Series, Metropolitan Life may issue to the holder of such Funding Agreement one or more additional Funding Agreements and may provide in any such additional Funding Agreement that such additional Funding Agreement shall constitute part of the same obligation of Metropolitan Life as the first Funding Agreement issued in connection with such Series of Notes (**"Supplemental Funding Agreement"**), and that such Supplemental Funding Agreement shall be subject to the same terms and conditions (including those set forth in the Account Specification Appendix (as defined in the relevant Funding Agreement)), except that the Effective Date (as specified in the relevant Funding Agreement), the balance of the Funding Account, the Net Deposit Amount (each, as defined in the relevant Funding Agreement) and the amount of the first interest payment, if any, may be different in respect of such Supplemental Funding Agreement.

The issuance of any such Supplemental Funding Agreement will be subject to the satisfaction of the following condition: on the date on which the sales price of the Supplemental Funding Agreement is established (which, for U.S. federal income tax purposes, will be determined by reference to the first price at which a substantial amount of the Notes of the related Tranche is sold to Holders) (or, if earlier, the Announcement Date, as defined below), the yield of the first Funding Agreement of that Series (based on its fair market value — which, for U.S. federal income tax purposes, will be determined by reference to the first price at which a substantial amount of the Notes of the related Tranche is sold to Holders) is not more than 110 percent of the yield of such first Funding Agreement on its effective date (or if the first Funding Agreement is issued with no more than a *de minimis* amount of original issue discount (as determined under the Code), its coupon rate). The announcement date (**"Announcement Date"**) is the later of seven days before the date on which the price of the additional debt instruments is established or the date on which the issuers intend to reopen a security is publicly announced through one or more media, including an announcement reported on the standard electronic news service used by security broker-dealers.

Support and Expenses Agreements

In connection with the issue of any Tranche of Notes under the Program, Metropolitan Life and the Issuer will enter into a Support and Expenses Agreement. The Support and Expenses Agreements are unsecured obligations of Metropolitan Life. Pursuant to the Support and Expenses Agreement entered into in connection with any Tranche of Notes, Metropolitan Life will agree to indemnify the Issuer for all Support Obligations related to such Tranche of Notes.

Metropolitan Life will agree in each Support and Expenses Agreement to pay any amounts due under such Support and Expenses Agreement in the currency in which the related Support Obligation originated.

The subrogation rights of Metropolitan Life under each relevant Support and Expenses Agreement and any amounts relating thereto will not be included in the Trust Estate for the relevant Series.

TAXATION

The information provided below does not purport to be a complete summary of the United States tax law and practice currently applicable. Prospective investors should consult with their own professional advisors.

United States Taxation

The following is a summary of certain United States federal income tax consequences of the ownership and disposition of the Notes. It is included herein for general information only and does not address every aspect of the income or other tax laws that may be relevant to investors in the Notes in light of their personal investment circumstances or that may be relevant to certain types of investors subject to special treatment under U.S. income tax laws (for example, financial institutions, partnerships, tax-exempt organizations, insurance companies, or persons that have a functional currency other than the United States dollar). Except as noted below, the discussion in this summary is limited to initial purchasers of the Notes who are U.S. Holders (as defined below) of Registered Notes and who hold Notes as capital assets and not as part of a straddle, hedging or conversion transaction, or as part of a "synthetic security" or other integrated financial transaction. Subject to certain exceptions, Bearer Notes are not permitted to be sold to United States persons (as defined in Section 7701(a)(30) of the Code); if there were, however, to be any U.S. Holders of Bearer Notes, they would be subject to the limitations under the United States federal income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Code. Persons considering the purchase, ownership or disposition of the Notes should consult their own tax advisors concerning the United States federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction. Furthermore, the discussion below is based upon provisions of the Code, the legislative history thereof, final, temporary and proposed regulations thereunder, and rulings and judicial decisions thereunder as of the date hereof. Such authorities may be repealed, revoked or modified (including changes in effective dates, and possibly with retroactive effect) so as to result in United States federal income tax consequences different from those discussed below.

As used herein, a **"Non-U.S. Holder"** is any beneficial owner of a Note other than a U.S. Holder. A **"U.S. Holder"** is a beneficial owner of a Note that is for United States federal income tax purposes (i) a citizen or resident of the United States; (ii) a corporation (or any other entity treated as a corporation for United States income taxation) created or organized in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) an estate the income of which is subject to United States federal income tax without regard to its source; or (iv) a trust, if a court within the United States is able to exercise primary supervision over administration of the trust and one or more United States persons have authority to control all substantial decisions of the trust.

Internal Revenue Service Circular 230 Disclosure

To ensure compliance with the Internal Revenue Service Circular 230 disclosure requirements, you are informed that the United States federal tax advice contained herein (i) is written in connection with the promotion or marketing by others of the Notes, and (ii) is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding U.S. tax penalties. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Classification of the Issuer and the Notes

In the opinion of LeBoeuf, Lamb, Greene & MacRae LLP, special United States federal income tax counsel to Metropolitan Life and to the Issuer (**"Special Tax Counsel"**), under current law and assuming the Issuer is operated in accordance with its organizational documents and as described in this Offering

Circular, and based upon certain facts and assumptions contained in such opinion, (i) the Issuer and each Series of the Issuer will be ignored for United States federal income tax purposes and will not be treated as an association or publicly traded partnership taxable as a corporation, and (ii) the Notes will be treated as indebtedness of Metropolitan Life for United States federal income tax purposes.

Metropolitan Life, the Issuer and each Series of the Issuer will treat the Notes as indebtedness of Metropolitan Life for all United States federal income tax purposes. Each Holder of Notes, by acceptance of such Notes, will be deemed to have agreed to treat the Notes as indebtedness of Metropolitan Life for all United States federal income tax purposes. The remainder of this discussion assumes the Notes are properly treated as indebtedness of Metropolitan Life for all United States federal income tax purposes.

An opinion of Special Tax Counsel is not binding on the IRS or the courts, and no ruling on any of the consequences or issues discussed below will be sought from the IRS. Accordingly, persons considering the purchase of Notes should consult their own tax advisors about the U.S. federal income tax consequences of an investment in the Notes and the application of U.S. federal income tax laws, as well as the laws of any state, local or foreign taxing jurisdictions, to their particular situations. United States Taxation of U.S. Holders

Original Issue Discount and Premium

U.S. Holders of Notes will include payments of stated interest received in respect of the Notes, in accordance with their method of accounting, as ordinary interest income. In general, if the issue price of the Notes, determined by the aggregate first price at which a substantial amount of the Notes are sold to the Holders, is less than the "stated redemption price at maturity" of the Notes by more than a *de minimis* amount, a U.S. Holder will be considered to have purchased its Notes with original issue discount (**"OID"**). If a U.S. Holder acquires Notes with OID, then regardless of such Holder's method of accounting, the Holder will be required to accrue OID on the Notes on a constant yield basis and include such accruals in gross income.

In general, if the issue price of a Note exceeds the "stated redemption price at maturity" of the Note, a U.S. Holder will be considered to have purchased its Notes at a premium. In this event, a U.S. Holder may elect to amortize such premium, based on a constant interest basis, as an offset to interest income, whether or not such U.S. Holder has received any cash payment from the Issuer with respect to the Notes.

"Stated redemption price at maturity" means the sum of all payments to be received on a Note other than payments of qualified stated interest (defined generally as stated interest that is unconditionally payable at least annually at a single fixed rate or in the case of a variable rate debt instrument, at a rate or combination of rates meeting certain specified criteria). Unless otherwise specified in the applicable Final Terms, Metropolitan Life expects interest on a Note to be treated as qualified stated interest.

Sale and Retirement of Notes

In general, a U.S. Holder of a Note will have a basis in such Note equal to the cost of the Note to such Holder, increased by any amount includible in income by such Holder as OID and reduced by amortized premium and any payments other than payments of qualified stated interest on the Note. Upon a sale, exchange or retirement of a Note, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued but unpaid interest, which would be taxable as such) and the Holder's tax basis in such Note. Such gain or loss will be long-term capital gain or loss if the U.S. Holder held the Note for more than one year at the time of disposition.

The Notes may trade at a price that does not accurately reflect the value of accrued but unpaid interest. A U.S. Holder who disposes of Notes between record dates for payments of interest thereon will be required to include accrued but unpaid interest on the Note through the date of disposition in income as ordinary income. To the extent the selling price is less than the U.S. Holder's adjusted tax basis (which will include all accrued but unpaid OID) a U.S. Holder of Notes will recognize a capital loss. Subject to certain limited exceptions, capital losses cannot be applied to offset ordinary income for United States federal income tax purposes.

Foreign Currency Notes

The following summary describes special rules that apply, in addition to the rules described above, to Notes that are denominated in, or provide for payments determined by reference to, a currency or currency unit other than the U.S. Dollar (**"Foreign Currency Note"**). The amount of stated interest paid with respect to a Foreign Currency Note that is includible in income by a cash method of accounting U.S. Holder is the U.S. Dollar value of the amount paid, as determined on the date of receipt by the U.S. Holder using the spot rate of exchange on such date. In the case of stated interest paid to a U.S. Holder that uses the accrual method of accounting, and in the case of OID for all U.S. Holders, such U.S. Holder is required to include the U.S. Dollar value of the amount of interest income or OID that accrued during the accrual period. The U.S. Dollar value of such accrued interest income is determined by translating such income at the average rate of exchange for the accrual period or, at the U.S. Holder's election, at the spot rate of exchange on the last day of the accrual period.

The amount realized with respect to a sale, exchange or redemption of a Foreign Currency Note generally will be (i) in the case of a cash basis taxpayer, the U.S. Dollar value of the payment received determined on the settlement date of the sale of such Note (using the spot rate on such date) or (ii) in the case of an accrual basis taxpayer, the U.S. Dollar value of the payment received determined on the date of disposition of such Note (or, if such taxpayer elects, the settlement date of the sale of such Notes) (using the spot rate on such date). Gain or loss that is recognized will be ordinary income or loss to the extent it is attributable to fluctuations in currency rates between the dates of purchase (or basis adjustment) and the date of disposition or settlement, as the case may be.

United States Taxation of Non-U.S. Holders

Provided the Notes are sold and delivered, and payments are made, in accordance with the terms of the Notes, and subject to the discussion of backup withholding below, payments on the Notes, by or on behalf of the Issuer or any of its Paying Agents to a Non-U.S. Holder, assuming such income is not effectively connected with the conduct of a trade or business in the United States, will not be subject to United States federal withholding tax pursuant to the **"Portfolio Interest Exemption,"** if, in the case of interest (including OID): (i) the Non-U.S. Holder does not actually or constructively own 10 percent or more of the total combined voting power of all classes of stock of Metropolitan Life entitled to vote within the meaning of Section 871(h)(3) of the Code and Treasury Regulations promulgated thereunder; (ii) the Non-U.S. Holder is not a controlled foreign corporation that is related within the meaning of Section 864(d)(4) of the Code to Metropolitan Life; (iii) the Non-U.S. Holder is not a bank for United States federal income tax purposes whose receipt of interest on the Note is described in Section 881(c)(3)(A) of the Code; (iv) interest on the Notes is not contingent interest within the meaning of Section 871(h)(4)(A) of the Code; and (v) for Registered Notes, the certification requirements under Section 871(h) or Section 881(c) of the Code and Treasury Regulations promulgated thereunder, summarized below, are met.

For Registered Notes, Sections 871(h) and 881(c) of the Code and Treasury Regulations promulgated thereunder require that, in order to obtain the exemptions from withholding described above: (i) the beneficial owner of the Notes must certify to Metropolitan Life and the Issuer or the Principal Paying Agent (as the case may be), under penalties of perjury, that such owner is a Non-U.S. Holder, and must provide its name, address and United States taxpayer identification number (**"TIN"**), if any; (ii) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business (a **"Financial Institution"**) and holds such Notes on behalf of the beneficial owner thereof must certify to Metropolitan Life and the Issuer or the Paying Agent (as the case may be), under penalties of perjury, that such certificate has been received from the beneficial owner by it or by a Financial Institution between it and the beneficial owner, and must furnish Metropolitan Life and the Issuer or the Paying Agent (as the case may be) with a copy thereof; or (iii) the Non-U.S. Holder must provide the certification described in clause (i) to a "qualified intermediary" or a "withholding foreign partnership," and must ensure that certain other conditions are met. A certificate described in this paragraph generally is effective only with respect to payments of interest made to the certifying Non-U.S. Holder after issuance of the certificate in the calendar year of its issuance and the three immediately succeeding calendar years. The certification may be provided on the appropriate and properly executed IRS Form W-8. Special rules apply to Non-U.S. Holders that are foreign partnerships. In addition, alternative forms of certification may be available under applicable Treasury Regulations.

Even if a Non-U.S. Holder cannot satisfy the requirements for eligibility for the Portfolio Interest Exemption, interest (including OID) earned by such non-U.S. Holder will not be subject to a 30 percent withholding tax if the beneficial owner of the Note provides the Issuer or its Paying Agent, as the case may be, with a properly executed (1) IRS Form W-8BEN claiming an exemption or reduction in or from withholding under the benefit of a United States income tax treaty or (2) IRS Form W-8ECI stating that interest paid on the Note is not subject to withholding tax because it is effectively connected with the beneficial owner's conduct of a trade or business in the United States. Notwithstanding the provision of a IRS Form W-8ECI, a Non-U.S. Holder that holds its Notes in connection with its conduct of a trade or business in the United States will be taxed on its Notes in the same manner as a U.S. Holder, and, if such holder is a foreign corporation, it may also be subject to a branch profits tax equal to 30 percent of its effectively connected earnings and profits for the taxable year, subject to adjustments. For this purpose, interest (including OID) on a Note will be included in such foreign corporation's earnings and profits.

Generally, a Non-U.S. Holder will be subject to withholding on payments on the Notes unless such holder qualifies under the Portfolio Interest Exemption or is otherwise exempt from withholding, as discussed above. For the avoidance of doubt, a Non-U.S. Holder that actually or constructively owns 10 percent or more of the total combined voting power of all classes of stock of Metropolitan Life entitled to vote will not be entitled to the Portfolio Interest Exemption, discussed above, and will be subject to a 30 percent withholding tax on interest payments on the Notes unless such holder is otherwise exempt from withholding tax, as discussed above.

Subject to the discussion of backup withholding below, a Non-U.S. Holder will not be subject to United States federal income or withholding tax on any gain realized on the sale, exchange, retirement or other disposition of a Note (other than gain attributable to accrued interest) unless (i) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of such sale, exchange, retirement or other disposition, and certain other conditions are met or (ii) such gain is (or is treated as) effectively connected with a trade or business in the United States of the Non-U.S. Holder.

Backup Withholding and Information Reporting

Under United States federal income tax law, information reporting requirements apply to interest (including OID) and principal payments made to, and to the proceeds of sales before maturity by, certain non-corporate U.S. Holders. In addition, backup withholding tax will apply if (i) the non-corporate U.S. Holder fails to furnish such non-corporate U.S. Holder's TIN (which, for an individual, would be his or her Social Security Number) to the payor in the manner required, (ii) the non-corporate U.S. Holder furnishes an incorrect TIN and the payor is so notified by the IRS, (iii) the payor is notified by the IRS that it has failed properly to report payments of interest and dividends or (iv) in certain circumstances, the non corporate U.S. Holder fails to certify, under penalties of perjury, that it has not been notified by the IRS that it is subject to backup withholding for failure properly to report interest and dividend payments. Backup withholding will not apply with respect to payments made to certain exempt recipients, such as corporations (within the meaning of Section 7701(a) of the Code) and tax-exempt organizations.

In the case of a Non-U.S. Holder, backup withholding and information reporting will not apply to payments made outside the United States by Metropolitan Life, the Issuer or a Paying Agent, if the appropriate certification is received, provided that Metropolitan Life, the Issuer or a Paying Agent, as the case may be, does not have actual knowledge that the payee is a U.S. Holder and certain other conditions are satisfied. Unless the payor has actual knowledge that the payee is a U.S. Holder, backup withholding will not apply to (i) payments of interest (including OID) made outside the United States to certain offshore accounts and (ii) payments on the sale, exchange, redemption, retirement or other disposition of a Note effected outside the United States. However, information reporting (but not backup withholding) will apply to (i) payments of interest made by a payor outside the United States with respect to a Registered Note and (ii) payments on the sale, exchange, redemption, retirement or other disposition of a Note effected outside the United States if payment is made by a payor that is, for United States federal income tax purposes, (a) a U.S. person, (b) a controlled foreign corporation, (c) a United States branch of a foreign bank or foreign insurance company, (d) a foreign partnership controlled by United States persons or engaged in a United States trade or business or (e) a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, unless such payor or broker has in its records documentary evidence that the beneficial owner is not a U.S. Holder and certain other conditions are met or the beneficial owner otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against the beneficial owner's United States federal income tax liability provided the required information is furnished to the IRS.

THE UNITED STATES FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN UNITED STATES OR OTHER TAX LAWS.

Final European Union Savings Tax Directive

On July 1, 2005, a directive adopted by the European Council of Economics and Finance Ministers regarding the taxation of savings income took effect. The Directive provides for the tax authorities of the member states of the European Union to provide each other with details of payments of interest and similar income made to individuals but permits Austria, Belgium and Luxembourg instead to impose a withholding tax on the payments concerned for a "transitional period" (although it provides that no such withholding tax should be levied where the beneficial owner of the payment authorizes an exchange of information and/or where the beneficial owner presents a certificate from the tax authority of the member state of the European Union in which the beneficial owner is resident). The Directive does not preclude member states of the European Union from levying other types of withholding tax.

Should any deduction or withholding on account of tax be required to be made, or be made, in connection with the European Union Council Directive 2003/48/EC or any law implementing or complying with or introduced in order to conform to such directive, no Additional Amounts (such as would result in receipt by the Holders of the Notes of such amounts as would have been received by them had no such deduction or withholding been required to be made, or made) shall be payable or paid by the Issuer.

NEITHER THE ISSUER NOR ANY OF THE DEALERS MAKES ANY COMMENT ABOUT THE TREATMENT FOR TAXATION PURPOSES OF PAYMENTS OR RECEIPTS IN RESPECT OF THE NOTES. EACH INVESTOR CONTEMPLATING ACQUIRING NOTES UNDER THE PROGRAM IS ADVISED TO CONSULT A PROFESSIONAL ADVISOR IN CONNECTION WITH THE CONSEQUENCES RELATING TO THE ACQUISITION, RETENTION AND DISPOSITION OF NOTES.

ERISA CONSIDERATIONS

ERISA and Section 4975 of the Code impose certain requirements on employee benefit plans and certain other plans and arrangements, including individual retirement accounts and annuities, Keogh plans and certain collective investment funds or insurance company general or separate accounts in which such plans, accounts or arrangements are invested, that are subject to the fiduciary responsibility provisions of ERISA and/or Section 4975 of the Code (collectively, **"Plans"**), and on persons who are fiduciaries with respect to Plans, in connection with the investment of Plan Assets. ERISA generally imposes on Plan fiduciaries certain general fiduciary requirements, including those of investment prudence and diversification and the requirement that a Plan's investments be made in accordance with the documents governing the Plan.

ERISA and Section 4975 of the Code prohibit a broad range of transactions involving Plan Assets and persons ("parties in interest" under ERISA and "disqualified persons" under the Code, collectively, **"Parties in Interest"**) who have certain specified relationships to a Plan or its Plan Assets, unless a statutory or administrative exemption is available. Parties in Interest that participate in a prohibited transaction may be subject to a penalty imposed under ERISA and/or an excise tax imposed pursuant to Section 4975 of the Code, unless a statutory or administrative exemption is available. These prohibited transactions generally are set forth in Section 406 of ERISA and Section 4975 of the Code.

Subject to the considerations described below, the Notes are eligible for purchase with Plan Assets of any Plan.

> Internal Revenue Service Circular 230 Disclosure. To ensure compliance with the Internal Revenue Service Circular 230 disclosure requirements, you are informed that the United States federal tax advice contained herein (i) is written in connection with the promotion or marketing by others of the Notes, and (ii) is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding U.S. tax penalties. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Any fiduciary or other Plan investor considering whether to purchase the Notes with Plan Assets should determine whether such purchase is consistent with its fiduciary duties and whether such purchase would constitute or result in a non-exempt prohibited transaction under ERISA and/or Section 4975 of the Code. Because the acquisition and holding of a Note may be deemed to be an indirect extension of credit between an investor and Metropolitan Life, and Metropolitan Life may be a party in interest to a number of Plans, the acquisition and holding of a Note could constitute a prohibited transaction. Accordingly, any fiduciary or other Plan investor considering whether to purchase or hold the Notes should consult with its counsel regarding the availability of exemptive relief under DOL Prohibited Transaction Class Exemption (**"PTCE"**) 96-23 (relating to transactions determined by "in-house asset managers"), 95-60 (relating to transactions involving insurance company general accounts), 91-38 (relating to transactions involving bank collective investment funds), 90-1 (relating to transactions involving insurance company pooled separate accounts) or 84-14 (relating to transactions determined by independent "qualified professional asset managers") or any other prohibited transaction exemption issued by the DOL. A purchaser of the Notes should be aware, however, that even if the conditions specified in one or more of the above-referenced exemptions are met, the scope of the exemptive relief provided by the exemption might not cover all acts which might be construed as prohibited transactions. In any event, each purchaser or Holder of the Notes or any interest therein will be deemed to have represented by its purchase and holding thereof that either (i) it is not a Plan or acting on behalf of a Plan or acquiring the Notes with the Plan Assets or (ii) the acquisition and holding of the Notes is exempt pursuant to one or more foregoing prohibited transaction exemptions issued by the DOL or another applicable exemption.

Moreover, because the acquisition and holding of a Note may be deemed to be an indirect extension of credit between an investor and Metropolitan Life, the Notes may not be purchased or held by any Plan, or any person investing Plan Assets of any Plan, if Metropolitan Life or any of its affiliates (a) has investment or administrative discretion with respect to the Plan Assets used to effect such purchase; or (b) has authority or responsibility to give, or regularly gives, investment advice with respect to such Plan

Assets, for a fee and pursuant to an agreement or understanding that such advice (1) will serve as a primary basis for investment decisions with respect to such Plan Assets, and (2) will be based on the particular investment needs of such Plan.

The DOL has promulgated a regulation, 29 C.F.R. §2510.3-101 (the **"Plan Asset Regulation"**) describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of the fiduciary responsibility provisions of Title of ERISA and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an "equity interest" of an entity that is neither a "publicly offered security" nor a security issued by an investment company registered under the 1940 Act, the Plan's assets are deemed to include both the equity interest itself and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or that equity participation by "benefit plan investors" is not "significant." The Plan Asset Regulations provide, however, that where the value of a plan's equity interest in an entity relates solely to identified property of the entity, such property shall be treated as the sole property of a separate entity.

The Plan Asset Regulation defines an "equity interest" as an interest other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. There is very little pertinent authority on the issue of what constitutes an equity security for purposes of the Plan Asset Regulation. Accordingly, whether the Notes would be treated as debt or equity for purposes of the Plan Asset Regulation is unclear. Since, however, the Holders of a Series of Notes will have recourse only to the relevant Trust Estate that secures such Series of Notes, if the Notes were treated as equity interests, the related Funding Agreement would be treated as assets of any Plan holding a Note.

Even if the Notes were treated as equity interests for purposes of the Plan Asset Regulation, because (a) the Issuer expects that the Funding Agreements will be treated as debt, rather than equity, for federal tax purposes and (b) the Funding Agreements should not be deemed to have any "substantial equity features," none of the assets underlying the Funding Agreements should be treated as Plan Assets for purposes of the Plan Asset Regulation. Those conclusions are based, in part, upon the traditional debt features of the Funding Agreements including the reasonable expectation of purchasers of the Notes that the payments due under the Funding Agreements will be paid when due, as well as the absence of conversion rights, warrants and other typical equity features.

Moreover, since the Delaware Trustee and the Administrator have no discretionary authority with respect to the Funding Agreements even if the Funding Agreements are treated as assets of a Plan holding a Note, neither the Delaware Trustee nor the Administrator should be treated as having acted in a fiduciary capacity with respect to the Funding Agreements and the treatment of the Funding Agreements as Plan Assets should not, absent other factors that do not appear to be present, give rise to a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code.

Any fiduciary or other Plan investor considering whether to purchase any Notes on behalf of or with Plan Assets of any Plan should consult with its counsel and refer to this Offering Circular for guidance regarding the potential ERISA and Code consequences of an investment in the Notes considering their specific circumstances.

Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA), are not subject to the fiduciary responsibility provisions of ERISA or Section 4975 of the Code. Accordingly, assets of such plans may be invested in the Notes without regard to the ERISA considerations described herein, subject to the provisions of other applicable federal and state law. However, any such plan that is qualified and exempt from taxation under Sections 401(a) and 501(a) of the Code is subject to the prohibited transaction rules set forth in Section 503 of the Code. Furthermore, a governmental plan may be subject to federal, state or local laws which are similar to the provisions of ERISA or Section 4975 of the Code.

Based on the reasoning of the United States Supreme Court in *John Hancock Mutual Life Ins. Co. v. Harris Trust and Sav. Bank,* 114 S. Ct. 517 (1993), an insurance company's general account may be deemed to include assets of the Plans investing in the general account (e.g., through the purchase of an annuity contract), and the insurance company might be treated as a Party-in-Interest with respect to a Plan by virtue of such investment. Any purchaser that is an insurance company using the assets of an insurance company general account should consider the implications of Section 401(c) of ERISA as interpreted by final regulations issued by the DOL effective as of January 5, 2000 (the **"General Account Regulations"**) that provide a safe harbor for certain insurance policies issued on or before December 31, 1998 to employee benefits plans that are supported by an insurer's general account. As a result of these regulations, effective as of July 5, 2001, assets of an insurance company general account will not be treated as "plan assets" for purposes of the fiduciary responsibility provisions of ERISA and Section 4975 of the Code to the extent such assets relate to contracts issued to employee benefit plans on or before December 31, 1998 and the insurer satisfies various conditions. Section 401(c) also provides that, except in the case of avoidance of the General Account Regulations and actions brought by the Secretary of Labor relating to certain breaches of fiduciary duties that also constitute breaches of state or federal criminal law, until the date that is 18 months after the General Account Regulations become final, no liability under the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code may result on the basis of a claim that the assets of the general account of an insurance company constitute the plan assets of any such plan. The plan asset status of insurance company separate accounts is unaffected by new Section 401(c) of ERISA, and separate account assets continue to be treated as they were prior to revision of this section.

Due to the complexity of these rules and the penalties that may be imposed upon Parties in Interest in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing Notes on behalf of, or with "plan assets" of, any Plan consult with their counsel regarding the potential consequences of such purchase and the availability of exemptive relief under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 and determine on its own whether all of the conditions of the applicable prohibited transaction exemption (or any other prohibited transaction exemption issued by the DOL) have been satisfied and that its purchase and holding of the Notes will be entitled to full exemptive relief. The fiduciary of an employee benefit plan that is not subject to ERISA or Section 4975 of the Code proposing to invest in the Notes must make its own determination that such investment is permitted under applicable law.

SUBSCRIPTION AND SALE

General

Notes may be sold from time to time by the Issuer to any one or more of Credit Suisse Securities (Europe) Limited, Credit Suisse Securities (USA) LLC and certain other Dealers. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, the Dealers are set out in the Dealership Agreement, as supplemented with respect to the Notes of each Tranche by a Relevant Agreement. Each Relevant Agreement will, among other things, make provision for the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Program or in relation to a particular Tranche of Notes.

Application has been made to the Irish Stock Exchange to list Notes issued under the Program during the twelve months from the date of this offering circular. However, Notes may also be (i) listed on another "regulated market" (as defined under the Prospectus Directive), (ii) listed on a securities exchange which is not a "regulated market" or (iii) not listed on any "regulated market" or any other securities exchange. Each applicable Final Terms will indicate whether or not the Notes of that Series will be listed, and, if the Notes will be listed, on which securities exchange.

In connection with the issue of any Tranche of Notes under the Program, the Dealers have reserved the right to appoint one or more of them to act as Stabilizing Agents. In connection with the issue of any Tranche of Notes under the Program, each Stabilizing Agent (or any person acting for the Stabilizing Agent), may over-allot Notes (provided that, the aggregate principal amount of the Notes allotted does not exceed 105 percent of the aggregate principal amount of the relevant Tranche of Notes) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Agent (or any person acting for the Stabilizing Agent) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it shall, in any event, end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any such stabilizing shall be conducted in compliance with all applicable laws, rules and regulations.

The Dealer(s) and the Arranger are under no obligation to make a market in the Notes, and to the extent that such market making is commenced, it may be discontinued at any time. There is no assurance that a secondary market will develop or, if it does develop, that it will provide Holders of the Notes with liquidity of investment or that it will continue for any period of time. Investors should proceed on the assumption that they may have to hold the Notes until their maturity.

No action has been or will be taken in any country or jurisdiction by the Issuer, the Arranger or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required, except for the listing of certain Notes on the stock exchange of a country or jurisdiction other than Luxembourg as may be specified in the applicable Final Terms. Persons into whose hands this Offering Circular or any Final Terms comes are required by the Issuer, the Arranger and the Dealers to comply with all applicable laws and regulations applicable to the issuance and sale of securities in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealers and their affiliates from time to time may have provided investment banking services and/or other financial services to Metropolitan Life or its affiliates, and may do so in the future.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out below) to the extent that such restrictions shall, as a result of change(s) in or change(s) in official interpretation of, after the date thereof, applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the preceding paragraph.

Each Dealer has agreed and each further Dealer appointed under the Program will be required to agree that it will comply with all applicable laws and regulations in force in any jurisdiction in or from which it places, offers, sells, procures the purchase of or delivers the Notes or possesses or distributes this Offering Circular or other offering material related to the Notes and will obtain any consent, approval or permission required by it under the laws and regulations in force in any jurisdiction to which it is subject or in which it places, offers or sells the Notes, in all cases at such Dealer's own expense.

Selling and transfer restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this Offering Circular.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons, except in certain transactions exempt from the registration requirements of the Securities Act. All sales and resales in the United States or to, or for the account or benefit of, U.S. Persons, whether in the initial distribution or in the secondary trading, will be limited to Qualified Institutional Buyers in compliance with Rule 144A under the Securities Act.

The Notes may only be offered, sold, pledged or otherwise transferred to (i) (a) a person reasonably believed to be a Qualified Institutional Buyer, and, if such person is a U.S. Person, in a transaction meeting the requirements of Rule 144A; or (b) a person who is not a U.S. Person, outside the United States or any of its territories or possessions, in accordance with Regulation S; and (ii) in each case, in accordance with all applicable securities laws of the United States, any state of the United States and any other applicable jurisdiction.

In addition, the Notes may not be offered, sold, pledged or otherwise transferred to an insurer domiciled in the State of Arkansas, a health maintenance organization, farmers' mutual aid association or other Arkansas domestic company regulated by the Arkansas Insurance Department.

The Notes may not be sold to or held by a person who is a Plan subject to ERISA or Section 4975 of the Code or a person who is a fiduciary with respect to a Plan, and acting on behalf or using Plan Assets, unless the acquisition and holding of the Notes by such Plan or a fiduciary with respect to such Plan is exempt pursuant to one or more prohibited transaction exemptions issued by the DOL.

With respect to any Notes which are offered or sold outside the United States in reliance on Regulation S, each Dealer has represented, warranted and agreed that, except as permitted in the Dealership Agreement, it has not offered and sold the Notes, and will not offer and sell any Notes (a) as part of its distribution of Notes at any time or (b) otherwise until the date that is the first day following the expiration of the Distribution Compliance Period, within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S), and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration in respect of sales of the Notes that purchases Notes from it during the Restricted Period (as defined below) a confirmation or notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. Persons.

In addition, until expiration of the Distribution Compliance Period referred to above, an offer or sale of Notes within the United States by a Dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

The Issuer is presently not subject to the informational requirements of the Exchange Act. To the extent the Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Issuer has agreed to furnish to Holders of Notes and to prospective purchasers designated by such Holders, upon request, such information as may be required by Rule 144A(d)(4) under the Securities Act.

No general solicitation or general advertising (within the meaning of Rule 502(c) under the Securities Act) will be used in the United States in connection with the offering or sale of the Notes.

For the life of the Notes, the Notes (including Notes which are originally offered or sold outside the United States in reliance on Regulation S), (i) may not be offered, sold or resold in the United States, to, or for the account or the benefit of, U.S. Persons (as defined in Regulation S) except to a Qualified Institutional Buyer, in a transaction in compliance with Rule 144A and (ii) may be offered, sold or resold to non-U.S. Persons in transactions outside the United States only in reliance on Regulation S. Any resale other than in compliance with the foregoing by a Dealer or otherwise may violate the Securities Act.

Except as otherwise defined in the preceding paragraphs, terms used therein have the meanings given to them by Rule 144A and Regulation S under the Securities Act.

The Bearer Notes are subject to United States tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person (within the meaning of Section 7701 (a)(30) of the Code), except in certain transactions permitted by United States tax regulations.

With respect to each Tranche of Bearer Notes it is offering outside the United States in reliance on Regulation S, each Dealer has represented and agreed that: (i) (a) except to the extent permitted under United States Treasury Regulation Section 1.163-5(c)(2)(i)(D)(the **"D Rules"**), it has not offered or sold, and during the Restricted Period will not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person (within the meaning of Section 7701 (a)(30) of the Code), and (b) it has not delivered and will not deliver within the United States or its possessions Bearer Notes that are sold during the Restricted Period; (ii) it has, and throughout the Restricted Period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Bearer Notes may not be offered or sold during the Restricted Period to a person who is within the United States or its possessions or to a United States person (within the meaning of Section 7701(a)(30) of the Code), except as permitted by the D Rules; and (iii) if it is a United States person (within the meaning of Section 7701(a)(30) of the Code), it is acquiring the Notes for purposes of resale in connection with their original issuance and if it retains Notes for its own account, it will do so only in accordance with sub-paragraph (6) of the D Rules and (iv) with respect to each Affiliate (if any) that acquires Bearer Notes from such Dealer for the purposes of offering or selling such Bearer Notes during the restricted period, such Dealer either (A) will provide on behalf of such Affiliate (if any), prior to such acquisition the representations and agreements to the effect set forth in sub-paragraphs (i), (ii) and (iii) of this paragraph or (B) will obtain from such Affiliate (if any) for the benefit of the Issuer, prior to such acquisition, the representations and agreements contained in sub-paragraphs (i), (ii) and (iii) of this paragraph.

"Restricted Period" as used in the preceding paragraphs shall be the period beginning on the earlier of the first date the Notes of a Tranche are offered to persons other than distributors or the issue date and ending on the date 40 day after the issue date; *provided, however*, that all offers and sales of the Notes held by distributors as part of an unsold allotment shall be deemed to be made during the Restricted Period. Except as otherwise defined in this section, terms used in this paragraph and the preceding two paragraphs have the meanings given to them by the Code and the D Rules. Whether or not an offer, sale or delivery is treated as made within the United States or its possessions or to a United States person (within the meaning of Section 7701 (a)(30) of the Code) for purposes of this and the preceding two paragraphs will depend upon application of the D Rules.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

- it is a qualified investor (within the meaning of Section 86(7) of the FSMA) and it has not offered or sold and will not offer to sell any Notes except to persons who are qualified investors or otherwise in circumstances which do not require a prospectus to be made available to the public in the United Kingdom within the meaning of Section 85(1) of the FSMA;
- in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan and, accordingly, each Dealer has undertaken, and each further Dealer appointed under the Program will be required to undertake, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, **"Japanese Person"** shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **"Relevant Member State"**), each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **"Relevant Implementation Date"**) it has not made and will not make an offer of Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

- at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- at any time to any legal entity which has two or more of (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than 43,000,000 euro and (c) an annual net turnover of more than 50,000,000 euro, as shown in its last annual or consolidated accounts; or
- at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Switzerland

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it (a) will only offer or sell Notes in Switzerland in compliance with all applicable laws and regulations in force in Switzerland and (b) will to the extent necessary, obtain any consent, approval or permission required, if any, for the offer or sale by it of Notes under the laws and regulations in force in Switzerland. In particular, each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it will make sure that its selling and/or marketing of the Notes does not qualify as a "public offering" in the meaning of Art. 1156 Para. 1 of the Swiss Code of Obligations or any other applicable Swiss laws, regulations, rules, codes and practices of any nature whatsoever. Further, each Dealer has agreed, and each further Dealer appointed under the Program will be required to agree, that any issue of Notes denominated in Swiss Francs will be in compliance with the Directive on Notes of Foreign Borrowers of May 2001 of the Swiss Bankers Association.

GENERAL INFORMATION

Listing

Application has been made to the Irish Stock Exchange for the Notes issued during the period of 12 months from the date of this Offering Circular to be admitted to the Official List and trading on its regulated market. However, Notes may also be (i) listed on any other regulated market (as defined under the Prospectus Directive), (ii) listed on a securities exchange which is not a regulated market, or (iii) not listed on any regulated market or any other securities exchange.

Application has been made to list the Notes on the Irish Stock Exchange by the Issuer, through the Listing Agent, Arthur Cox Listing Services Limited. Arthur Cox Listing Services Limited is not seeking admission to listing on the Irish Stock Exchange for the purposes of the Prospectus Directive.

If any European and/or national legislation is adopted and is implemented or takes effect in Ireland in a manner that would require the Issuer and/or MetLife to publish or produce its financial statements according to accounting principles or standards that are different from U.S. generally accepted accounting principles, or that would otherwise impose requirements on the Issuer that the Issuer in good faith determines are impracticable or burdensome, the Issuer may de-list the Notes. The Issuer will use its reasonable efforts to obtain an alternative admission to listing, trading and/or quotation for the Notes by another listing authority, exchange and/or system within or outside the European Union, as it may decide. If such an alternative admission is not available to the Issuer or is, in the opinion of the Issuer, burdensome, an alternative admission may not be obtained. Notice of any de-listing and/or alternative admission will be given as described in the Terms and Conditions.

Authorizations

The Issuer's participation in the Program is authorized under the Trust Agreement. Metropolitan Life's acts in connection with the establishment of the Program, and its ongoing acts thereunder, were authorized pursuant to a resolution adopted by the Board of Directors of Metropolitan Life on April 23, 2002.

Clearance

The Notes have been accepted for clearance through Euroclear and Clearstream Luxembourg. In addition, the Issuer will make an application with respect to the Notes to be accepted for trading in book-entry form by DTC. With respect to each Series of Notes, any applicable CUSIP number, the ISIN and the common code will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Litigation

Except as disclosed in this Offering Circular, or in any supplement hereto, the Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) relating to claims or amounts which are material in the context of the issue of the Notes or the Funding Agreements, respectively, in the 12 months preceding the date of this Offering Circular which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

Except as disclosed in this Offering Circular, or in any supplement hereto, Metropolitan Life is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Metropolitan Life is aware) relating to claims or amounts which are material in the context of the issue of the Notes or the Funding Agreements, respectively, in the 12 months preceding the date of this Offering Circular which may have or have in such period had a significant effect on the financial position or profitability of Metropolitan Life.

Independent Auditors

The audited Consolidated Financial Statements of MetLife as of December 31, 2004, and 2003, and for the years then ended, included in this Offering Circular, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report herein.

Deloitte & Touche LLP, independent auditors, has given and not withdrawn its written consent to the inclusion of its reports appearing herein, in the form and context in which they are included, and has authorized the contents of those parts of this Offering Circular.

No Material Adverse Change

Except as disclosed in this Offering Circular, or in any supplement hereto, including any Final Terms, there has been no material adverse change in the financial position or prospects of Metropolitan Life since December 31, 2004 (the date of the last published annual audited financial statements of Metropolitan Life).

Transferability

The Notes will be freely transferable and no transaction through the Irish Stock Exchange can be cancelled, subject to the selling restrictions described under "Notice to Investors" and "Subscription and Sale."

Available Information

Upon request, the Issuer will provide, without charge, a copy of all amendments and supplements to this Offering Circular or any new offering circular, as the case may be, prepared by the Issuer from time to time, audited or unaudited Statutory Financial Statements of Metropolitan Life filed with the New York Department after the date of this Offering Circular, a copy of any Final Terms relating to Notes listed on the Irish Stock Exchange or any other regulated market, a copy of the Indenture and Trust Agreement, the Charter and By-Laws of Metropolitan Life, and copies of the forms of the Funding Agreement and the Support and Expenses Agreement to be entered into in connection with a particular Tranche of Notes. In addition, such documents will be available in physical format free of charge from the registered office of the Issuer and the principal office of the Irish Paying Agent.

Other than as set forth above under "Available Information" or as, provided in any supplement hereto, including any Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

Requests for available information may be made by contacting the Issuer at Metropolitan Life Global Funding I c/o AMACAR Pacific Corp., 6525 Morrison Boulevard, Suite 318, Charlotte, NC 28211, and by contacting the Irish Paying Agent.

This Offering Circular and any amendment or supplement to this Offering Circular or new offering circular, as the case may be, will be published on the website of the Irish Financial Services Regulatory Association at www.ifsra.ie.

The information on any web site mentioned in this Offering Circular or any web site directly or indirectly linked to any web site mentioned in this Offering Circular is not a part of, or incorporated by reference into, this Offering Circular and you should not rely on it.

Legal Matters

Certain matters regarding the Notes and their offering will be passed on for Metropolitan Life by Richard S. Collins, Chief Counsel-General Corporate of Metropolitan Life (as to New York law) and LeBoeuf, Lamb, Greene & MacRae LLP (as to New York and United States federal law), for the Issuer and for the Dealers by Skadden, Arps, Slate, Meagher & Flom LLP (as to New York and United States federal law), and for the Issuer by Richards, Layton & Finger (as to Delaware law). Certain United States federal income tax matters regarding the ownership and disposition of the Notes will be passed on for Metropolitan Life and the Issuer by LeBoeuf, Lamb, Greene & MacRae LLP.

FORM OF FINAL TERMS

The following is a form of Final Terms for an issue of Notes by Metropolitan Life Global Funding I under the Global Note Issuance Program:

Final Terms No. [ ] dated [ ]

Metropolitan Life Global Funding I

Issue of [Aggregate Principal Amount of Tranche] [Title of Notes]
secured by a Funding Agreement issued by

Metropolitan Life Insurance Company

under the $17,000,000,000 Global Note Issuance Program

This Final Terms should be read in conjunction with the accompanying Offering Circular dated January 19, 2006 (the "[Base] Prospectus") relating to the $17,000,000,000 Global Note Issuance Program of Metropolitan Global Funding I (the "Issuer").

PART A — CONTRACTUAL TERMS

Terms used herein and not otherwise defined herein shall have the meanings ascribed in the Offering Circular dated January 19, 2006 [and the Supplemental Offering Circular dated [ ]][1] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **"Prospectus Directive"**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the [Base] Offering Circular [as supplemented by the Supplemental Offering Circular (collectively, the "Offering Circular"]. Full information regarding the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular is available for viewing in physical format during normal business hours at the registered office of the Issuer located at c/o Delaware Trust Company, National Association, 300 Delaware Avenue, 9th Floor, Wilmington, DE 19801. In addition, copies of the Offering Circular and these Final Terms will be available in physical format free of charge from the principal office of the Irish Paying Agent for Notes listed on the Irish Stock Exchange and from the Paying Agent with respect to Notes not listed on any securities exchange. In addition, the Base Prospectus will be published on the website of the Irish Financial Services Regulatory Association at www.ifsra.ie.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

[For Notes denominated in Sterling, if the notes have a maturity of less than one year from the date of their issue, the minimum Specified Denomination of the Notes must be £100,000 or its equivalent in any other currency.]

1. (i) Issuer:	Metropolitan Life Global Funding I
(ii) Funding Agreement Provider:	Metropolitan Life Insurance Company ("Metropolitan Life")
2. Series Number:	[ ]
3. Tranche Number:	[ ]
4. Specified Currency or Currencies:	[ ]

[1] *Only include details of a Supplemental Offering Circular if such document amends the Offering Circular for the purposes of all future issues under the Program.*

5.	Aggregate Principal Amount:	[ ]
6.	[(i)] Issue Price:	[ ] percent of the Aggregate Principal Amount
	[(ii)] Net proceeds:	[ ] (after payment of underwriting commissions and before payment of certain expenses)
	[(iii)]Estimated Expenses of the Issuer:	[ ]
7.	Specified Denominations:	[ ] and integral multiples of [ ] in excess thereof
8.	[(i)] Issue Date:	*(N.B. Notes listed on the Irish Stock Exchange or any other regulated market as defined under Directive 93/22/EEC shall have Specified Denominations of at least €50,000 or the equivalent thereof in another currency. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Director or not offered within the European Economic Area, Specified Denominations of at least €50,000 of the equivalent thereof in another currency are not required.)*
	[(ii)] Interest Commencement Date (if different from the Issue Date):	[ ]
9.	Maturity Date:	*[specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]*
10.	Closing Date:	*[ ]*
11.	Interest Basis:	*[percent Fixed Rate]* *[[specify reference rate]+/ — percent Floating Rate]* *[Zero Coupon]* *[Index Linked Interest]* *[Other (specify)]* *[further particulars specified below)]*
12.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Installment] [Other (specify)]
13.	Change of Interest or Redemption/Payment Basis:	*[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
14.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]

15. Place(s) of Payment of Principal and Interest:	[So long as the Notes are in registered form and represented by one or more Global Certificates, through the facilities of Depositary Trust Company ("DTC") or Euroclear System ("Euroclear") and Clearstream Luxembourg, société anonyme ("Clearstream")]
16. Status of the Notes:	Secured Limited Recourse Notes
17. Method of distribution:	[Syndicated/Non-syndicated]
Provisions Relating to Interest (If Any) Payable	
18. Fixed Rate Notes Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i) Rate[s] of Interest:	[ ] percent per annum [payable [annually/semi-annually/quarterly/monthly] in arrears]
(ii) Interest Payment Date(s):	[ ] in each year
(iii) Fixed Coupon Amount[s]:	[ ] per [ ] in Nominal Amount
(iv) Broken Amount(s):	*[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)]]*
(v) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
(vi) Indication of Yield:	[ ]
(vii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ FRN Convention/other (give details and state whether adjusted/unadjusted)]
(viii) Day Count Fraction:	[Specify day count fraction]
(ix) Interest Determination Date(s):	[Insert day(s) and month(s) on which interest is normally paid (if more than year, then insert such dates in the alternative)]
(x) Other terms relating to the method of calculating interest for fixed Rates Notes:	[Not applicable/*give details*]
19. Floating Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate)*
(i) Interest Period(s)/Interest Payment Dates:	[ ]
(ii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ FRN Convention/other *(give details)*]

(iii) Interest Rate Determination:	
— Base Rate:	[ ]
— Relevant Margin(s):	[ ]
— Interest Determination Date(s):	[TARGET] [Business/Banking] dates in [*specify city*] for [*specify currency*] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]
— Relevant Screen Page/Primary Source for Floating Rate:	[*specify relevant screen page or "Reference Banks"*]
— Relevant Financial Center(s):	[The financial center most closely connected to the Benchmark — *specify if not London*] See Reference Rate above
— Specified Duration	[ ]
(iv) Calculation Agent, if any, responsible for calculating the Interest Rate(s) and Interest Amount(s) (if not the Indenture Trustee):	[ ]
(v) ISDA Determination:	
— Floating Rate Option:	[ ]
— Designated Maturity:	[ ]
— Reset Date:	[ ]
— ISDA Definitions (if different from those set out in the Offering Circular):	[ ]
(vi) Minimum Interest Rate	[ ]
(vii) Maximum Interest Rate:	[ ]
(viii) Day Count Fraction:	*[choose from options set out in Condition 7.09]*
(ix) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Offering Circular:	[ ] *(insert details)*
20. Zero Coupon Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i) [Amortization/Accrual] Yield:	[ ] percent per annum
(ii) Day Count Fraction:	[ ]
(iii) Reference Price:	[ ]
(iv) Any other formula/basis of determining amount payable:	[ ]
21. Index-Linked Interest Note Provisions.[2]	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

[2] *If the Conditions set out in the Offering Circular do not include a term set out at paragraphs 21 or 25, (e.g. Determination Date, Minimum Amount of Interest, Maximum Final Redemption Amount), then the relevant term should be deleted from the form of Final Terms set out in the Offering Circular.*

(i) Index/Formula/other variable:	*[give or annex details]*
(ii) Calculation Agent responsible for calculating the interest due:	[ ]
(iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[ ]
(iv) Specified Period(s)/Specified Interest Payment Dates:	[ ]
(v) Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ FRN Convention/other *(give details)*]
(vi) Relevant Financial Center(s):	[ ]
(vii) Minimum Interest Rate:	[ ] percent per annum
(viii) Maximum Interest Rate:	[ ] percent per annum
(ix) Day Count Fraction:	[ ]
22. Dual Currency Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i) Rate of Exchange/method of calculating Rate of Exchange:	*[give details]*
(ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[ ]
(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[ ]
(iv) Person at whose option Specified Currency(ies) is/are payable:	[ ]
(v) Day Count Fraction:	*[choose from Condition 7.09]*

Provisions Relating to Redemption

23. Optional Redemption by the Issuer	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i) Optional Redemption Date(s):	[ ]
(ii) Optional Redemption Amount(s) of each Note and method, if any of calculation of such amount(s):	[ ] per Note of [ ] specified denomination
(iii) If redeemable in part:	[ ]
(a) Minimum Redemption Amount:	[ ]
(b) Maximum Redemption Amount:	[ ]
(iv) Notice period[3]	[ ]

[3] *If setting notice periods which are different to those provided in the Offering Circular, the practicalities of distribution of information through intermediaries should be considered, for example, clearing systems and custodians, as well as any other notice requirements which may apply.*

24. Repayment at Option of Noteholder	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i) Optional Redemption Date(s):	[ ]
(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Note of [ ] specified denomination
(iii) Notice period[4]	[ ]
25. Final Redemption Amount of each Note[2]	
In cases where the Final Redemption Amount is Index-Linked or other variable-linked:	[[ ] per Note of [ ] specified denomination /other/see Appendix]
(i) Index/Formula/variable:	*[give or annex details]*
(ii) Calculation Agent responsible for calculating the Final Redemption Amount:	[ ]
(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[ ]
(iv) Determination Date(s):	[ ]
(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[ ]
(vi) Payment Date:	[ ]
(vii) Minimum Final Redemption Amount:	[ ]
(viii) Maximum Final Redemption Amount:	[ ]
26. Early Redemption Amount	
Early Redemption Amount(s), Installment Amount(s), Mandatory Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Offering Circular):	[ ]
General Provisions Applicable to the Notes	
27. Form of Notes:	Registered Notes: *[Specify]*

[2] *If the Conditions set out in the Offering Circular do not include a term set out at paragraphs 21 or 25, (e.g. Determination Date, Minimum Amount of Interest, Maximum Final Redemption Amount), then the relevant term should be deleted from the form of Final Terms set out in the Offering Circular.*

[4] *See footnote 3 supra.*

	Bearer Notes: *[Specify]* *[So long as the Bearer Notes are represented by a Temporary Global Bearer Note or Permanent Global Bearer Note and the relevant clearing system(s) so permit, such Notes shall be tradeable only in principal amounts of at least [the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination)] provided hereon and integral multiples of the tradeable amount in excess thereof provided in the relevant Final Terms.]*
28. Applicable TEFRA exemption:	[C Rules/D Rules/Not Applicable]
29. Additional Relevant Financial Center(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details*]
30. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
31. Details relating to Partly Paid Notes:	[Not Applicable/*give details*]
32. Details relating to Installment Notes:	[Not Applicable/*give details*]
33. Redenomination, renominalization and reconventioning provisions:	[Not Applicable/The provisions annexed to this Final Terms apply]
34. Consolidation provisions:	[Not Applicable/The provisions annexed to this Final Terms apply]
35. Other final terms	[Not Applicable/*give details*] *(When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and whether Article 16 of the Prospectus Directive requires the Issuer to produce a supplemental offering circular)*
36. Definitive Notes at Request of Holder	[Applicable/Not Applicable]

Distribution

37. (i) If syndicated, names of Managers:	[Not Applicable/*give name*]
(ii) Stabilizing Manager(s) (if any):	[Not Applicable/*give details*]
38. If non-syndicated, name of Dealer:	[ ]
39. Selling Restrictions:	*[The Selling Restrictions contained in "Subscription and Sale" in the Offering Circular are applicable]*
40. Additional selling restrictions:	[Not Applicable/*give details*]

Operational Information

41. ISIN:	[ ]
42. Common Code:	[ ]
43. CUSIP Number:	[ ]
44. CINS Number:	[ ]

45. Any clearing system(s) other than DTC, Euroclear and Clearstream and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
46. Delivery:	Delivery [against/free of] payment
47. Additional Paying Agent(s) if any:	[ ]

Other

48. Funding Agreement Number:	[ ] (the "Relevant Funding Agreement")
49. Rating of the Program:	
Moody's:	[ ]
Ratings of the Series:	
(i) Moody's:	[ ]
(ii) Standard & Poor's:	[ ]
50. Ratings of Metropolitan Life Insurance Company:	
(i) A.M. Best Company:	[ ]
(ii) Fitch Ratings:	[ ]
(iii) Moody's:	[ ]
(iv) Standard & Poor's:	[ ]

PART B — OTHER INFORMATION

1. LISTING

(i) Listing:	[The Irish Stock Exchange/other (*specify*)/None]
(ii) Admission to trading:	[Application has been made for the Notes to be admitted to trading on [ ] with effect from [ ]] [Not Applicable]
(iii) Estimate of total expenses related to admission to trading:	[ ]

2. USE OF PROCEEDS

The proceeds from the current sale of the Notes, net of certain expenses, underwriting discounts and commissions or similar applicable compensation will be used by the Issuer to purchase of the Relevant Funding Agreement from Metropolitan Life.

3. [NOTIFICATION

The [*include name of competent authority in EEA home Member State*] [has been requested to provide/has provided — include first alternative for an issue which is contemporaneous with the establishment or update of the Program and the second alternative for subsequent issues] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Offering Circular has been drawn up in accordance with the Prospectus Directive.]

4. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE AND THE OFFER OF THE NOTES**

(It is required that a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest be included in the Final Terms.)

[Except as discussed in "Management of MetLife" and/or "Subscription and Sale" in the Offering Circular or immediately below, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the issue and the offer of the Notes.]

5. ***[Fixed Rate Notes only — YIELD***

Indication of yield:	[ ]. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **CAPITALIZATION OF THE ISSUER**

The following table presents the Issuer's capitalization as of [ ] and as anticipated immediately following the closing:

	As of [●] (unaudited)	As Anticipated Immediately Following the Closing (unaudited)
Debt		
Short-Term Debt	$[ ]	$[ ]
Long-Term Debt	[ ]	[ ]
Total Debt	[ ]	[ ]
Equity		
Paid in Capital	[ ]	[ ]
Total Equity	[ ]	[ ]
Total Capitalization	$[ ]	$[ ]

There has been no material change in the capitalization of the Issuer since [ ]. The Issuer had no capital stock as of [ ].

LISTING AND ADMISSION TO TRADING APPLICATION

This Final Terms comprises the final terms required to list and have admitted to trading the issue of Notes described herein on the Irish Stock Exchange pursuant to the [$17,000,000,000] Global Note Issuance Program of the Issuer.

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Final Terms. [ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

METROPOLITAN LIFE GLOBAL FUNDING I

By: Delaware Trust Company, National Association,
not in its individual capacity,
but solely as Delaware Trustee

By: ______________________________
Name:
Title:

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Shareholder of
Metropolitan Life Insurance Company
New York, New York

We have audited the accompanying consolidated balance sheets of Metropolitan Life Insurance Company and subsidiaries (the "Company") as of December 31, 2004 and 2003, and the related consolidated statements of income, stockholder's equity and cash flows for each of the three years in the period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of Metropolitan Life Insurance Company and subsidiaries at December 31, 2004 and 2003, and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Company changed its method of accounting for certain non-traditional long duration contracts and separate accounts, and for embedded derivatives in certain insurance products as required by new accounting guidance which became effective on January 1, 2004 and October 1, 2003, respectively, and recorded the impact as cumulative effects of changes in accounting principles.

DELOITTE & TOUCHE LLP

New York, New York
March 31, 2005
(October 21, 2005 as to Note 19)

METROPOLITAN LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 31, 2004 and 2003
(Dollars in millions, except share and per share data)

	2004	2003
ASSETS		
Investments:		
Fixed maturities available-for-sale, at fair value (amortized cost: $141,512 and $134,844, respectively)	$150,246	$143,148
Equity securities, at fair value (cost: $1,646 and $885, respectively)	1,903	1,232
Mortgage and other loans	31,571	26,637
Policy loans	8,256	8,180
Real estate and real estate joint ventures held-for-investment	3,069	2,654
Real estate held-for-sale	252	472
Other limited partnership interests	2,891	2,584
Short-term investments	1,195	1,303
Other invested assets	4,908	4,795
Total investments	204,291	191,005
Cash and cash equivalents	2,373	2,343
Accrued investment income	2,006	1,922
Premiums and other receivables	5,498	6,170
Deferred policy acquisition costs	11,071	10,232
Assets of subsidiaries held-for-sale	379	183
Other assets	5,863	5,749
Separate account assets	68,507	63,661
Total assets	$299,988	$281,265
LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities:		
Future policy benefits	$ 91,603	$ 86,802
Policyholder account balances	68,369	61,725
Other policyholder funds	8,553	6,948
Policyholder dividends payable	1,058	1,046
Policyholder dividend obligation	2,243	2,130
Short-term debt	1,445	3,536
Long-term debt	2,050	2,055
Shares subject to mandatory redemption	278	277
Liabilities of subsidiaries held-for-sale	240	70
Current income taxes payable	709	791
Deferred income taxes payable	2,671	2,696
Payables under securities loaned transactions	25,230	24,065
Other liabilities	8,040	7,990
Separate account liabilities	68,507	63,661
Total liabilities	280,996	263,792
Stockholder's Equity:		
Parent's interest in preferred stock of a subsidiary, par value $1,000 per share; 110,000 shares authorized; 93,402 shares issued and outstanding at December 31, 2003	—	93
Common stock, par value $0.01 per share; 1,000,000,000 shares authorized; 494,466,664 shares issued and outstanding at December 31, 2004 and 2003	5	5
Additional paid-in capital	13,827	13,730
Retained earnings	2,696	1,261
Accumulated other comprehensive income	2,464	2,384
Total stockholder's equity	18,992	17,473
Total liabilities and stockholder's equity	$299,988	$281,265

See accompanying notes to consolidated financial statements.

METROPOLITAN LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2004, 2003 and 2002
(Dollars in millions)

	2004	2003	2002
Revenues			
Premiums	$17,512	$18,151	$18,461
Universal life and investment-type product policy fees	2,042	1,921	1,927
Net investment income	10,805	10,279	10,553
Other revenues	712	919	1,188
Net investment gains (losses)	289	(557)	(832)
Total revenues	31,360	30,713	31,297
Expenses			
Policyholder benefits and claims	18,735	18,444	18,709
Interest credited to policyholder account balances	2,358	2,379	2,711
Policyholder dividends	1,743	1,897	1,911
Other expenses	5,382	5,633	6,348
Total expenses	28,218	28,353	29,679
Income from continuing operations before provision for income taxes	3,142	2,360	1,618
Provision for income taxes	894	667	498
Income from continuing operations	2,248	1,693	1,120
Income from discontinued operations, net of income taxes	43	334	492
Income before cumulative effect of a change in accounting	2,291	2,027	1,612
Cumulative effect of a change in accounting, net of income taxes	(52)	(26)	—
Net income	$ 2,239	$ 2,001	$ 1,612

See accompanying notes to consolidated financial statements.

METROPOLITAN LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

For the Years Ended December 31, 2004, 2003 and 2002

(Dollars in millions)

	Parent's Interest in Preferred Stock of a Subsidiary	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss): Net Unrealized Investment Gains (Losses)	Foreign Currency Translation Adjustment	Minimum Pension Liability Adjustment	Total
Balance at January 1, 2002	$ —	$5	$12,825	$ —	$1,799	$(139)	$ (46)	$14,444
Sale of subsidiary to the Holding Company			149					149
Capital contribution from the Holding Company			500					500
Dividends on common stock				(904)				(904)
Comprehensive income (loss):								
Net income				1,612				1,612
Other comprehensive income (loss):								
Unrealized gains (losses) on derivative instruments, net of income taxes					(58)			(58)
Unrealized investment gains (losses), net of related offsets, reclassification adjustments and income taxes					250			250
Foreign currency translation adjustments						72		72
Other comprehensive income (loss)								264
Comprehensive income (loss)								1,876
Balance at December 31, 2002	—	5	13,474	708	1,991	(67)	(46)	16,065
Issuance of preferred stock by subsidiary to the Holding Company	93							93
Issuance of shares — by subsidiary			24					24
Issuance of stock options — by subsidiary			2					2
Sale of subsidiaries to the Holding Company or affiliate			261					261
Capital contribution from the Holding Company			2					2
Return of capital to the Holding Company			(33)					(33)
Dividends on common stock				(1,448)				(1,448)
Comprehensive income (loss):								
Net income				2,001				2,001
Other comprehensive income (loss):								
Unrealized gains (losses) on derivative instruments, net of income taxes					(228)			(228)
Unrealized investment gains (losses), net of related offsets, reclassification adjustments and income taxes					642			642
Foreign currency translation adjustments						174		174
Minimum pension liability adjustment							(82)	(82)
Other comprehensive income (loss)								506
Comprehensive income (loss)								2,507
Balance at December 31, 2003	93	5	13,730	1,261	2,405	107	(128)	17,473
Contribution of preferred stock by Holding Company to subsidiary and retirement thereof	(93)							(93)
Issuance of shares — by subsidiary			4					4
Issuance of stock options — by subsidiary			2					2
Capital contribution from the Holding Company			94					94
Return of capital to the Holding Company			(3)					(3)
Dividends on preferred stock				(7)				(7)
Dividends on common stock				(797)				(797)
Comprehensive income (loss):								
Net income				2,239				2,239
Other comprehensive income (loss):								
Unrealized gains (losses) on derivative instruments, net of income taxes					(77)			(77)
Unrealized investment gains (losses), net of related offsets, reclassification adjustments and income taxes					19			19
Cumulative effect of a change in accounting, net of income taxes					61			61
Foreign currency translation adjustments						79		79
Minimum pension liability adjustment							(2)	(2)
Other comprehensive income (loss)								80
Comprehensive income (loss)								2,319
Balance at December 31, 2004	$ —	$5	$13,827	$ 2,696	$2,408	$ 186	$(130)	$18,992

See accompanying notes to consolidated financial statements.

METROPOLITAN LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2004, 2003 and 2002
(Dollars in millions)

	2004	2003	2002
Cash flows from operating activities			
Net income	$ 2,239	$ 2,001	$ 1,612
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expenses	342	386	432
Amortization of premiums and accretion of discounts associated with investments, net	(15)	(162)	(456)
(Gains) losses from sales of investments and businesses, net	(289)	125	256
Interest credited to other policyholder account balances	2,358	2,379	2,711
Universal life and investment-type product policy fees	(2,042)	(1,921)	(1,927)
Change in premiums and other receivables	460	(81)	(1,878)
Change in deferred policy acquisition costs, net	(752)	(902)	(766)
Change in insurance-related liabilities	4,939	4,210	4,550
Change in income taxes payable	(101)	250	684
Change in other assets	(71)	(351)	(1,011)
Change in other liabilities	51	319	118
Other, net	(205)	(134)	74
Net cash provided by operating activities	6,914	6,119	4,399
Cash flows from investing activities			
Sales, maturities and repayments of:			
Fixed maturities	78,494	69,292	61,473
Equity securities	1,587	576	2,676
Mortgage and other loans	3,961	3,221	2,555
Real estate and real estate joint ventures	382	865	888
Other limited partnership interests	800	330	213
Purchases of:			
Fixed maturities	(83,243)	(90,122)	(79,509)
Equity securities	(2,107)	(104)	(1,235)
Mortgage and other loans	(8,639)	(4,354)	(3,111)
Real estate and real estate joint ventures	(484)	(255)	(146)
Other limited partnership interests	(893)	(643)	(507)
Net change in short-term investments	215	(183)	(308)
Proceeds from sales of businesses	18	1,995	749
Net change in payable under securities loaned transactions	1,166	7,744	3,659
Net change in other invested assets	(459)	(940)	(486)
Other, net	(371)	(201)	(329)
Net cash used in investing activities	$ (9,573)	$(12,779)	$(13,418)
Cash flows from financing activities			
Policyholder account balances:			
Deposits	$ 28,277	$ 29,054	$ 30,350
Withdrawals	(22,702)	(22,268)	(24,773)
Net change in short-term debt	(2,072)	2,624	567
Long-term debt issued	20	145	537
Long-term debt repaid	(28)	(714)	(221)
Capital contribution from the Holding Company	—	148	649
Proceeds from offering of common stock by subsidiary, net	—	398	—
Dividends on preferred stock	(7)	—	—
Dividends on common stock	(797)	(1,448)	(904)
Other, net	3	8	(12)
Net cash provided by financing activities	2,694	7,947	6,193
Change in cash and cash equivalents	35	1,287	(2,826)
Cash and cash equivalents, beginning of year	2,393	1,106	3,932
Cash and cash equivalents, end of year	$ 2,428	$ 2,393	$ 1,106
Cash and cash equivalents, subsidiaries held-for-sale, beginning of year	50	54	50
Cash and cash equivalents, subsidiaries held-for-sale, end of year	55	50	54
Cash and cash equivalents, from continuing operations, beginning of year	2,343	1,052	3,882
Cash and cash equivalents, from continuing operations, end of year	2,373	2,343	1,052
Supplemental disclosures of cash flow information:			
Net cash paid during the year for:			
Interest	$ 140	$ 307	$ 243
Income taxes	$ 950	$ 789	$ 96
Non-cash transactions during the year:			
Purchase money mortgage on real estate sale	$ 2	$ 196	$ 954
Real estate acquired in satisfaction of debt	$ 7	$ 14	$ 30
Transfer from funds withheld at interest to fixed maturities	$ 606	$ —	$ —
Contribution of equity securities to MetLife Foundation	$ 50	$ —	$ —

See accompanying notes to consolidated financial statements.

1. Summary of Accounting Policies

Business

Metropolitan Life Insurance Company (**"Metropolitan Life"**) and its subsidiaries (the **"Company"**) is a leading provider of insurance and other financial services to individual and institutional customers. The Company offers life insurance and annuities, to individuals, as well as group insurance, reinsurance and retirement & savings products and services to corporations and other institutions. Metropolitan Life is a wholly-owned subsidiary of MetLife, Inc. (the **"Holding Company"**). The Company offered automobile and homeowners insurance through Metropolitan Property and Casualty Insurance Company and its subsidiaries (**"Met P&C"**), which was sold to the Holding Company in 2003.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of (i) Metropolitan Life and its subsidiaries; (ii) partnerships and joint ventures in which the Company has control; and (iii) variable interest entities (**"VIEs"**) for which the Company is deemed to be the primary beneficiary. Closed block assets, liabilities, revenues and expenses are combined on a line-by-line basis with the assets, liabilities, revenues and expenses outside the closed block based on the nature of the particular item (See Note 6). Assets, liabilities, revenues and expenses of the general account for 2004 include amounts related to certain separate accounts previously reported in separate account assets and liabilities. See "— Application of Recent Accounting Pronouncements." Intercompany accounts and transactions have been eliminated.

Cova Corporation, MetLife Investors Group, Inc., MetLife International Holdings, Inc., Walnut Street Securities, Inc., Seguros Genesis S.A., MetLife Pensiones S.A. and Metropolitan Life Seguros de Vida S.A., which were sold to the Holding Company in 2002; Met P&C, Metropolitan Tower Life Insurance Company (**"MTL"**), MetLife General Insurance Agency, Inc. and its subsidiaries, MetLife Securities, Inc. and N.L. Holding Corporation and its subsidiaries, which were sold to the Holding Company in 2003; and Newbury Insurance Company, Limited which was sold to the Holding Company and New England Pension and Annuity Company which was sold to MTL in 2004, are included in the accompanying consolidated financial statements until the respective dates of sale. On August 25, 2004, the Company entered into an agreement to sell its wholly owned subsidiary, SSRM Holdings, Inc. (**"SSRM"**), to a third party. On January 31, 2005, the Company completed the sale of SSRM. The Company has reclassified the assets, liabilities and operations of SSRM into discontinued operations for all periods presented in the consolidated financial statements. (See Note 15).

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

Minority interest related to consolidated entities included in other liabilities was $1,325 million and $1,233 million at December 31, 2004 and 2003, respectively.

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform with the 2004 presentation.

Summary of Critical Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (**"GAAP"**) requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the consolidated financial statements. The most critical estimates include those used in determining: (i) investment impairments; (ii) the fair value of investments in the absence of quoted market values; (iii) application of the consolidation rules to certain investments; (iv) the fair value of and accounting for derivatives; (v) the capitalization and amortization of deferred policy acquisition costs (**"DAC"**), including value of business acquired (**"VOBA"**); (vi) the liability for future policyholder benefits; (vii) the liability for litigation and regulatory matters; and (viii) accounting for reinsurance transactions and employee benefit plans. In applying these policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company's businesses and operations. Actual results could differ from those estimates.

Investments

The Company's principal investments are in fixed maturities, mortgage and other loans and real estate, all of which are exposed to three primary sources of investment risk: credit, interest rate and market valuation. The financial statement risks are those associated with the recognition of impairments and income, as well as the determination of fair values. The assessment of whether impairments have occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in fair value. Management considers a wide range of factors about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations used by the Company in the impairment evaluation process include, but are not limited to: (i) the length of time and the extent to which the market value has been below cost or amortized cost; (ii) the potential for impairments of securities when the issuer is experiencing significant financial difficulties; (iii) the potential for impairments in an entire industry sector or sub-sector; (iv) the potential for impairments in certain economically depressed geographic locations; (v) the potential for impairments of securities where the issuer, series of issuers or industry has suffered a catastrophic type of loss or has exhausted natural resources; (vi) the Company's ability and intent to hold the security for a period of time sufficient to allow for the recovery of its value to an amount equal to or greater than cost or amortized cost; (vii) unfavorable changes in forecasted cash flows on asset-backed securities; and (viii) other subjective factors, including concentrations and information obtained from regulators and rating agencies. In addition, the earnings on certain investments are dependent upon market conditions, which could result in prepayments and changes in amounts to be earned due to changing interest rates or equity markets. The determination of fair values in the absence of quoted market values is based on: (i) valuation methodologies; (ii) securities the Company deems to be comparable; and (iii) assumptions deemed appropriate given the circumstances. The use of different methodologies and assumptions may have a material effect on the estimated fair value amounts. In addition, the Company enters into certain structured investment transactions, real estate joint ventures and limited partnerships for which the Company may be deemed to be the primary beneficiary and, therefore, may be required to consolidate such investments. The accounting rules for the determination of the primary beneficiary are complex and require evaluation of the contractual rights and obligations associated with each party involved in the entity, an estimate of the entity's expected losses and expected residual returns and the allocation of such estimates to each party.

Derivatives

The Company enters into freestanding derivative transactions primarily to manage the risk associated with variability in cash flows or changes in fair values related to the Company's financial assets and liabilities. The Company also uses derivative instruments to hedge its currency exposure associated with net investments in certain foreign operations. The Company also purchases investment securities, issues certain insurance policies and engages in certain reinsurance contracts that have embedded derivatives. The associated financial statement risk is the volatility in net income which can result from (i) changes in fair value of derivatives not qualifying as accounting hedges; (ii) ineffectiveness of designated hedges; and (iii) counterparty default. In addition, there is a risk that embedded derivatives requiring bifurcation are not identified and reported at fair value in the consolidated financial statements. Accounting for derivatives is complex, as evidenced by significant authoritative interpretations of the primary accounting standards which continue to evolve, as well as the significant judgments and estimates involved in determining fair value in the absence of quoted market values. These estimates are based on valuation methodologies and assumptions deemed appropriate in the circumstances. Such assumptions include estimated volatility and interest rates used in the determination of fair value where quoted market values are not available. The use of different assumptions may have a material effect on the estimated fair value amounts.

Deferred Policy Acquisition Costs

The Company incurs significant costs in connection with acquiring new and renewal insurance business. These costs, which vary with and are primarily related to the production of that business, are deferred. The recovery of such costs is dependent upon the future profitability of the related business. The amount of future profit is dependent principally on investment returns in excess of the amounts credited to policyholders, mortality, morbidity, persistency, interest crediting rates, expenses to administer the business, creditworthiness of reinsurance counterparties and certain economic variables, such as inflation. Of these factors, the Company anticipates that investment returns are most likely to impact the rate of amortization of such costs. The aforementioned factors enter into management's estimates of gross margins and profits, which generally are used to amortize such costs. Revisions to estimates result in changes to the amounts expensed in the reporting period in which the revisions are made and could result in the impairment of the asset and a charge to income if estimated future gross margins and profits are less than amounts deferred. In addition, the Company utilizes the reversion to the mean assumption, a common industry practice, in its determination of the capitalization and amortization of DAC including VOBA. This practice assumes that the expectation for long-term appreciation in equity markets is not changed by minor short-term market fluctuations, but that it does change when large interim deviations have occurred.

Liability for Future Policy Benefits

The Company establishes liabilities for amounts payable under insurance policies, including traditional life insurance, traditional annuities and non-medical health insurance. Generally, amounts are payable over an extended period of time and liabilities are established based on methods and underlying assumptions in accordance with GAAP and applicable actuarial standards. Principal assumptions used in the establishment of liabilities for future policy benefits are mortality, morbidity, expenses, persistency, investment returns and inflation.

Differences between actual experience and the assumptions used in pricing these policies and in the establishment of liabilities result in variances in profit and could result in losses. The effects of changes in such estimated reserves are included in the results of operations in the period in which the changes occur.

Reinsurance

The Company enters into reinsurance transactions as both a provider and a purchaser of reinsurance. Accounting for reinsurance requires extensive use of assumptions and estimates, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. The Company periodically reviews actual and anticipated experience compared to the aforementioned assumptions used to establish assets and liabilities relating to ceded and assumed reinsurance and evaluates the financial strength of counterparties to its reinsurance agreements using criteria similar to that evaluated in the security impairment process discussed previously. Additionally, for each of its reinsurance contracts, the Company must determine if the contract provides indemnification against loss or liability relating to insurance risk, in accordance with applicable accounting standards. The Company must review all contractual features, particularly those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims. If the Company determines that a reinsurance contract does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk, the Company records the contract using the deposit method of accounting.

Litigation

The Company is a party to a number of legal actions and regulatory investigations. Given the inherent unpredictability of these matters, it is difficult to estimate the impact on the Company's consolidated financial position. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Liabilities related to certain lawsuits, including the Company's asbestos-related liability, are especially difficult to estimate due to the limitation of available data and uncertainty regarding numerous variables used to determine amounts recorded. The data and variables that impact the assumptions used to estimate the Company's asbestos-related liability include the number of future claims, the cost to resolve claims, the disease mix and severity of disease, the jurisdiction of claims filed, tort reform efforts and the impact of any possible future adverse verdicts and their amounts. On a quarterly and annual basis the Company reviews relevant information with respect to liabilities for litigation, regulatory investigations and contingencies to be reflected in the Company's consolidated financial statements. The review includes senior legal and financial personnel. It is possible that an adverse outcome in certain of the Company's litigation and regulatory investigations, including asbestos-related cases, or the use of different assumptions in the determination of amounts recorded could have a material effect upon the Company's consolidated net income or cash flows in particular quarterly or annual periods.

Employee Benefit Plans

The Company sponsors pension and other retirement plans in various forms covering employees who meet specified eligibility requirements. The reported expense and liability associated with these plans requires an extensive use of assumptions which include the discount rate, expected return on plan assets and rate of future compensation increases as determined by the Company. Management determines these assumptions based upon currently available market and industry data, historical performance of the plan and its assets, and consultation with an independent consulting actuarial firm. These assumptions used by the Company may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. These differences may have a significant effect on the Company's consolidated financial statements and liquidity.

Significant Accounting Policies

Investments

The Company's fixed maturity and equity securities are classified as available-for-sale and are reported at their estimated fair value. Unrealized investment gains and losses on securities are recorded as a separate component of other comprehensive income or loss, net of policyholder related amounts and deferred income taxes. The cost of fixed maturity and equity securities is adjusted for impairments in value deemed to be other-than-temporary in the period that determination is made. These adjustments are recorded as investment losses. The assessment of whether such impairment has occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in fair value. Management considers a wide range of factors, as described in "Summary of Critical Accounting Estimates-Investments," about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential.

The Company's review of its fixed maturities and equity securities for impairments also includes an analysis of the total gross unrealized losses by three categories of securities: (i) securities where the estimated fair value had declined and remained below cost or amortized cost by less than 20%; (ii) securities where the estimated fair value had declined and remained below cost or amortized cost by 20% or more for less than six months; and (iii) securities where the estimated fair value had declined and remained below cost or amortized cost by 20% or more for six months or greater.

Investment gains and losses on sales of securities are determined on a specific identification basis. All security transactions are recorded on a trade date basis. Amortization of premium and accretion of discount on fixed maturity securities is recorded using the effective interest method.

Mortgage loans on real estate are stated at amortized cost, net of valuation allowances. Valuation allowances are recorded when it is probable that, based upon current information and events, the Company will be unable to collect all amounts due under the contractual terms of the loan agreement. Such valuation allowances are established for the excess carrying value of the mortgage loan over the present value of expected future cash flows discounted at the loan's original effective interest rate, the value of the loan's collateral or the loan's market value if the loan is being sold. The Company also establishes allowances for loan loss when a loss contingency exists for pools of loans with similar characteristics based on property types and loan to value risk factors. A loss contingency exists when the likelihood that a future event will occur is probable based on past events. Changes in valuation allowances are included in net investment gains and losses. Interest income earned on impaired loans is accrued on the principal amount of the loan based on the loan's contractual interest rate. However, interest ceases to be accrued for loans on which interest is generally more than 60 days past due and/or where the collection of interest is not considered probable. Cash receipts on impaired loans are recorded as a reduction of the recorded investment.

Real estate held-for-investment, including related improvements, is stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life of the asset (typically 20 to 55 years). Once the Company identifies a property that is expected to be sold within one year and commences a firm plan for marketing the property, the Company, if applicable, classifies the property as held-for-sale and reports the related net investment income and any resulting investment gains and losses as discontinued operations. Real estate held-for-sale is stated at the lower of depreciated cost or fair value less expected disposition costs. Real estate is not depreciated while it is classified as held-for-sale. Cost of real estate held-for-investment is adjusted for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. Impaired real estate is written down to estimated fair value with the impairment loss being included in net investment gains and losses. Impairment losses are based upon the estimated fair value of real estate, which is generally computed using the present value of expected future cash flows from the real estate discounted at a rate commensurate with the underlying risks. Real estate acquired upon foreclosure of commercial and agricultural mortgage loans is recorded at the lower of estimated fair value or the carrying value of the mortgage loan at the date of foreclosure.

Policy loans are stated at unpaid principal balances.

Short-term investments are stated at amortized cost, which approximates fair value.

Other invested assets consist principally of leveraged leases and funds withheld at interest. The leveraged leases are recorded net of non-recourse debt. The Company participates in lease transactions which are diversified by industry, asset type and geographic area. The Company regularly reviews residual values and impairs residuals to expected values as needed. Funds withheld represent amounts contractually withheld by ceding companies in accordance with reinsurance agreements. For agreements written on a modified coinsurance basis and certain agreements written on a coinsurance basis, assets supporting the reinsured policies and equal to the net statutory reserves are withheld and continue to be legally owned by the ceding companies. Other invested assets also includes the fair value of embedded derivatives related to funds withheld and modified coinsurance contracts. The Company recognizes interest on funds withheld in accordance with the treaty terms as investment income is earned on the assets supporting the reinsured policies.

The Company participates in structured investment transactions, primarily asset securitizations and structured notes. These transactions enhance the Company's total return of the investment portfolio principally by generating management fee income on asset securitizations and by providing equity-based returns on debt securities through structured notes and similar instruments.

The Company sponsors financial asset securitizations of high yield debt securities, investment grade bonds and structured finance securities and also is the collateral manager and a beneficial interest holder in such transactions. As the collateral manager, the Company earns management fees on the outstanding securitized asset balance, which are recorded in income as earned. When the Company transfers assets to a bankruptcy-remote special purpose entity ("SPE") and surrenders control over the transferred assets, the transaction is accounted for as a sale. Gains or losses on securitizations are determined with reference to the carrying amount of the financial assets transferred, which is allocated to the assets sold and the beneficial interests retained based on relative fair values at the date of transfer. Beneficial interests in securitizations are carried at fair value in fixed maturities. Income on these beneficial interests is recognized using the prospective method. The SPEs used to securitize assets generally are not consolidated by the Company because the Company has determined that it is not the primary beneficiary of these entities. Prior to the adoption of FASB Interpretation No. 46 (revised December 31, 2003), *Consolidation of Variable Interest Entities, An Interpretation of ARB No. 51* ("FIN 46(r)"), such SPEs were not consolidated because they did not meet the criteria for consolidation under previous accounting guidance.

The Company purchases or receives beneficial interests in SPEs, which generally acquire financial assets, including corporate equities, debt securities and purchased options. The Company has not guaranteed the performance, liquidity or obligations of the SPEs and the Company's exposure to loss is limited to its carrying value of the beneficial interests in the SPEs. The Company uses the beneficial interests as part of its risk management strategy, including asset-liability management. These SPEs are not consolidated by the Company because the Company has determined that it is not the primary beneficiary of these entities based on the framework provided in FIN 46(r). Prior to the adoption of FIN 46(r), such SPEs were not consolidated because they did not meet the criteria for consolidation under previous accounting guidance. These beneficial interests are generally structured notes which are included in fixed maturities, and their income is recognized using the retrospective interest method or the level yield method, as appropriate. Impairments of these beneficial interests are included in net investment gains (losses).

Derivative Financial Instruments

Derivatives are financial instruments whose values are derived from interest rates, foreign exchange rates, or other financial indices. Derivatives may be exchange traded or contracted in the over-the-counter market. The Company uses a variety of derivatives, including swaps, forwards, futures and option contracts, to manage its various risks. Additionally, the Company enters into income generation and replication derivatives as permitted by its insurance subsidiaries' Derivatives Use Plans approved by the applicable state insurance departments. Freestanding derivatives are carried on the Company's consolidated balance sheet either as assets within Other invested assets or as liabilities within Other liabilities at fair value as determined by quoted market prices or through the use of pricing models. Values can be affected by changes in interest rates, foreign exchange rates, financial indices, credit spreads, market volatility, and liquidity. Values can also be affected by changes in estimates and assumptions used in pricing models. If a derivative does not qualify for hedge accounting pursuant to Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"), as amended, changes in the fair value of the derivative are reported in Net investment gains (losses), or in Interest credited to policyholder account balances for hedges of liabilities embedded in certain variable annuity products offered by the Company.

To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge as either (i) a hedge of the fair value of a recognized asset or liability or an unrecognized firm commitment ("fair value hedge"); (ii) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"); or (iii) a hedge of a net investment in a foreign operation. In this documentation, the Company sets forth how the hedging instrument is expected to hedge the risks related to the hedged item and sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument's effectiveness and the method which will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and throughout the life of the hedging relationship. The ineffective portion of the changes in fair value of the hedging instrument is recorded in net investment gains (losses).

Under a fair value hedge, changes in the fair value of the derivative, along with changes in the fair value of the hedged item related to the risk being hedged, are reported in Net investment gains (losses).

In a cash flow hedge, changes in the fair value of the derivative are recorded in Other comprehensive income (loss), a separate component of shareholders' equity, and the deferred gains or losses on the derivative are reclassified into the income statement when the Company's earnings are affected by the variability in cash flows of the hedged item.

In a hedge of a net investment in a foreign operation, changes in the fair value of the derivative are recorded in Other comprehensive income (loss).

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

When hedge accounting is discontinued because it is determined that the derivative is not highly effective in offsetting changes in the fair value or cash flows of a hedged item, the derivative continues to be carried on the consolidated balance sheet at its fair value, with changes in fair value recognized currently in Net investment gains (losses). The carrying value of the hedged recognized asset or liability under a fair value hedge is no longer adjusted for changes in its fair value due to hedged risk, and the cumulative adjustment to its carrying value is amortized into income over the remaining life of the hedged item. The changes in fair value of derivatives recorded in Other comprehensive income (loss) related to discontinued cash flow hedges are amortized into income over the remaining life of the hedging instruments.

When hedge accounting is discontinued because it is probable that the forecasted transactions will not occur by the end of the specified time period or the hedged item no longer meets the definition of a firm commitment, the derivative continues to be carried on the consolidated balance sheet at its fair value, with changes in fair value recognized currently in Net investment gains (losses). Any asset or liability associated with a recognized firm commitment is derecognized from the consolidated balance sheet, and recorded currently in Net investment gains (losses). Deferred gains and losses of a derivative recorded in Other comprehensive income (loss) pursuant to the cash flow hedge of a forecasted transaction are recognized immediately in Net investment gains (losses).

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

The Company is also a party to financial instruments in which a derivative is "embedded." For each financial instrument in which a derivative is embedded, the Company assesses whether the economic characteristics of the embedded derivative are clearly and closely related to those of the host contract, and determines whether a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative, as defined in SFAS 133. If it is determined that the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract, and that a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is separated from the host contract and accounted for as a freestanding derivative. Such embedded derivatives are carried on the consolidated balance sheet at fair value with the host contract and changes in their fair value are reported currently in Net investment gains (losses). If the Company is unable to properly identify and measure an embedded derivative for separation from its host contract, the entire contract is carried on the balance sheet at fair value, with changes in fair value recognized in the current period in Net investment gains (losses).

Cash and Cash Equivalents

The Company considers all investments purchased with an original maturity of three months or less to be cash equivalents.

Property, Equipment, Leasehold Improvements and Computer Software

Property, equipment and leasehold improvements, which are included in other assets, are stated at cost, less accumulated depreciation and amortization. Depreciation is determined using either the straight-line or sum-of-the-years-digits method over the estimated useful lives of the assets. The estimated life for company occupied real estate property is generally 40 years. Estimated lives generally range from five to ten years for leasehold improvements and three to five years for all other property and equipment. Accumulated depreciation and amortization of property, equipment and leasehold improvements was $439 million and $396 million at December 31, 2004 and 2003, respectively. Related depreciation and amortization expense was $93 million, $99 million and $77 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Computer software, which is included in other assets, is stated at cost, less accumulated amortization. Purchased software costs, as well as internal and external costs incurred to develop internal-use computer software during the application development stage, are capitalized. Such costs are amortized generally over a four-year period using the straight-line method. Accumulated amortization of capitalized software was $490 million and $377 million at December 31, 2004 and 2003, respectively. Related amortization expense was $126 million, $143 million and $152 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Deferred Policy Acquisition Costs

The costs of acquiring new and renewal insurance business that vary with, and are primarily related to, the production of that business are deferred. Such costs, which consist principally of commissions, agency and policy issue expenses, are amortized with interest over the expected life of the contract for participating traditional life, universal life and investment-type products. Generally, DAC is amortized in proportion to the present value of estimated gross margins or profits from investment, mortality, expense margins and surrender charges. Interest rates used to compute the present value of estimated gross margins and profits are based on rates in effect at the inception or acquisition of the contracts.

Actual gross margins or profits can vary from management's estimates resulting in increases or decreases in the rate of amortization. Management utilizes the reversion to the mean assumption, a common industry practice, in its determination of the amortization of DAC. This practice assumes that the expectation for long-term equity investment appreciation is not changed by minor short-term market fluctuations, but that it does change when large interim deviations have occurred. Management periodically updates these estimates and evaluates the recoverability of DAC. When appropriate, management revises its assumptions of the estimated gross margins or profits of these contracts, and the cumulative amortization is re-estimated and adjusted by a cumulative charge or credit to current operations.

DAC for non-participating traditional life, non-medical health and annuity policies with life contingencies is amortized in proportion to anticipated premiums. Assumptions as to anticipated premiums are made at the date of policy issuance or acquisition and are consistently applied during the lives of the contracts. Deviations from estimated experience are included in operations when they occur. For these contracts, the amortization period is typically the estimated life of the policy.

Policy acquisition costs related to internally replaced contracts are expensed at the date of replacement.

DAC for property and casualty insurance contracts, which is primarily comprised of commissions and certain underwriting expenses, are deferred and amortized on a pro rata basis over the applicable contract term or reinsurance treaty.

VOBA, included as part of DAC, represents the present value of estimated future profits to be generated from existing insurance contracts in-force at the date of acquisition and is amortized over the expected policy or contract duration in relation to the estimated gross profits or premiums from such policies and contracts.

Sales Inducements

The Company has two different types of sales inducements: (i) the policyholder receives a bonus whereby the policyholder's initial account balance is increased by an amount equal to a specified percentage of the customer's deposit and (ii) the policyholder receives a higher interest rate than the normal general account interest rate credited on money in the enhanced dollar cost averaging program. The Company defers sales inducements and amortizes them over the life of the policy using the same methodology and assumptions used to amortize DAC.

Goodwill

The excess of cost over the fair value of net assets acquired ("goodwill") is included in other assets. On January 1, 2002, the Company adopted the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*, ("SFAS 142"). In accordance with SFAS 142, goodwill is not amortized but is tested for impairment at least annually to determine whether a writedown of the cost of the asset is required. Impairments are recognized in operating results when the carrying amount of goodwill exceeds its implied fair value. Prior to the adoption of SFAS 142, goodwill was amortized on a straight-line basis over a period ranging from 10 to 30 years and impairments were recognized in operating results when permanent diminution in value was deemed to have occurred.

Changes in net goodwill were as follows:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Balance, beginning of year	$218	$ 405	$ 575
Acquisitions	1	3	7
Impairment losses	—	—	(2)
Disposition and other	(2)	(190)	(175)
Balance, end of year	$217	$ 218	$ 405

Accumulated amortization from goodwill was as follows at:

	December 31,		
	2004	2003	2002
	(Dollars in millions)		
Accumulated amortization	$32	$32	$71

Liability for Future Policy Benefits and Policyholder Account Balances

Future policy benefit liabilities for participating traditional life insurance policies are equal to the aggregate of (i) net level premium reserves for death and endowment policy benefits (calculated based upon the non-forfeiture interest rate, ranging from 3% to 9%, and mortality rates guaranteed in calculating the cash surrender values described in such contracts), (ii) the liability for terminal dividends, and (iii) premium deficiency reserves, which are established when the liabilities for future policy benefits plus the present value of expected future gross premiums are insufficient to provide for expected future policy benefits and expenses after DAC is written off. Future policy benefits for non-participating traditional life insurance policies are equal to the aggregate of (i) the present value of future benefit payments and related expenses less the present value of future net premiums and (ii) premium deficiency reserves.

Assumptions as to mortality and persistency are based upon the Company's experience when the basis of the liability is established. Interest rates for the aggregate future policy benefit liabilities range from 3.3% to 10.0%.

Participating business represented approximately 12% and 13% of the Company's life insurance in-force, and 87% and 88% of the number of life insurance policies in-force, at December 31, 2004 and 2003, respectively. Participating policies represented approximately 37% and 37%, 40% and 41%, and 40% and

41% of gross and net life insurance premiums for the years ended December 31, 2004, 2003 and 2002, respectively. The percentages indicated are calculated excluding the business of the Reinsurance segment.

Future policy benefit liabilities for individual and group traditional fixed annuities after annuitization are equal to the present value of expected future payments and premium deficiency reserves. Interest rates used in establishing such liabilities range from 3% to 10%.

Future policy benefit liabilities for non-medical health insurance are calculated using the net level premium method and assumptions as to future morbidity, withdrawals and interest, which provide a margin for adverse deviation. Interest rates used in establishing such liabilities range from 3% to 7%.

Future policy benefit liabilities for disabled lives are estimated using the present value of benefits method and experience assumptions as to claim terminations, expenses and interest. Interest rates used in establishing such liabilities range from 3% to 8%.

Liabilities for unpaid claims and claim expenses for property and casualty insurance are included in future policyholder benefits and are estimated based upon the Company's historical experience and other actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation. The effects of changes in such estimated liabilities are included in the results of operations in the period in which the changes occur.

Policyholder account balances relate to investment-type contracts and universal life-type policies. Investment-type contracts principally include traditional individual fixed annuities in the accumulation phase and non-variable group annuity contracts. Policyholder account balances are equal to the policy account values, which consist of an accumulation of gross premium payments plus credited interest, ranging from 1% to 12%, less expenses, mortality charges, and withdrawals.

The Company issues fixed and floating rate obligations under its guaranteed investment contract ("GIC") program. During the years ended December 31, 2004, 2003 and 2002, the Company issued $3,941 million, $4,341 million and $500 million, respectively, in such obligations. There have been no repayments of any of the contracts. Accordingly, the GICs outstanding, which are included in policyholder account balances in the accompanying consolidated balance sheets, were $8,978 and $4,862, respectively, at December 31, 2004 and 2003. Interest credited on the contracts for the years ended December 31, 2004, 2003 and 2002 was $139 million, $56 million and $12 million, respectively.

The Company establishes liabilities for minimum death and income benefit guarantees relating to certain annuity contracts and secondary and paid up guarantees relating to certain life policies. Annuity guaranteed death benefit liabilities are determined by estimating the expected value of death benefits in excess of the projected account balance and recognizing the excess ratably over the accumulation period based on total expected assessments. The Company regularly evaluates estimates used and adjusts the additional liability balance, with a related charge or credit to benefit expense, if actual experience or other evidence suggests that earlier assumptions should be revised. The assumptions used in estimating the liabilities are consistent with those used for amortizing DAC, including the mean reversion assumption. The assumptions of investment performance and volatility are consistent with the historical experience of the Standard & Poor's 500 Index ("S&P"). The benefits used in calculating the liabilities are based on the average benefits payable over a range of scenarios.

Guaranteed annuitization benefit liabilities are determined by estimating the expected value of the annuitization benefits in excess of the projected account balance at the date of annuitization and recognizing the excess ratably over the accumulation period based on total expected assessments. The Company regularly evaluates estimates used and adjusts the additional liability balance, with a related charge or credit to benefit expense, if actual experience or other evidence suggests that earlier assumptions should be revised. The assumptions used for calculating such guaranteed annuitization benefit liabilities are consistent with those used for calculating the guaranteed death benefit liabilities. In addition, the calculation of guaranteed annuitization benefit liabilities incorporates a percentage of the potential annuitizations that may be elected by the contractholder.

Liabilities for universal and variable life secondary guarantees and paid-up guarantees are determined by estimating the expected value of death benefits payable when the account balance is projected to be zero and recognizing those benefits ratably over the accumulation period based on total expected assessments. The Company regularly evaluates estimates used and adjusts the additional liability balances, with a related charge or credit to benefit expense, if actual experience or other evidence suggests that earlier assumptions should be revised. The assumptions used in estimating the secondary and paid up guarantee liabilities are consistent with those used for amortizing DAC. The assumptions of investment performance and volatility for variable products are consistent with historical S&P experience. The benefits used in calculating the liabilities are based on the average benefits payable over a range of scenarios.

Recognition of Insurance Revenue and Related Benefits

Premiums related to traditional life and annuity policies with life contingencies are recognized as revenues when due. Benefits and expenses are provided against such revenues to recognize profits over the estimated lives of the policies. When premiums are due over a significantly shorter period than the period over which benefits are provided, any excess profit is deferred and recognized into operations in a constant relationship to insurance in-force or, for annuities, the amount of expected future policy benefit payments.

Premiums related to non-medical health and disability contracts are recognized on a pro rata basis over the applicable contract term.

Deposits related to universal life and investment-type products are credited to policyholder account balances. Revenues from such contracts consist of amounts assessed against policyholder account balances for mortality, policy administration and surrender charges and are recognized in the period in which services are provided. Amounts that are charged to operations include interest credited and benefit claims incurred in excess of related policyholder account balances.

Premiums related to property and casualty contracts are recognized as revenue on a pro rata basis over the applicable contract term.

Other Revenues

Other revenues include advisory fees, broker/dealer commissions and fees, and administrative service fees. Such fees and commissions are recognized in the period in which services are performed. Other revenues also include changes in account value relating to corporate-owned life insurance ("COLI"). Under certain COLI contracts, if the Company reports certain unlikely adverse results in its consolidated financial statements, withdrawals would not be immediately available and would be subject to market value adjustment, which could result in a reduction of the account value.

Policyholder Dividends

Policyholder dividends are approved annually by the insurance subsidiaries' boards of directors. The aggregate amount of policyholder dividends is related to actual interest, mortality, morbidity and expense experience for the year, as well as management's judgment as to the appropriate level of statutory surplus to be retained by the insurance subsidiaries.

Income Taxes

The Company joins with the Holding Company and its includable affiliates in filing a consolidated Federal income tax return. The consolidating companies have executed a tax allocation agreement. Under the agreement, current Federal income tax expense (benefit) is computed on a separate return basis and provides that members shall make payments (receive reimbursement) to the Holding Company to the extent that their income (losses and other credits) contributes to (reduces) the consolidated federal tax expense. The consolidating companies are reimbursed for net operating losses or other tax attributes they have generated when utilized in the consolidated return. The Company files state income tax returns on an individual corporate basis.

The Company applies the concepts of Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes, which establishes deferred tax assets and liabilities based upon the difference between the financial statement and tax bases of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to reverse. SFAS No. 109 allows recognition of deferred income tax assets if future realization of the tax benefit is more likely than not, with a valuation allowance for the portion that is not likely to be realized.

Reinsurance

The Company has reinsured certain of its life insurance and property and casualty insurance contracts with other insurance companies under various agreements. Amounts due from reinsurers are estimated based upon assumptions consistent with those used in establishing the liabilities related to the underlying reinsured contracts. Policy and contract liabilities are reported gross of reinsurance credits. DAC is reduced by amounts recovered under reinsurance contracts. Amounts received from reinsurers for policy administration are reported in other revenues.

The Company assumes and retrocedes financial reinsurance contracts, which represent low mortality risk reinsurance treaties. These contracts are reported as deposits and are included in other assets. The amount of revenue reported on these contracts represents fees and the cost of insurance under the terms of the reinsurance agreement and is reported in other revenues.

Separate Accounts

Separate accounts are established in conformity with insurance laws and are generally not chargeable with liabilities that arise from any other business of the Company. Separate account assets are subject to general account claims only to the extent the value of such assets exceeds the separate account liabilities. Effective with the adoption of Statement of Position 03-1, *Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts* ("SOP 03-1"), on January 1, 2004, the Company reports separately, as assets and liabilities, investments held in separate accounts and liabilities of the separate accounts if (i) such separate accounts are legally recognized; (ii) assets supporting the contract liabilities are legally insulated from the Company's general account liabilities; (iii) investments are directed by the contractholder; and (iv) all investment performance, net of contract fees and assessments, is passed through to the contractholder. The Company reports separate account assets meeting such criteria at their fair value. Investment performance (including investment income, net investment gains (losses) and changes in unrealized gains (losses)) and the corresponding amounts credited to contractholders of such separate accounts are offset within the same line in the consolidated statements of income. In connection with the adoption of SOP 03-1, separate account assets with a fair value of $1.7 billion were reclassified to general account investments with a corresponding transfer of separate account liabilities to future policy benefits and policyholder account balances. See "— Application of Recent Accounting Pronouncements."

The Company's revenues reflect fees charged to the separate accounts, including mortality charges, risk charges, policy administration fees, investment management fees and surrender charges. Separate accounts not meeting the above criteria are combined on a line-by-line basis with the Company's general account assets, liabilities, revenues and expenses.

Stock-Based Compensation

Effective January 1, 2003, MetLife, Inc. and the Company account for stock-based compensation plans using the prospective fair value accounting method prescribed by SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), as amended by SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure* ("SFAS 148"). The fair value method requires compensation cost to be measured based on the fair value of the equity instrument at the grant or award date. MetLife, Inc. allocates 100% of stock option expense to the Company.

Stock-based compensation grants prior to January 1, 2003 are accounted for using the intrinsic value method prescribed by Accounting Principles Board Opinion ("APB") No. 25, *Accounting for Stock Issued to Employees* ("APB 25"). Note 12 includes the pro forma disclosures required by SFAS No. 123, as amended. The intrinsic value method represents the quoted market price or fair value of the equity award at the measurement date less the amount, if any, the employee is required to pay.

Stock-based compensation is accrued over the vesting period of the grant or award.

Foreign Currency

Balance sheet accounts of foreign operations are translated at the exchange rates in effect at each year-end and income and expense accounts are translated at the average rates of exchange prevailing during the year. The local currencies of foreign operations are the functional currencies unless the local economy is highly inflationary. Translation adjustments are charged or credited directly to other comprehensive income or loss. Gains and losses from foreign currency transactions are reported in earnings in the respective financial statement lines to which they relate.

Discontinued Operations

The results of operations of a component of the Company that either has been disposed of or is classified as held-for-sale are reported in discontinued operations if the operations and cash flows of the component have been or will be eliminated from the ongoing operations of the Company as a result of the disposal transaction and the Company will not have any significant continuing involvement in the operations of the component after the disposal transaction.

Application of Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued Staff Position Paper ("FSP") 109-2, *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004* ("AJCA"). The AJCA introduced a one-time dividend received deduction on the repatriation of certain earnings to a U.S. taxpayer. FSP 109-2 provides companies additional time beyond the financial reporting period of enactment to evaluate the effects of the AJCA on their plans to repatriate foreign earnings for purposes of applying SFAS 109, *Accounting for Income Taxes.* The Company has completed its evaluation of the repatriation provision and determined that there will not be any impact on the Company's tax provision and deferred tax assets and liabilities.

In December 2004, the FASB issued SFAS No. 153, *Exchange of Nonmonetary Assets, an amendment of APB Opinion No. 29* ("SFAS 153"). SFAS 153 amends prior guidance to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of SFAS 153 are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005 and shall be applied prospectively. SFAS 153 is not expected to have a material impact on the Company's consolidated financial statements at the date of adoption.

In December 2004, FASB revised SFAS 123 to Share-Based Payment ("SFAS 123(r)"). SFAS 123(r) provides additional guidance on determining whether certain financial instruments awarded in share-based payment transactions are liabilities. SFAS 123(r) also requires that the cost of all share-based transactions be recorded in the financial statements. The revised pronouncement must be adopted by the Company by July 1, 2005. As all stock options currently accounted for under APB 25 will vest prior to the effective date, implementation of SFAS 123(r) will not have a significant impact on the Company's consolidated financial statements.

Effective January 1, 2003, the Company adopted SFAS 148, which provides guidance on how to apply the fair value method of accounting for share-based payments. As permitted under SFAS 148, the Company elected to use the prospective method of accounting for stock options granted subsequent to December 31, 2002. Options granted prior to January 1, 2003 will continue to be accounted for under the intrinsic value method until the adoption of SFAS 123(r), and the pro forma impact of accounting for these options at fair value will continue to be disclosed in the consolidated financial statements until the last of those options vest in 2005. See Note 12.

In March 2004, the Emerging Issues Task Force ("EITF") reached further consensus on Issue No. 03-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* ("EITF 03-1"). EITF 03-1 provides accounting guidance regarding the determination of when an impairment of debt and marketable equity securities and investments accounted for under the cost method should be considered other-than-temporary and recognized in income. An EITF 03-1 consensus reached in November 2003 also requires certain quantitative and qualitative disclosures for debt and marketable equity securities classified as available-for-sale or held-to-maturity under SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, that are impaired at the balance sheet date but for which an other-than-temporary impairment has not been recognized. The Company has complied with the disclosure requirements of EITF 03-1, which were effective December 31, 2003. The accounting guidance of EITF 03-1 relating to the recognition of investment impairment which was to be effective in the third quarter of 2004 has been delayed pending the development of additional guidance. The Company is actively monitoring the deliberations relating to this issue at the FASB and currently is unable to determine the ultimate impact EITF 03-1 will have on its consolidated financial statements.

In March 2004, the EITF reached consensus on Issue No. 03-16, *Accounting for Investments in Limited Liability Companies* ("EITF 03-16"). EITF 03-16 provides guidance regarding whether a limited liability company should be viewed as similar to a corporation or similar to a partnership for purposes of determining whether a noncontrolling investment should be accounted for using the cost method or the equity method of accounting. EITF 03-16 did not have a material impact on the Company's consolidated financial statements.

Effective January 1, 2004, the Company adopted SOP 03-1, as interpreted by Technical Practices Aids issued by the American Institute of Certified Public Accountants. SOP 03-1 provides guidance on (i) the classification and valuation of long-duration contract liabilities; (ii) the accounting for sales inducements; and (iii) separate account presentation and valuation. In June 2004, the FASB released FSP No. 97-1, *Situations in Which Paragraphs 17(b) and 20 of FASB Statement No. 97, Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments, Permit or Require Accrual of an Unearned Revenue Liability* ("FSP 97-1") which included clarification that unearned revenue liabilities should be considered in determining the necessary insurance benefit liability required under SOP 03-1. Since the Company had considered unearned revenue in determining its SOP 03-1 benefit liabilities, FSP 97-1 did not impact its consolidated financial statements. As a result of the adoption of SOP 03-1, effective January 1, 2004, the Company decreased the liability for future policyholder benefits for changes in the methodology relating to various guaranteed death and annuitization benefits and for determining liabilities for certain universal life insurance contracts by $8 million, which has been reported as a cumulative effect of a change in accounting. This amount is net of corresponding changes in DAC, including VOBA and unearned revenue liability ("offsets") under certain variable annuity and life contracts and income taxes. Certain other contracts sold by the Company provide for a return through periodic crediting rates, surrender adjustments or termination adjustments based on the total return of a contractually referenced pool of assets owned by the Company. To the extent that such contracts are not accounted for as derivatives under the provisions of SFAS 133 and not already credited to the contract account balance, under SOP 03-1 the change relating to the fair value of the referenced pool of assets is recorded as a liability with the change in the liability recorded as policyholder benefits and claims. Prior to the adoption of SOP 03-1, the Company recorded the change in such liability as other comprehensive income. At adoption, this change decreased net income and increased other comprehensive income by $33 million, net of income taxes, which were recorded as cumulative effects of a change in accounting. Effective with the adoption of SOP 03-1, costs associated with enhanced or bonus crediting rates to contractholders must be deferred and amortized over the life of the related contract using assumptions consistent with the amortization of DAC. Since the Company followed a similar approach prior to adoption of SOP 03-1, the provisions of SOP 03-1 relating to sales inducements had no significant impact on the Company's consolidated financial statements. At adoption, the Company reclassified $116 million of ownership in its own separate accounts from other assets to fixed maturities, equity securities and cash and cash equivalents. This reclassification had no significant impact on net income or other comprehensive income at adoption. In accordance with SOP 03-1's guidance for the reporting of certain separate accounts, at adoption, the Company also reclassified $1.7 billion of separate account assets to general account investments and $1.7 billion of separate account liabilities to future policy benefits and policyholder account balances. This reclassification decreased net income and increased other comprehensive income by $27 million, net of income taxes, which were reported as cumulative effects of a change in accounting. The application of SOP 03-1 decreased the Company's 2004 net income by $36 million, including the cumulative effect of adoption of a decrease in net income of $52 million as described above.

In December 2003, FASB revised SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits — an Amendment of FASB Statements No. 87, 88 and 106* ("SFAS 132(r)"). SFAS 132(r) retains most of the disclosure requirements of SFAS 132 and requires additional disclosure about assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other postretirement plans. SFAS 132(r) was primarily effective for fiscal years ending after December 15, 2003; however, certain disclosures about foreign plans and estimated future benefit payments were effective for fiscal years ending after June 15, 2004. The Company's adoption of SFAS 132(r) on December 31, 2003 did not have a significant impact on its consolidated financial statements since it only revised disclosure requirements.

In May 2004, the FASB issued FASB Staff Position ("FSP") No. 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003* ("FSP 106-2"), which provides accounting guidance to a sponsor of a postretirement health care plan that provides prescription drug benefits. The Company expects to receive subsidies on prescription drug benefits beginning in 2006 under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 based on the Company's determination that the prescription drug benefits offered under certain postretirement plans are actuarially equivalent to the benefits offered under Medicare Part D. FSP 106-2 was effective for interim periods beginning after June 15, 2004 and provides for either retroactive application to the date of enactment of the legislation or prospective application from the date of adoption of FSP 106-2. Effective July 1, 2004, the Company adopted FSP 106-2 prospectively and the postretirement benefit plan assets and accumulated benefit obligation were remeasured to determine the effect of the expected subsidies on net periodic postretirement benefit cost. As a result, the accumulated postretirement benefit obligation and net periodic postretirement benefit cost was reduced by $201 million and $16 million for 2004, respectively.

Effective October 1, 2003, the Company adopted Statement 133 Implementation Issue No. B36, *Embedded Derivatives: Modified Coinsurance Arrangements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments* ("Issue B36"). Issue B36 concluded that (i) a company's funds withheld payable and/or receivable under certain reinsurance arrangements, and (ii) a debt instrument that incorporates credit risk exposures that are unrelated or only partially related to the creditworthiness of the obligor include an embedded derivative feature that is not clearly and closely related to the host contract. Therefore, the embedded derivative feature is measured at fair value on the balance sheet and changes in fair value are reported in income. The Company's application of Issue B36 increased (decreased) net income by $4 million and ($12) million, net of amortization of DAC and income taxes, for 2004 and 2003, respectively. The 2003 impact includes a decrease in net income of $26 million relating to the cumulative effect of a change in accounting from the adoption of the new guidance.

Effective July 1, 2003, the Company adopted SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* ("SFAS 149"). SFAS 149 amended and clarified the accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Except for certain previously issued and effective guidance, SFAS 149 was effective for contracts entered into or modified after June 30, 2003. The Company's adoption of SFAS 149 did not have a significant impact on its consolidated financial statements.

During 2003, the Company adopted FASB Interpretation ("FIN") No. 46, *Consolidation of Variable Interest Entities — An Interpretation of ARB No. 51* ("FIN 46"), and its December 2003 revision ("FIN 46(r)"). Certain of the Company's investments in real estate joint ventures and other limited partnership interests meet the definition of a VIE and have been consolidated, in accordance with the transition rules and effective dates, because the Company is deemed to be the primary beneficiary. A VIE is defined as (i) any entity in which the equity investments at risk in such entity do not have the characteristics of a controlling financial interest, or (ii) any entity that does not have sufficient equity at risk to finance its activities without additional subordinated support from other parties. Effective February 1, 2003, the Company adopted FIN 46 for VIEs created or acquired on or after February 1, 2003 and, effective December 31, 2003, the Company adopted FIN 46(r) with respect to interests in entities formerly considered special purpose entities ("SPEs"), including interests in asset-backed securities and collateralized debt obligations. The adoption of FIN 46 as of February 1, 2003 did not have a significant impact on the Company's consolidated financial statements. The adoption of the provisions of FIN 46(r) at December 31, 2003 did not require the Company to consolidate any additional VIEs that were not previously consolidated. In accordance with the provisions of FIN 46(r), the Company elected to defer until March 31, 2004 the consolidation of interests in VIEs for non-SPEs acquired prior to February 1, 2003 for which it is the primary beneficiary. As of March 31, 2004, the Company consolidated assets and liabilities relating to real estate joint ventures of $78 million and $11 million, respectively, and assets and liabilities relating to other limited partnerships of $29 million and less than $1 million, respectively, for VIEs for which the Company was deemed to be the primary beneficiary. There was no impact to net income from the adoption of FIN 46.

Effective January 1, 2003, the Company adopted FIN No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45").

FIN 45 requires entities to establish liabilities for certain types of guarantees and expands financial statement disclosures for others. The initial recognition and initial measurement provisions of FIN 45 were applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The adoption of FIN 45 did not have a significant impact on the Company's consolidated financial statements. See Note 10.

Effective January 1, 2003, the Company adopted SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("SFAS 146"). SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recorded and measured initially at fair value only when the liability is incurred rather than at the date of an entity's commitment to an exit plan as required by EITF Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity Including Certain Costs Incurred in a Restructuring* ("EITF 94-3"). The Company's activities subject to this guidance in 2004 and 2003 were not significant.

Effective January 1, 2003, the Company adopted SFAS No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections* ("SFAS 145"). In addition to amending or rescinding other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions, SFAS 145 generally precludes companies from recording gains and losses from the extinguishment of debt as an extraordinary item. SFAS 145 also requires sale-leaseback treatment for certain modifications of a capital lease that result in the lease being classified as an operating lease. The adoption of SFAS 145 did not have a significant impact on the Company's consolidated financial statements.

Effective January 1, 2002, the Company adopted SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS 144"). SFAS 144 provides a single model for accounting for long-lived assets to be disposed of by superseding SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of* ("SFAS 121"), and the accounting and reporting provisions of APB Opinion No. 30, *Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions* ("APB 30"). Under SFAS 144, discontinued operations are measured at the lower of carrying value or fair value less costs to sell, rather than on a net realizable value basis. Future operating losses relating to discontinued operations also are no longer recognized before they occur. SFAS 144: (i) broadens the definition of a discontinued operation to include a component of an entity (rather than a segment of a business); (ii) requires long-lived assets to be disposed of other than by sale to be considered held and used until disposed; and (iii) retains the basic provisions of (a) APB 30 regarding the presentation of discontinued operations in the statements of income, (b) SFAS 121 relating to recognition and measurement of impaired long-lived assets (other than goodwill), and (c) SFAS 121 relating to the measurement of long-lived assets classified as held-for-sale. Adoption of SFAS 144 did not have a material impact on the Company's consolidated financial statements other than the presentation as discontinued operations of net investment income and net investment gains related to operations of real estate on which the Company initiated disposition activities subsequent to January 1, 2002 and the classification of such real estate as held-for-sale on the consolidated balance sheets.

Effective January 1, 2002, the Company adopted SFAS No. 142. SFAS 142 eliminates the systematic amortization and establishes criteria for measuring the impairment of goodwill and certain other intangible assets by reporting unit. There was no impairment of identified intangibles or significant reclassifications between goodwill and other intangible assets at January 1, 2002. Amortization of other intangible assets was not material for the years ended December 31, 2004, 2003 and 2002.

2. Investments

Fixed Maturities and Equity Securities

Fixed maturities and equity securities at December 31, 2004 were as follows:

	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
		(Dollars in millions)		
Fixed Maturities:				
Bonds:				
U.S. treasury/agency securities	$ 14,938	$1,271	$ 19	$ 16,190
State and political subdivision securities	340	16	1	355
U.S. corporate securities	51,398	3,561	144	54,815
Foreign government securities	4,666	767	12	5,421
Foreign corporate securities	21,545	2,381	65	23,861
Residential mortgage-backed securities	28,155	573	52	28,676
Commercial mortgage-backed securities	10,395	408	30	10,773
Asset-backed securities	9,282	115	29	9,368
Other fixed maturity securities	519	46	33	532
Total bonds	141,238	9,138	385	149,991
Redeemable preferred stocks	274	—	19	255
Total fixed maturities	$141,512	$9,138	$404	$150,246
Equity Securities:				
Common stocks	$ 1,329	$ 238	$ 5	$ 1,562
Nonredeemable preferred stocks	317	24	—	341
Total equity securities	$ 1,646	$ 262	$ 5	$ 1,903

Fixed maturities and equity securities at December 31, 2003 were as follows:

	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
	(Dollars in millions)			
Fixed Maturities:				
Bonds:				
U.S. treasury/agency securities	$ 13,249	$1,208	$ 23	$ 14,434
State and political subdivision securities	282	11	8	285
U.S. corporate securities	49,466	3,486	228	52,724
Foreign government securities	4,847	752	20	5,579
Foreign corporate securities	18,680	2,005	70	20,615
Residential mortgage-backed securities	28,049	687	81	28,655
Commercial mortgage-backed securities	9,080	480	15	9,545
Asset-backed securities	10,414	169	54	10,529
Other fixed maturity securities	232	138	62	308
Total bonds	134,299	8,936	561	142,674
Redeemable preferred stocks	545	2	73	474
Total fixed maturities	$134,844	$8,938	$634	$143,148
Equity Securities:				
Common stocks	$ 506	$ 323	$ 1	$ 828
Nonredeemable preferred stocks	379	25	—	404
Total equity securities	$ 885	$ 348	$ 1	$ 1,232

The Company held foreign currency derivatives with notional amounts of $4,642 million and $3,472 million to hedge the exchange rate risk associated with foreign bonds and loans at December 31, 2004 and 2003, respectively.

Excluding investments in U.S. Treasury securities and obligations of U.S. government corporations and agencies, the Company is not exposed to any significant concentration of credit risk in its fixed maturities portfolio.

The Company held fixed maturities at estimated fair values that were below investment grade or not rated by an independent rating agency that totaled $11,216 million and $11,814 million at December 31, 2004 and 2003, respectively. These securities had a net unrealized gain of $877 million and $839 million at December 31, 2004 and 2003, respectively. Non-income producing fixed maturities were $84 million and $357 million at December 31, 2004 and 2003, respectively.

The cost or amortized cost and estimated fair value of bonds at December 31, 2004, by contractual maturity date (excluding scheduled sinking funds), are shown below:

	Cost or Amortized Cost	Estimated Fair Value
	(Dollars in millions)	
Due in one year or less	$ 5,491	$ 5,578
Due after one year through five years	24,326	25,491
Due after five years through ten years	28,853	31,053
Due after ten years	34,736	39,052
Subtotal	93,406	101,174
Mortgage-backed and other asset-backed securities	47,832	48,817
Subtotal	141,238	149,991
Redeemable preferred stock	274	255
Total fixed maturities	$141,512	$150,246

Bonds not due at a single maturity date have been included in the above table in the year of final contractual maturity. Actual maturities may differ from contractual maturities due to the exercise of prepayment options.

Sales or disposals of fixed maturities and equity securities classified as available-for-sale were as follows:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Proceeds	$53,643	$48,390	$34,918
Gross investment gains	$ 792	$ 446	$ 1,683
Gross investment losses	$ (468)	$ (452)	$ (973)

Gross investment losses above exclude writedowns recorded during 2004, 2003 and 2002 for other-than-temporarily impaired available-for-sale fixed maturities and equity securities of $93 million, $328 million and $1,342 million, respectively.

The Company periodically disposes of fixed maturity and equity securities at a loss. Generally, such losses are insignificant in amount or in relation to the cost basis of the investment or are attributable to declines in fair value occurring in the period of disposition.

The following table shows the estimated fair values and gross unrealized losses of the Company's fixed maturities (aggregated by sector) and equity securities in an unrealized loss position, aggregated by length of time that the securities have been in a continuous unrealized loss position at December 31, 2004 and 2003:

	December 31, 2004					
	Less than 12 Months		Equal to or Greater than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
	(Dollars in millions)					
U.S. treasury/agency securities	$ 4,399	$ 19	$ 1	$—	$ 4,400	$ 19
States and political subdivision securities	37	—	14	1	51	1
U.S. corporate securities	8,122	97	1,081	47	9,203	144
Foreign government securities	493	8	39	4	532	12
Foreign corporate securities	3,234	52	413	13	3,647	65
Residential mortgage-backed securities	7,257	49	215	3	7,472	52
Commercial mortgage-backed securities	3,137	27	136	3	3,273	30
Asset-backed securities	3,424	22	203	7	3,627	29
Other fixed maturity securities	37	33	12	—	49	33
Total bonds	30,140	307	2,114	78	32,254	385
Redeemable preferred stocks	255	19	—	—	255	19
Total fixed maturities	$30,395	$326	$2,114	$78	$32,509	$404
Equity Securities	$ 78	$ 5	$ 4	$—	$ 82	$ 5
Total number of securities in an unrealized loss position	2,866		244		3,110	

	December 31, 2003					
	Less than 12 Months		Equal to or Greater than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
	(Dollars in millions)					
U.S. treasury/agency securities	$ 3,526	$ 23	$ —	$ —	$ 3,526	$ 23
States and political subdivision securities	131	8	—	—	131	8
U.S. corporate securities	6,338	136	962	92	7,300	228
Foreign government securities	225	20	2	—	227	20
Foreign corporate securities	2,446	57	331	13	2,777	70
Residential mortgage-backed securities	7,133	78	18	3	7,151	81
Commercial mortgage-backed securities	1,998	13	227	2	2,225	15
Asset-backed securities	2,295	29	780	25	3,075	54
Other fixed maturity securities	12	52	40	10	52	62
Total bonds	24,104	416	2,360	145	26,464	561
Redeemable preferred stocks	192	60	279	13	471	73
Total fixed maturities	$24,296	$476	$2,639	$158	$26,935	$634
Equity Securities	$ 18	$ 1	$ 21	$ —	$ 39	$ 1

Securities Lending Program

The Company participates in a securities lending program whereby blocks of securities, which are included in investments, are loaned to third parties, primarily major brokerage firms. The Company requires a minimum of 102% of the fair value of the loaned securities to be separately maintained as collateral for the loans. Securities with a cost or amortized cost of $23,325 million and $22,290 million and an estimated fair value of $24,625 million and $23,461 million were on loan under the program at December 31, 2004 and 2003, respectively. The Company was liable for cash collateral under its control of $25,230 million and $24,065 million at December 31, 2004 and 2003, respectively. Security collateral on deposit from customers may not be sold or repledged and is not reflected in the consolidated financial statements.

Assets on Deposit and Held in Trust

The Company had investment assets on deposit with regulatory agencies with a fair market value of $1,315 million and $1,286 million at December 31, 2004 and 2003, respectively. Company securities held in trust to satisfy collateral requirements had an amortized cost of $1,880 million and $1,711 million at December 31, 2004 and 2003, respectively.

Mortgage and Other Loans

Mortgage and other loans were categorized as follows:

	December 31,			
	2004		2003	
	Amount	Percent	Amount	Percent
	(Dollars in millions)			
Commercial mortgage loans	$25,432	80%	$21,597	81%
Agricultural mortgage loans	5,654	18	5,166	19
Other loans	639	2	—	—
Total	31,725	100%	26,763	100%
Less: Valuation allowances	154		126	
Mortgage and other loans	$31,571		$26,637	

Mortgage loans are collateralized by properties primarily located throughout the United States. At December 31, 2004, approximately 19%, 11% and 7% of the properties were located in California, New York and Florida, respectively. Generally, the Company (as the lender) requires that a minimum of one-fourth of the purchase price of the underlying real estate be paid by the borrower.

Mortgage loans at December 31, 2004 and 2003 include $1,480 million and $1,998 million, respectively to MTL, a related party, in connection with Metropolitan Insurance and Annuity Company's ("MIAC") purchase of real estate from the Company in 2001 and 2003. MIAC was merged into MTL in 2004. In addition, certain of the Company's real estate joint ventures have mortgage loans with the Company. The carrying values of such mortgages were $641 million and $639 million at December 31, 2004 and 2003, respectively.

Changes in loan valuation allowances for mortgage and other loans were as follows:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Balance, beginning of year	$126	$122	$144
Additions	56	50	39
Deductions	(28)	(46)	(56)
Acquisitions of affiliates	—	—	(5)
Balance, end of year	$154	$126	$122

A portion of the Company's mortgage and other loans was impaired and consisted of the following:

	December 31,	
	2004	2003
	(Dollars in millions)	
Impaired mortgage loans with valuation allowances	$178	$286
Impaired mortgage loans without valuation allowances	115	146
Total	293	432
Less: Valuation allowances on impaired loans	40	61
Impaired loans	$253	$371

The average investment in impaired loans was $376 million, $615 million and $1,068 million for the years ended December 31, 2004, 2003 and 2002, respectively. Interest income on impaired loans was $25 million, $55 million and $88 million for the years ended December 31, 2004, 2003 and 2002, respectively.

The investment in restructured loans was $121 million and $188 million at December 31, 2004 and 2003, respectively. Interest income of $9 million, $19 million and $44 million was recognized on restructured loans for the years ended December 31, 2004, 2003 and 2002, respectively. Gross interest income that would have been recorded in accordance with the original terms of such loans amounted to $11 million, $24 million and $41 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Mortgage and other loans with scheduled payments of 60 days (90 days for agricultural mortgages) or more past due or in foreclosure had an amortized cost of $35 million at both December 31, 2004 and 2003, respectively.

Real Estate and Real Estate Joint Ventures

Real estate and real estate joint ventures consisted of the following:

	December 31, 2004	December 31, 2003
	(Dollars in millions)	
Real estate and real estate joint ventures held-for-investment	$3,193	$2,786
Impairments	(124)	(132)
Total	3,069	2,654
Real estate held-for-sale	262	635
Impairments	(6)	(151)
Valuation allowance	(4)	(12)
Total	252	472
Real estate and real estate joint ventures	$3,321	$3,126

Accumulated depreciation on real estate was $1,222 million and $1,226 million at December 31, 2004 and 2003, respectively. Related depreciation expense was $116 million, $124 million and $180 million for the years ended December 31, 2004, 2003 and 2002, respectively. These amounts include $14 million, $34 million and $83 million of depreciation expense related to discontinued operations for the years ended December 31, 2004, 2003 and 2002, respectively.

Real estate and real estate joint ventures were categorized as follows:

	December 31, 2004		December 31, 2003	
	Amount	Percent	Amount	Percent
	(Dollars in millions)			
Office	$1,800	55%	$1,597	51%
Retail	556	17	660	21
Apartments	514	15	496	16
Land	47	1	77	2
Agriculture	1	—	1	—
Other	403	12	295	10
Total	$3,321	100%	$3,126	100%

The Company's real estate holdings are primarily located throughout the United States. At December 31, 2004, approximately 27%, 24% and 14% of the Company's real estate holdings were located in California, Texas and New York, respectively.

Changes in real estate and real estate joint ventures held-for-sale valuation allowance were as follows:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Balance, beginning of year	$ 12	$ 11	$ 35
Additions	13	17	21
Deductions	(21)	(16)	(45)
Balance, end of year	$ 4	$ 12	$ 11

Investment income related to impaired real estate and real estate joint ventures held-for-investment was $15 million, $34 million and $49 million for the years ended December 31, 2004, 2003 and 2002, respectively. Investment income (expense) related to impaired real estate and real estate joint ventures held-for-sale was ($1) million, $1 million, and $2 million for the years ended December 31, 2004, 2003 and 2002, respectively. The carrying value of non-income producing real estate and real estate joint ventures was $38 million and $67 million at December 31, 2004 and 2003, respectively.

The Company owned real estate acquired in satisfaction of debt of $1 million at both December 31, 2004 and 2003, respectively.

Leveraged Leases

Leveraged leases, included in other invested assets, consisted of the following:

	December 31,	
	2004	2003
	(Dollars in millions)	
Investment	$1,059	$ 974
Estimated residual values	480	386
Total	1,539	1,360
Unearned income	(424)	(380)
Leveraged leases	$1,115	$ 980

The investment amounts set forth above are generally due in monthly installments. The payment periods generally range from one to 15 years, but in certain circumstances are as long as 30 years. These receivables are generally collateralized by the related property. The Company's deferred income tax liability related to leveraged leases was $757 million and $870 million at December 31, 2004 and 2003, respectively.

Funds Withheld at Interest

Included in other invested assets at December 31, 2004 and 2003, were funds withheld at interest of $2,788 million and $2,890 million, respectively.

Net Investment Income

The components of net investment income were as follows:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Fixed maturities	$ 8,071	$ 7,757	$ 7,844
Equity securities	65	26	42
Mortgage and other loans	1,840	1,811	1,840
Real estate and real estate joint ventures	579	528	600
Policy loans	492	510	512
Other limited partnership interests	324	80	58
Cash, cash equivalents and short-term investments	64	83	228
Other	249	251	230
Total	11,684	11,046	11,354
Less: Investment expenses	879	767	801
Net investment income	$10,805	$10,279	$10,553

Net Investment Gains (Losses)

Net investment gains (losses) were as follows:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Fixed maturities	$ 81	$(373)	$(862)
Equity securities	150	39	230
Mortgage and other loans	(54)	(51)	(21)
Real estate and real estate joint ventures	12	20	(6)
Other limited partnership interests	53	(84)	(2)
Sales of businesses	—	5	(7)
Derivatives	(232)	(122)	(140)
Other	279	9	(24)
Total net investment gains (losses)	$ 289	$(557)	$(832)

Net Unrealized Investment Gains

The components of net unrealized investment gains, included in accumulated other comprehensive income, were as follows:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Fixed maturities	$ 8,571	$ 8,094	$ 6,701
Equity securities	270	353	56
Derivatives	(494)	(395)	(24)
Other invested assets	(69)	(55)	1
Total	8,278	7,997	6,734
Amounts allocated from:			
Future policy benefit loss recognition	(1,953)	(1,453)	(1,242)
Deferred policy acquisition costs	(407)	(495)	(366)
Participating contracts	—	(117)	(129)
Policyholder dividend obligation	(2,119)	(2,130)	(1,882)
Total	(4,479)	(4,195)	(3,619)
Deferred income taxes	(1,391)	(1,397)	(1,124)
Total	(5,870)	(5,592)	(4,743)
Net unrealized investment gains (losses)	$ 2,408	$ 2,405	$ 1,991

The changes in net unrealized investment gains were as follows:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Balance, beginning of year	$2,405	$1,991	$ 1,799
Unrealized investment gains (losses) during the year	281	994	2,803
Unrealized investment gains (losses) relating to:			
Future policy benefit gains (losses) recognition	(500)	(211)	(1,212)
Deferred policy acquisition costs	88	(129)	(204)
Participating contracts	117	12	(2)
Policyholder dividend obligation	11	(248)	(1,174)
Deferred income taxes	6	(179)	(72)
Unrealized investment gains (losses) of subsidiaries at date of sale, net of deferred income taxes	—	175	53
Balance, end of year	$2,408	$2,405	$ 1,991
Net change in unrealized investment gains (losses)	$ 3	$ 414	$ 192

Structured Investment Transactions

The Company securitizes high yield debt securities, investment grade bonds and structured finance securities. The Company has sponsored four securitizations with a total of approximately $1,341 million and $1,431 million in financial assets as of December 31, 2004 and 2003, respectively. The Company's beneficial interests in these SPEs as of December 31, 2004 and 2003 and the related investment income for the years ended December 31, 2004, 2003 and 2002 were insignificant.

The Company invests in structured notes and similar type instruments, which generally provide equity-based returns on debt securities. The carrying value of such investments was approximately $636 million and $849 million at December 31, 2004 and 2003, respectively. The related net investment income recognized was $44 million and $78 million for the years ended December 31, 2004 and 2003, respectively. For the year ended December 31, 2002, there was insignificant related income.

Variable Interest Entities

As discussed in Note 1, the Company has adopted the provisions of FIN 46 and FIN 46(r). The adoption of FIN 46(r) required the Company to consolidate certain VIEs for which it is the primary beneficiary. The following table presents the total assets of and maximum exposure to loss relating to VIEs for which the Company has concluded that (i) it is the primary beneficiary and which are consolidated in the Company's consolidated financial statements at December 31, 2004, and (ii) it holds significant variable interests but it is not the primary beneficiary and which have not been consolidated:

	December 31, 2004			
	Primary Beneficiary		Not Primary Beneficiary	
	Total Assets(1)	Maximum Exposure to Loss(2)	Total Assets(1)	Maximum Exposure to Loss(2)
	(Dollars in millions)			
Asset-backed securitizations and collateralized debt obligations	$ —	$ —	$1,418	$ 3
Real estate joint ventures(3)	15	13	132	—
Other limited partnerships(4)	245	188	900	146
Other structured investments(5)	—	—	856	103
Total	$260	$201	$3,306	$252

(1) The assets of the asset-backed securitizations and collateralized debt obligations are reflected at fair value at December 31, 2004. The assets of the real estate joint ventures, other limited partnerships and other structured investments are reflected at the carrying amounts at which such assets would have been reflected on the Company's balance sheet had the Company consolidated the VIE from the date of its initial investment in the entity.

(2) The maximum exposure to loss of the asset-backed securitizations and collateralized debt obligations is equal to the carrying amounts of retained interests. In addition, the Company provides collateral management services for certain of these structures for which it collects a management fee. The maximum exposure to loss relating to real estate joint ventures, other limited partnerships and other structured investments is equal to the carrying amounts plus any unfunded commitments, reduced by amounts guaranteed by other partners.

(3) Real estate joint ventures include partnerships and other ventures, which engage in the acquisition, development, management and disposal of real estate investments.

(4) Other limited partnerships include partnerships established for the purpose of investing in real estate funds, public and private debt and equity securities, as well as limited partnerships established for the purpose of investing in low-income housing that qualifies for federal tax credits.

(5) Other structured investments include an offering of a collateralized fund of funds based on the securitization of a pool of private equity funds.

3. Derivative Financial Instruments

Types of Derivative Instruments

The following table provides a summary of the notional amounts and fair value of derivative financial instruments held at:

	December 31, 2004			December 31, 2003		
		Current Market or Fair Value			Current Market or Fair Value	
	Notional Amount	Assets	Liabilities	Notional Amount	Assets	Liabilities
	(Dollars in millions)					
Interest rate swaps	$12,215	$276	$ 19	$ 9,921	$189	$ 36
Interest rate floors	2,065	24	—	325	5	—
Interest rate caps	7,045	12	—	9,195	29	—
Financial futures	417	—	5	1,015	8	24
Foreign currency swaps	7,457	149	1,274	4,679	9	791
Foreign currency forwards	888	—	57	528	—	10
Options	263	8	7	6,065	7	—
Financial forwards	326	—	—	1,310	2	3
Credit default swaps	1,879	10	5	605	2	1
Synthetic GICs	5,869	—	—	5,177	—	—
Other	450	1	1	—	—	—
Total	$38,874	$480	$1,368	$38,820	$251	$865

The following table provides a summary of the notional amounts of derivative financial instruments by maturity at December 31, 2004:

	Remaining Life				
	One Year or Less	After One Year Through Five Years	After Five Years Through Ten Years	After Ten Years	Total
	(Dollars in millions)				
Interest rate swaps	$1,878	$ 6,427	$ 2,051	$1,859	$12,215
Interest rate floors	—	—	2,065	—	2,065
Interest rate caps	2,025	5,020	—	—	7,045
Financial futures	417	—	—	—	417
Foreign currency swaps	268	3,405	3,110	674	7,457
Foreign currency forwards	888	—	—	—	888
Options	6	—	256	1	263
Financial forwards	326	—	—	—	326
Credit default swaps	301	1,204	374	—	1,879
Synthetic GICs	1,000	1,000	3,869	—	5,869
Other	450	—	—	—	450
Total	$7,559	$17,056	$11,725	$2,534	$38,874

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

Interest rate caps and floors are used by the Company primarily to protect its floating rate liabilities against rises in interest rates above a specified level, and to protect its minimum rate guarantee liabilities against declines in interest rates below a specified level, respectively.

In exchange-traded Treasury and equity futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of Treasury and equity securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchanges.

Exchange-traded Treasury futures are used primarily to hedge mismatches between the duration of assets in a portfolio and the duration of liabilities supported by those assets, to hedge against changes in value of securities the Company owns or anticipates acquiring, and to hedge against changes in interest rates on anticipated liability issuances by replicating Treasury performance. The value of Treasury futures is substantially impacted by changes in interest rates and they can be used to modify or hedge existing interest rate risk.

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

In a foreign currency forward transaction, the Company agrees with another party to deliver a specified amount of an identified currency at a specified future date. The price is agreed upon at the time of the contract and payment for such a contract is made in a different currency at the specified future date.

In a foreign currency swap transaction, the Company agrees with another party to exchange, at specified intervals, the difference between one currency and another at a forward exchange rate calculated by reference to an agreed upon principal amount. The principal amount of each currency is exchanged at the inception and termination of the currency swap by each party.

Swaptions are used by the Company primarily to sell, or monetize, embedded call options in its fixed rate liabilities. A swaption is an option to enter into a swap with an effective date equal to the exercise date of the embedded call and a maturity date equal to the maturity date of the underlying liability. The Company receives a premium for entering into the swaption.

Equity options are used by the Company primarily to hedge liabilities embedded in certain variable annuity products offered by the Company.

The Company enters into financial forwards, primarily "to-be-announced" ("TBA") securities, to gain exposure to the investment risk and return of securities not yet available. The price is agreed upon at the time of the contract and payment for such a contract is made at a specified future date.

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

Credit default swaps are also used in replication synthetic asset transactions ("RSATs") to synthetically create investments that are either more expensive to acquire or otherwise unavailable in the cash markets. RSATs are a combination of a derivative and usually a U.S. Treasury or Agency security. RSATs that involve the use of credit default swaps are included in such classification in the preceding table.

Total rate of return swaps ("TRRs") are swaps whereby the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of an asset or a market index and LIBOR, calculated by reference to an agreed notional principal amount. No cash is exchanged at the outset of the contract. Cash is paid and received over the life of the contract based on the terms of the swap. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by the counterparty at each due date. TRRs can be used as hedges or RSATs and are included in the other classification in the preceding table.

A synthetic GIC is a contract that simulates the performance of a traditional GIC through the use of financial instruments. Under a synthetic GIC, the policyholder owns the underlying assets. The Company guarantees a rate return on those assets for a premium.

Hedging

The table below provides a summary of the notional amount and fair value of derivatives by type of hedge designation at:

	December 31, 2004			December 31, 2003		
	Notional Amount	Fair Value Assets	Fair Value Liabilities	Notional Amount	Fair Value Assets	Fair Value Liabilities
	(Dollars in millions)					
Fair value	$ 4,850	$173	$ 233	$ 3,678	$ 27	$291
Cash flow	8,057	40	664	12,968	54	422
Foreign operations	535	—	47	527	—	10
Non-qualifying	25,432	267	424	21,647	170	142
Total	$38,874	$480	$1,368	$38,820	$251	$865

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

	Year Ended December 31, 2004	2003	2002
	(Dollars in millions)		
Qualifying hedges:			
Net investment income	$(144)	$(61)	$(4)
Interest credited to policyholder account balances	45	—	—
Non-qualifying hedges:			
Net investment gains (losses)	51	84	32
Total	$ (48)	$ 23	$28

Fair Value Hedges

The Company designates and accounts for the following as fair value hedges when they have met the requirements of SFAS 133: (i) interest rate swaps to convert fixed rate investments to floating rate investments; (ii) foreign currency swaps to hedge the foreign currency fair value exposure of foreign currency denominated investments and liabilities; and (iii) treasury futures to hedge against changes in value of fixed rate securities.

The Company recognized Net investment gains (losses) representing the ineffective portion of all fair value hedges as follows:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Changes in the fair value of derivatives	$ 196	$(184)	$(30)
Changes in the fair value of items hedged	(152)	158	34
Net ineffectiveness of fair value hedging activities	$ 44	$ (26)	$ 4

All components of each derivative's gain or loss were included in the assessment of hedge ineffectiveness. There were no instances in which the Company discontinued fair value hedge accounting due to a hedged firm commitment no longer qualifying as a fair value hedge.

Cash Flow Hedges

The Company designates and accounts for the following as cash flow hedges, when they have met the requirements of SFAS 133: (i) interest rate swaps to convert floating rate investments to fixed rate investments; (ii) interest rate swaps to convert floating rate liabilities into fixed rate liabilities; (iii) foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated investments and liabilities; (iv) treasury futures to hedge against changes in value of securities to be acquired; (v) treasury futures to hedge against changes in interest rates on liabilities to be issued; and (vi) financial forwards to gain exposure to the investment risk and return of securities not yet available.

For the years ended December 31, 2004, 2003 and 2002, the Company recognized Net investment gains (losses) of ($5) million, ($69) million, and ($3) million, respectively, which represented the ineffective portion of all cash flow hedges. All components of each derivative's gains or loss were included in the assessment of hedge ineffectiveness. There were no instances in which the Company discontinued cash flow hedge accounting because the forecasted transactions did not occur on the anticipated date or in the additional time period permitted by SFAS 133. There were no hedged forecasted transactions, other than the receipt or payment of variable interest payments.

Presented below is a roll forward of the components of other comprehensive income (loss), before income taxes, related to cash flow hedges:

	Year Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Other comprehensive income (loss) balance at the beginning of the year	$(385)	$ (24)	$ 71
Gains (losses) deferred in other comprehensive income (loss) on the effective portion of cash flow hedges	(57)	(355)	(142)
Amounts reclassified to net investment income	2	2	57
Amortization of transition adjustment	(7)	(8)	(10)
Other comprehensive income (losses) balance at the end of the year	$(447)	$(385)	$ (24)

At December 31, 2004, approximately $34 million of the deferred net gains on derivatives accumulated in Other comprehensive income (loss) are expected to be reclassified to earnings during the year ending December 31, 2005.

Hedges of Net Investments in Foreign Operations

The Company uses forward exchange contracts to hedge portions of its net investment in foreign operations against adverse movements in exchange rates. The Company measures ineffectiveness based upon the change in forward rates. There was no ineffectiveness recorded in 2004, 2003, or 2002. For the years ended December 31, 2004 and 2003, the Company recorded net unrealized foreign currency losses of $47 million and $10 million, respectively, in other comprehensive income (loss) related to hedges of its net investments in foreign operations. For the year ended December 31, 2004, the Company recorded a foreign currency translation loss of $10 million, in Other comprehensive income (loss) related to the disposal of certain hedges of net investments in foreign operations. There were no disposals of such hedges for the year ended December 31, 2003.

Non-qualifying Derivatives and Derivatives for Purposes Other Than Hedging

The Company enters into the following derivatives that do not qualify for hedge accounting under SFAS 133 or for purposes other than hedging: (i) interest rate swaps, purchased caps and floors, and Treasury futures to minimize its exposure to interest rate volatility; (ii) foreign currency forwards and swaps to minimize its exposure to adverse movements in exchange rates; (iii) swaptions to sell embedded call options in fixed rate liabilities; (iv) credit default swaps to minimize its exposure to adverse movements in credit; (v) equity futures and equity options to economically hedge liabilities embedded in certain variable annuity products; (vi) synthetic GICs to synthetically create traditional GICs; and (vii) RSATs and TRRs to synthetically create investments.

For the years ended December 31, 2004, 2003 and 2002, the Company recognized as Net investment gains (losses) changes in fair value of ($163) million, ($118) million and ($172) million, respectively, related to derivatives that do not qualify as hedge accounting.

Embedded Derivatives

The Company has certain embedded derivatives which are required to be separated from their host contracts and accounted for as derivatives. These host contracts include guaranteed rate of return contracts, and modified coinsurance contracts. The fair value of the Company's embedded derivative assets was $43 million at both December 31, 2004 and 2003. The fair value of the Company's embedded derivative liabilities was $26 million and $33 million at December 31, 2004 and 2003, respectively. The amount recorded to Net investment gains (losses) during the years ended December 31, 2004 and 2003 were gains of $34 million and $19 million, respectively. There were no amounts recorded to Net investment gains (losses) during the year ended December 31, 2002 related to embedded derivatives.

Credit Risk

The Company may be exposed to credit related losses in the event of nonperformance by counterparties to derivative financial instruments. Generally, the current credit exposure of the Company's derivative contracts is limited to the fair value at the reporting date. The credit exposure of the Company's derivative transactions is represented by the fair value of contracts with a net positive fair value at the reporting date. Because exchange traded futures and options are effected through regulated exchanges, and positions are marked to market on a daily basis, the Company has minimal exposure to credit related losses in the event of nonperformance by counterparties to such derivative financial instruments.

The Company manages its credit risk by entering into derivative transactions with creditworthy counterparties. In addition, the Company enters into over-the-counter derivatives pursuant to master agreements that provide for a single net payment to be made by one counterparty to another at each due date and upon termination. Likewise, the Company effects exchange traded futures and options through regulated exchanges and these positions are marked to market and margined on a daily basis.

4. Insurance

Deferred Policy Acquisition Costs

Information regarding VOBA and DAC for the years ended December 31, 2002, 2003 and 2004 is as follows:

	Value of Business Acquired	Deferred Policy Acquisition Costs	Total
	(Dollars in millions)		
Balance at January 1, 2002	$1,502	$ 8,969	$10,471
Capitalizations	—	2,227	2,227
Total	1,502	11,196	12,698
Amortization related to:			
Net investment gains (losses)	16	(5)	11
Unrealized investment gains (losses)	31	173	204
Other expenses	121	1,380	1,501
Total amortization	168	1,548	1,716
Dispositions and other	(463)	(853)	(1,316)
Balance at December 31, 2002	871	8,795	9,666
Capitalizations	—	1,982	1,982
Acquisitions	—	218	218
Total	871	10,995	11,866
Amortization related to:			
Net investment gains (losses)	(5)	(21)	(26)
Unrealized investment gains (losses)	(9)	138	129
Other expenses	49	1,332	1,381
Total amortization	35	1,449	1,484
Dispositions and other	—	(150)	(150)
Balance at December 31, 2003	836	9,396	10,232
Capitalizations	—	1,817	1,817
Total	836	11,213	12,049
Amortization related to:			
Net investment gains (losses)	1	5	6
Unrealized investment gains (losses)	(76)	(12)	(88)
Other expenses	81	1,055	1,136
Total amortization	6	1,048	1,054
Dispositions and other	(23)	99	76
Balance at December 31, 2004	$ 807	$10,264	$11,071

The estimated future amortization expense allocated to other expenses for VOBA is $73 million in 2005, $68 million in 2006, $65 million in 2007, $63 million in 2008 and $63 million in 2009.

Amortization of VOBA and DAC is related to (i) investment gains and losses and the impact of such gains and losses on the amount of the amortization, (ii) unrealized investment gains and losses to provide information regarding the amount that would have been amortized if such gains and losses had been recognized, and (iii) other expenses to provide amounts related to the gross margins or profits originating from transactions other than investment gains and losses.

Sales Inducements

Changes in deferred sales inducements are as follows:

	Sales Inducements
	(Dollars in millions)
Balance at January 1, 2004	$52
Capitalization	29
Amortization	(6)
Balance at December 31, 2004	$75

Liabilities for Unpaid Claims and Claim Expenses

The following table provides an analysis of the activity in the liability for unpaid claims and claim expenses relating to property and casualty group accident and non-medical health policies and contracts:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Balance at January 1	$ 3,560	$ 4,821	$ 4,597
Reinsurance recoverables	(284)	(496)	(457)
Net balance at January 1	3,276	4,325	4,140
Incurred related to:			
Current year	2,491	3,816	4,219
Prior years	(9)	28	(81)
	2,482	3,844	4,138
Paid related to:			
Current year	(1,519)	(2,153)	(2,559)
Prior years	(679)	(1,290)	(1,332)
	(2,198)	(3,443)	(3,891)
Dispositions	—	(1,450)	(62)
Net Balance at December 31	3,560	3,276	4,325
Add: Reinsurance recoverables	287	284	496
Balance at December 31	$ 3,847	$ 3,560	$ 4,821

Guarantees

The Company issues annuity contracts which may include contractual guarantees to the contractholder for: (i) return of no less than total deposits made to the contract less any partial withdrawals ("return of net deposits") and (ii) the highest contract value on a specified anniversary date minus any withdrawals following the contract anniversary, or total deposits made to the contract less any partial withdrawals plus a minimum return ("anniversary contract value" or "minimum return"). The Company also issues annuity contracts that apply a lower rate of funds deposited if the contractholder elects to surrender the contract for cash and a higher rate if the contractholder elects to annuitize ("two tier annuities"). These guarantees include benefits that are payable in the event of death or at annuitization.

The Company also issues universal and variable life contracts where the Company contractually guarantees to the contractholder a secondary guarantee or a guaranteed paid up benefit.

The Company had the following types of guarantees relating to annuity and universal and variable life contracts at:

	December 31, 2004	
	In the Event of Death	At Annuitization
	(Dollars in millions)	
Annuity Contracts		
Return of Net Deposits		
Separate account value	$ 2,039	N/A
Net amount at risk	$ 11(1)	N/A
Average attained age of contractholders	58 years	N/A
Anniversary Contract Value or Minimum Return		
Separate account value	$ 29,834	$ 2,659
Net amount at risk	$ 735(1)	$ 7(2)
Average attained age of contractholders	61 years	56 years
Two Tier Annuities		
General account value	N/A	$ 301
Net amount at risk	N/A	$ 36(3)
Average attained age of contractholders	N/A	58 years

	December 31, 2004	
	Secondary Guarantees	Paid Up Guarantees
	(Dollars in millions)	
Universal and Variable Life Contracts		
Account value (general and separate account)	$ 4,715	$ 1,659
Net amount at risk	$ 94,163(1)	$ 16,830(1)
Average attained age of policyholders	45 years	51 years

(1) The net amount at risk for guarantees of amounts in the event of death is defined as the current guaranteed minimum death benefit in excess of the current account balance at the balance sheet date.

(2) The net amount at risk for guarantees of amounts at annuitization is defined as the present value of the minimum guaranteed annuity payments available to the contractholder determined in accordance with the terms of the contract in excess of the current account balance.

(3) The net amount at risk for two tier annuities is based on the excess of the upper tier, adjusted for a profit margin, less the lower tier.

The net amount at risk is based on the direct amount at risk (excluding reinsurance).

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

Liabilities for guarantees (excluding base policy liabilities) relating to annuity and universal and variable life contracts are as follows:

	Annuity Contracts		Universal and Variable Life Contracts		
	Guaranteed Death Benefits	Guaranteed Annuitization Benefits	Secondary Guarantees	Paid Up Guarantees	Total
	(Dollars in millions)				
Balance at January 1, 2004	$ 8	$16	$ 6	$6	$ 36
Incurred guaranteed benefits	4	(9)	4	1	—
Paid guaranteed benefits	(6)	—	(4)	—	(10)
Balance at December 31, 2004	$ 6	$ 7	$ 6	$7	$ 26

Account balances of contracts with insurance guarantees are invested in separate account asset classes as follows at:

	December 31, 2004
	(Dollars in millions)
Mutual Fund Groupings	
Equity	$18,873
Bond	2,270
Balanced	886
Money Market	212
Specialty	79
Total	$22,320

Separate Accounts

Separate account assets and liabilities include two categories of account types: pass-through separate accounts totaling $53,382 million and $47,198 million at December 31, 2004 and 2003, respectively, for which the policyholder assumes all investment risk, and separate accounts with a minimum return or account value for which the Company contractually guarantees either a minimum return or account value to the policyholder which totaled $15,125 million and $16,463 million at December 31, 2004 and 2003, respectively. The latter category consisted primarily of Met Managed Guaranteed Interest Contracts and participating close-out contracts. The average interest rates credited on these contracts were 4.7% and 4.5% at December 31, 2004 and 2003, respectively.

Fees charged to the separate accounts by the Company (including mortality charges, policy administration fees and surrender charges) are reflected in the Company's revenues as universal life and investment-type product policy fees and totaled $518 million, $451 million and $461 million for the years ended December 31, 2004, 2003 and 2002, respectively.

At December 31, 2004, fixed maturities, equity securities, and cash and cash equivalents reported on the consolidated balance sheet include $27 million, $20 million and $1 million, respectively, of the Company's proportional interest in separate accounts.

For the year ended December 31, 2004, there were no investment gains (losses) on transfers of assets from the general account to the separate accounts.

5. Reinsurance

The Company's life insurance operations participate in reinsurance activities in order to limit losses, minimize exposure to large risks, and to provide additional capacity for future growth. The Company currently reinsures up to 90% of the mortality risk for all new individual life insurance policies that it writes through its various franchises. This practice was initiated by different franchises for different products starting at various points in time between 1992 and 2000. The Company retains up to $25 million on single life policies and $30 million on survivorship policies and reinsures 100% of amounts in excess of the Company's retention limits. The Company reinsures a portion of the mortality risk on its universal life policies. The Company reinsures its business through a diversified group of reinsurers. Placement of reinsurance is done primarily on an automatic basis and also on a facultative basis for risks of specific characteristics. The Company is contingently liable with respect to ceded reinsurance should any reinsurer be unable to meet its obligations under these agreements.

In addition to reinsuring mortality risk, the Company reinsures other risks and specific coverages. The Company routinely reinsures certain classes of risks in order to limit its exposure to particular travel, avocation and lifestyle hazards. The Company has exposure to catastrophes, which are an inherent risk of the property and casualty business and could contribute to significant fluctuations in the Company's results of operations. The Company uses excess of loss and quota share reinsurance arrangements to limit its maximum loss, provide greater diversification of risk and minimize exposure to larger risks.

The Company has also protected itself through the purchase of combination risk coverage. This reinsurance coverage pools risks from several lines of business and includes individual and group life claims in excess of $2 million per policy, as well as excess property and casualty losses for 2003 and 2002, among others. The Company also reinsures with affiliates certain guarantees in connection with benefit features offered under some of its individual variable annuities.

In the Reinsurance Segment, Reinsurance Group of America, Incorporated ("RGA"), retains a maximum of $6 million of coverage per individual life with respect to its assumed reinsurance business.

See Note 10 for information regarding certain excess of loss reinsurance agreements providing coverage for risks associated primarily with sales practices claims.

The amounts in the consolidated statements of income are presented net of reinsurance ceded. The effects of reinsurance were as follows:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Direct premiums	$15,419	$16,843	$17,859
Reinsurance assumed	4,334	3,568	2,948
Reinsurance ceded	(2,241)	(2,260)	(2,346)
Net premiums	$17,512	$18,151	$18,461
Reinsurance recoveries netted against policyholder benefits	$ 1,821	$ 2,175	$ 2,478

Reinsurance recoverables, included in premiums and other receivables, were $3,597 million and $3,692 million at December 31, 2004 and 2003, respectively, including $1,302 million and $1,341 million, respectively, relating to reinsurance of long-term guaranteed interest contracts and structured settlement lump sum contracts accounted for as a financing transaction. Reinsurance and ceded commissions payables, included in other liabilities, were $68 million and $102 million at December 31, 2004 and 2003, respectively.

Included in Premiums and other receivables are reinsurance due from Exeter Reassurance Company, Limited, a related party, of $493 million and $507 million at December 31, 2004 and 2003, respectively.

Included in future policy benefits, other policyholder funds and policyholder account balances are reinsurance liabilities assumed from MTL, MetLife Investors Group, Inc., First MetLife Investor's Insurance Company, MetLife Investor's Insurance Company, and Cova Corporation related parties, of $796 million, $2,505 million, and $243 million, respectively, at December 31, 2004. Included in future policy benefits, other policyholder funds and policyholder account balances are reinsurance liabilities assumed from MIAC, Cova Corporation, and MetLife International Holdings, Inc., related parties of $790 million, $1,807 million, and $190 million, respectively, at December 31, 2003.

6. Closed Block

On April 7, 2000 (the "date of demutualization"), Metropolitan Life established a closed block for the benefit of holders of certain individual life insurance policies of Metropolitan Life. Assets have been allocated to the closed block in an amount that has been determined to produce cash flows which, together with anticipated revenues from the policies included in the closed block, are reasonably expected to be sufficient to support obligations and liabilities relating to these policies, including, but not limited to, provisions for the payment of claims and certain expenses and taxes, and to provide for the continuation of policyholder dividend scales in effect for 1999, if the experience underlying such dividend scales continues, and for appropriate adjustments in such scales if the experience changes. At least annually, the Company compares actual and projected experience against the experience assumed in the then-current dividend scales. Dividend scales are adjusted periodically to give effect to changes in experience.

The closed block assets, the cash flows generated by the closed block assets and the anticipated revenues from the policies in the closed block will benefit only the holders of the policies in the closed block. To the extent that, over time, cash flows from the assets allocated to the closed block and claims and other experience related to the closed block are, in the aggregate, more or less favorable than what was assumed when the closed block was established, total dividends paid to closed block policyholders in the future may be greater than or less than the total dividends that would have been paid to these policyholders if the policyholder dividend scales in effect for 1999 had been continued. Any cash flows in excess of amounts assumed will be available for distribution over time to closed block policyholders and will not be available to stockholders. If the closed block has insufficient funds to make guaranteed policy benefit payments, such payments will be made from assets outside of the closed block. The closed block will continue in effect as long as any policy in the closed block remains in-force. The expected life of the closed block is over 100 years.

The Company uses the same accounting principles to account for the participating policies included in the closed block as it used prior to the date of demutualization. However, the Company establishes a policyholder dividend obligation for earnings that will be paid to policyholders as additional dividends as described below. The excess of closed block liabilities over closed block assets at the effective date of the demutualization (adjusted to eliminate the impact of related amounts in accumulated other comprehensive income) represents the estimated maximum future earnings from the closed block expected to result from operations attributed to the closed block after income taxes. Earnings of the closed block are recognized in income over the period the policies and contracts in the closed block remain in-force. Management believes that over time the actual cumulative earnings of the closed block will approximately equal the expected cumulative earnings due to the effect of dividend changes. If, over the period the closed block remains in existence, the actual cumulative earnings of the closed block is greater than the expected cumulative earnings of the closed block, the Company will pay the excess of the actual cumulative earnings of the closed block over the expected cumulative earnings to closed block policyholders as additional policyholder dividends unless offset by future unfavorable experience of the closed block and, accordingly, will recognize only the expected cumulative earnings in income with the excess recorded as a policyholder dividend obligation. If over such period, the actual cumulative earnings of the closed block is less than the expected cumulative earnings of the closed block, the Company will recognize only the actual earnings in income. However, the Company may change policyholder dividend scales in the future, which would be intended to increase future actual earnings until the actual cumulative earnings equal the expected cumulative earnings.

Closed block liabilities and assets designated to the closed block are as follows:

	Years Ended December 31,	
	2004	2003
	(Dollars in millions)	
Closed Block Liabilities		
Future policy benefits	$42,348	$41,928
Other policyholder funds	258	260
Policyholder dividends payable	690	682
Policyholder dividend obligation	2,243	2,130
Payables under securities loaned transactions	4,287	6,418
Other liabilities	199	180
Total closed block liabilities	50,025	51,598
Assets Designated to the Closed Block		
Investments:		
Fixed maturities available-for-sale, at fair value (amortized cost: $27,757 and $30,381, respectively)	29,766	32,348
Equity securities, at fair value (cost: $898 and $217, respectively)	979	250
Mortgage loans on real estate	8,165	7,431
Policy loans	4,067	4,036
Short-term investments	101	123
Other invested assets	221	108
Total investments	43,299	44,296
Cash and cash equivalents	325	531
Accrued investment income	511	527
Deferred income taxes	1,002	1,043
Premiums and other receivables	103	164
Total assets designated to the closed block	45,240	46,561
Excess of closed block liabilities over assets designated to the closed block	4,785	5,037

	Years Ended December 31,	
	2004	2003
	(Dollars in millions)	
Amounts included in accumulated other comprehensive loss:		
Net unrealized investment gains, net of deferred income tax of $752 and $730, respectively	1,338	1,270
Unrealized derivative gains (losses), net of deferred income tax benefit of ($31) and ($28), respectively	(55)	(48)
Allocated from policyholder dividend obligation, net of deferred income tax benefit of ($763) and ($778), respectively	(1,356)	(1,352)
	(73)	(130)
Maximum future earnings to be recognized from closed block assets and liabilities	$ 4,712	$ 4,907

Information regarding the policyholder dividend obligation is as follows:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Balance at beginning of year	$2,130	$1,882	$ 708
Impact on revenues, net of expenses and income taxes	124	—	—
Change in unrealized investment and derivative gains (losses)	(11)	248	1,174
Balance at end of year	$2,243	$2,130	$1,882

Closed block revenues and expenses were as follows:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Revenues			
Premiums	$3,156	$3,365	$3,551
Net investment income and other revenues	2,504	2,554	2,568
Net investment gains (losses)	(19)	(128)	11
Total revenues	5,641	5,791	6,130
Expenses			
Policyholder benefits and claims	3,480	3,660	3,770
Policyholder dividends	1,458	1,509	1,573
Change in policyholder dividend obligation	124	—	—
Other expenses	275	297	310
Total expenses	5,337	5,466	5,653
Revenues net of expenses before income taxes	304	325	477
Income taxes	109	118	173
Revenues net of expenses and income taxes	$ 195	$ 207	$ 304

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

	Years Ended December 31, 2004	2003	2002
	(Dollars in millions)		
Balance at end of year	$4,712	$4,907	$5,114
Less:			
Reallocation of assets	—	—	85
Balance at beginning of year	4,907	5,114	5,333
Change during year	$ (195)	$ (207)	$ (304)

During the year ended December 31, 2002, the allocation of assets to the closed block was revised to appropriately classify assets in accordance with the plan of demutualization. The reallocation of assets had no impact on consolidated assets or liabilities.

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

7. Debt

Debt consisted of the following:

	December 31, 2004	2003
	(Dollars in millions)	
Surplus notes, interest rates ranging from 7.00% to 7.88%, maturity dates ranging from 2005 to 2025	$ 946	$ 940
Capital notes, interest rates of 7.13%, maturity dates ranging from 2032 to 2033	500	500
Senior notes, interest rates ranging from 6.75% to 7.25%, maturity dates ranging from 2006 to 2011	300	299
Fixed rate notes, interest rates ranging from 2.99% to 6.38%, maturity dates ranging from 2005 to 2006	106	103
Capital lease obligations	65	74
Other notes with varying interest rates	133	139
Total long-term debt	2,050	2,055
Total short-term debt	1,445	3,536
Total	$3,495	$5,591

The Company maintains committed and unsecured credit facilities aggregating $2.7 billion ($1.06 billion expiring in 2005, $175 million expiring in 2006 and $1.5 billion expiring in 2009). If these facilities were drawn upon, they would bear interest at varying rates in accordance with the respective agreements. The facilities can be used for general corporate purposes and $2.5 billion of the facilities also serve as back-up lines of credit for the Company's commercial paper programs. At December 31, 2004, the Company had drawn approximately $56 million under the facilities expiring in 2005 at interest rates ranging from 5.44% to 6.38% and approximately another $50 million under the facility expiring in 2006 at an interest rate of 2.99%. In April 2003, the Company replaced an expiring $1 billion five-year credit facility with a $1 billion 364-day credit facility and the Holding Company was added as a borrower. In May 2003, the Company replaced an expiring $140 million three-year credit facility with a $175 million three-year credit facility, which expires in 2006. In April 2004, the Company replaced the $2.25 billion credit facilities expiring in 2004 and 2005, with a $1.0 billion 364-day credit facility expiring in 2005 and a $1.5 billion five-year credit facility expiring in 2009.

At December 31, 2004, the Company had $569 million in outstanding letters of credit from various banks.

Payments of interest and principal on the surplus notes, subordinated to all other indebtedness, may be made only with the prior approval of the insurance department of the state of domicile.

The aggregate maturities of long-term debt for the Company are $430 million in 2005, $160 million in 2006, $11 million in 2007, $24 million in 2008, $14 million in 2009 and $1,411 million thereafter.

Short-term debt of the Company consisted of commercial paper with a weighted average interest rate of 2.3% and a weighted average maturity of 27 days at December 31, 2004. Short-term debt of the Company consisted of commercial paper with a weighted average interest rate of 1.1% and a weighted average maturity of 33 days at December 31, 2003. The Company has no other collateralized borrowings at December 31, 2004. Such securities had a weighted average coupon rate of 5.07% and a weighted average maturity of 30 days at December 31, 2003.

Interest expense related to the Company's indebtedness included in other expenses was $201 million, $265 million and $208 million for the years ended December 31, 2004, 2003 and 2002, respectively.

8. Shares Subject to Mandatory Redemption and Company-Obligated Mandatorily Redeemable Securities of Subsidiary Trusts

GenAmerica Capital I. In June 1997, GenAmerica Corporation ("GenAmerica") issued $125 million of 8.525% capital securities through a wholly-owned subsidiary trust, GenAmerica Capital I. GenAmerica has fully and unconditionally guaranteed, on a subordinated basis, the obligation of the trust under the capital securities and is obligated to mandatorily redeem the securities on June 30, 2027. GenAmerica may prepay the securities any time after June 30, 2007. Capital securities outstanding were $119 million, net of unamortized discounts of $6 million, at both December 31, 2004 and 2003. Interest expense on these instruments is included in other expenses and was $11 million for each of the years ended December 31, 2004, 2003 and 2002.

RGA Capital Trust I. In December 2001, RGA, through its wholly-owned trust, RGA Capital Trust I (the "Trust"), issued 4,500,000 Preferred Income Equity Redeemable Securities ("PIERS") Units. Each PIERS unit consists of (i) a preferred security issued by the Trust, having a stated liquidation amount of $50 per unit, representing an undivided beneficial ownership interest in the assets of the Trust, which consist solely of junior subordinated debentures issued by RGA which have a principal amount at maturity of $50 and a stated maturity of March 18, 2051, and (ii) a warrant to purchase, at any time prior to December 15, 2050, 1.2508 shares of RGA stock at an exercise price of $50. The fair market value of the warrant on the issuance date was $14.87 and is detachable from the preferred security. RGA fully and unconditionally guarantees, on a subordinated basis, the obligations of the Trust under the preferred securities. The preferred securities and subordinated debentures were issued at a discount (original issue discount) to the face or liquidation value of $14.87 per security. The securities will accrete to their $50 face/liquidation value over the life of the security on a level yield basis. The weighted average effective interest rate on the preferred securities and the subordinated debentures is 8.25% per annum. Capital securities outstanding were $159 million and $158 million for the years ended December 31, 2004 and 2003, respectively, net of unamortized discount of $66 million and $67 million for the years ended December 31, 2004 and 2003, respectively.

9. Income Taxes

The provision for income taxes for continuing operations was as follows:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Current:			
Federal	$838	$347	$ 820
State and local	45	19	(18)
Foreign	5	2	(5)
	888	368	797
Deferred:			
Federal	13	272	(328)
State and local	(7)	27	17
Foreign	—	—	12
	6	299	(299)
Provision for income taxes	$894	$667	$ 498

Reconciliations of the income tax provision at the U.S. statutory rate to the provision for income taxes as reported for continuing operations were as follows:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Tax provision at U.S. statutory rate	$1,100	$ 826	$566
Tax effect of:			
Tax exempt investment income	(69)	(101)	(86)
State and local income taxes	17	42	18
Prior year taxes	(104)	(25)	(8)
Foreign operations net of foreign income taxes	(25)	(17)	4
Other, net	(25)	(58)	4
Provision for income taxes	$ 894	$ 667	$498

The Company is under continuous examination by the Internal Revenue Service ("IRS") and other tax authorities in jurisdictions in which the Company has significant business operations. The income tax years under examination vary by jurisdiction. In 2004 the Company recorded an adjustment of $91 million for the settlement of all federal income tax issues relating to the IRS's audit of the Company's tax returns for the years 1997-1999. Such settlement is reflected in the current year tax expense as an adjustment to prior year taxes. The Company also received $22 million in interest on such settlement and incurred an $8 million tax expense on such settlement for a total impact to net income of $105 million. The current IRS examination covers the years 2000-2002. The Company regularly assesses the likelihood of additional assessments in each taxing jurisdiction resulting from current and subsequent years' examinations. Liabilities for income taxes have been established for future income tax assessments when it is probable there will be future assessments and the amount thereof can be reasonably estimated. Once established, liabilities for uncertain tax positions are adjusted only when there is more information available or when an event occurs necessitating a change to the liabilities. The Company believes that the resolution of income tax matters for open years will not have a material effect on its consolidated financial statements although the resolution of income tax matters could impact the Company's effective tax rate for a particular future period.

Deferred income taxes represent the tax effect of the differences between the book and tax bases of assets and liabilities. Net deferred income tax assets and liabilities consisted of the following:

	December 31,	
	2004	2003
	(Dollars in millions)	
Deferred income tax assets:		
Policyholder liabilities and receivables	$ 2,998	$ 2,618
Net operating losses	216	245
Capital loss carryforwards	108	92
Litigation related	84	86
Other	124	52
	3,530	3,093
Less: Valuation allowance	16	16
	3,514	3,077
Deferred income tax liabilities:		
Investments	1,554	1,352
Deferred policy acquisition costs	3,095	2,815
Employee benefits	114	151
Net unrealized investment gains	1,391	1,397
Other	31	58
	6,185	5,773
Net deferred income tax liability	$(2,671)	$(2,696)

Domestic net operating loss carryforwards amount to $561 million at December 31, 2004 and will expire beginning in 2014. Domestic capital loss carryforwards amount to $249 million at December 31, 2004 and will expire beginning in 2005. Foreign net operating loss carryforwards amount to $45 million at December 31, 2004 and were generated in various foreign countries with expiration periods of five years to infinity.

The Company has recorded a valuation allowance related to tax benefits of certain foreign net operating loss carryforwards. The valuation allowance reflects management's assessment, based on available information, that it is more likely than not that the deferred income tax asset for certain foreign net operating loss carryforwards will not be realized. The tax benefit will be recognized when management believes that it is more likely than not that these deferred income tax assets are realizable.

10. Commitments, Contingencies and Guarantees

Litigation

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

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

On a quarterly and yearly basis, the Company reviews relevant information with respect to liabilities for litigation and contingencies to be reflected in the Company's consolidated financial statements. The review includes senior legal and financial personnel. Unless stated below, estimates of possible additional losses or ranges of loss for particular matters cannot in the ordinary course be made with a reasonable degree of certainty. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. It is possible that some of the matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be estimated as of December 31, 2004.

Sales Practices Claims

Over the past several years, Metropolitan Life, New England Mutual Life Insurance Company ("New England Mutual") and General American Life Insurance Company ("General American") have faced numerous claims, including class action lawsuits, alleging improper marketing and sales of individual life insurance policies or annuities. These lawsuits are generally referred to as "sales practices claims."

In December 1999, a federal court approved a settlement resolving sales practices claims on behalf of a class of owners of permanent life insurance policies and annuity contracts or certificates issued pursuant to individual sales in the United States by Metropolitan Life, Metropolitan Insurance and Annuity Company or Metropolitan Tower Life Insurance Company between January 1, 1982 and December 31, 1997. The class includes owners of approximately six million in-force or terminated insurance policies and approximately one million in-force or terminated annuity contracts or certificates.

Similar sales practices class actions against New England Mutual, with which Metropolitan Life merged in 1996, and General American, which was acquired in 2000, have been settled. In October 2000, a federal court approved a settlement resolving sales practices claims on behalf of a class of owners of permanent life insurance policies issued by New England Mutual between January 1, 1983 through August 31, 1996. The class includes owners of approximately 600,000 in-force or terminated policies. A federal court has approved a settlement resolving sales practices claims on behalf of a class of owners of permanent life insurance policies issued by General American between January 1, 1982 through December 31, 1996. An appellate court has affirmed the order approving the settlement. The class includes owners of approximately 250,000 in-force or terminated policies.

Certain class members have opted out of the class action settlements noted above and have brought or continued non-class action sales practices lawsuits. In addition, other sales practices lawsuits have been brought. As of December 31, 2004, there are approximately 328 sales practices lawsuits pending against

Metropolitan Life; approximately 49 sales practices lawsuits pending against New England Mutual, New England Life Insurance Company, and New England Securities Corporation (collectively, "New England"); and approximately 54 sales practices lawsuits pending against General American. Metropolitan Life, New England and General American continue to defend themselves vigorously against these lawsuits. Some individual sales practices claims have been resolved through settlement, won by dispositive motions, or, in a few instances, have gone to trial. Most of the current cases seek substantial damages, including in some cases punitive and treble damages and attorneys' fees. Additional litigation relating to the Company's marketing and sales of individual life insurance may be commenced in the future.

The Metropolitan Life class action settlement did not resolve two putative class actions involving sales practices claims filed against Metropolitan Life in Canada, and these actions remain pending.

The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for sales practices claims against Metropolitan Life, New England and General American.

Regulatory authorities in a small number of states have had investigations or inquiries relating to Metropolitan Life's, New England's, or General American's sales of individual life insurance policies or annuities. Over the past several years, these and a number of investigations by other regulatory authorities were resolved for monetary payments and certain other relief. The Company may continue to resolve investigations in a similar manner.

Asbestos-Related Claims

Metropolitan Life is also a defendant in thousands of lawsuits seeking compensatory and punitive damages for personal injuries allegedly caused by exposure to asbestos or asbestos-containing products. Metropolitan Life has never engaged in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products nor has Metropolitan Life issued liability or workers' compensation insurance to companies in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products. Rather, these lawsuits principally have been based upon allegations relating to certain research, publication and other activities of one or more of Metropolitan Life's employees during the period from the 1920's through approximately the 1950's and have alleged that Metropolitan Life learned or should have learned of certain health risks posed by asbestos and, among other things, improperly publicized or failed to disclose those health risks. Metropolitan Life believes that it should not have legal liability in such cases.

Legal theories asserted against Metropolitan Life have included negligence, intentional tort claims and conspiracy claims concerning the health risks associated with asbestos. Although Metropolitan Life believes it has meritorious defenses to these claims, and has not suffered any adverse monetary judgments in respect of these claims, due to the risks and expenses of litigation, almost all past cases have been resolved by settlements. Metropolitan Life's defenses (beyond denial of certain factual allegations) to plaintiffs' claims include that: (i) Metropolitan Life owed no duty to the plaintiffs — it had no special relationship with the plaintiffs and did not manufacture, produce, distribute or sell the asbestos products that allegedly injured plaintiffs; (ii) plaintiffs cannot demonstrate justifiable detrimental reliance; and (iii) plaintiffs cannot demonstrate proximate causation. In defending asbestos cases, Metropolitan Life selects various strategies depending upon the jurisdictions in which such cases are brought and other factors which, in Metropolitan Life's judgment, best protect Metropolitan Life's interests. Strategies include seeking to settle or compromise claims, motions challenging the legal or factual basis for such claims or defending on the merits at trial. In 2002, 2003 or 2004, trial courts in California, Utah, Georgia, New York, Texas, and Ohio granted motions dismissing claims against Metropolitan Life on some or all of the above grounds. Other courts have denied motions brought by Metropolitan Life to dismiss cases without the necessity of trial. There can be no assurance that Metropolitan Life will receive favorable decisions on motions in the future. Metropolitan Life intends to continue to exercise its best judgment regarding settlement or defense of such cases, including when trials of these cases are appropriate.

Metropolitan Life continues to study its claims experience, review external literature regarding asbestos claims experience in the United States and consider numerous variables that can affect its asbestos liability exposure, including bankruptcies of other companies involved in asbestos litigation and legislative and judicial developments, to identify trends and to assess their impact on the recorded asbestos liability.

Bankruptcies of other companies involved in asbestos litigation, as well as advertising by plaintiffs' asbestos lawyers, may be resulting in an increase in the cost of resolving claims and could result in an increase in the number of trials and possible adverse verdicts Metropolitan Life may experience. Plaintiffs are seeking additional funds from defendants, including Metropolitan Life, in light of such bankruptcies by certain other defendants. In addition, publicity regarding legislative reform efforts may result in an increase or decrease in the number of claims.

The total number of asbestos personal injury claims pending against Metropolitan Life as of the dates indicated, the number of new claims during the years ended on those dates and the total settlement payments made to resolve asbestos personal injury claims during those years are set forth in the following table:

	At or for the Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Asbestos personal injury claims at year end (approximate)	108,000	111,700	106,500
Number of new claims during the year (approximate)	23,500	58,650	66,000
Settlement payments during the year(1)	$ 85.5	$ 84.2	$ 95.1

(1) Settlement payments represent payments made by Metropolitan Life during the year in connection with settlements made in that year and in prior years. Amounts do not include Metropolitan Life's attorneys' fees and expenses and do not reflect amounts received from insurance carriers.

The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for asbestos-related claims. The ability of Metropolitan Life to estimate its ultimate asbestos exposure is subject to considerable uncertainty due to numerous factors. The availability of data is limited and it is difficult to predict with any certainty numerous variables that can affect liability estimates, including the number of future claims, the cost to resolve claims, the disease mix and severity of disease, the jurisdiction of claims filed, tort reform efforts and the impact of any possible future adverse verdicts and their amounts.

The number of asbestos cases that may be brought or the aggregate amount of any liability that Metropolitan Life may ultimately incur is uncertain. Accordingly, it is reasonably possible that the Company's total exposure to asbestos claims may be greater than the liability recorded by the Company in its consolidated financial statements and that future charges to income may be necessary. While the potential future charges could be material in particular quarterly or annual periods in which they are recorded, based on information currently known by management, it does not believe any such charges are likely to have a material adverse effect on the Company's consolidated financial position.

Metropolitan Life increased its recorded liability for asbestos-related claims by $402 million from approximately $820 million to $1,225 million at December 31, 2002. This total recorded asbestos-related liability (after the self-insured retention) was within the coverage of the excess insurance policies discussed below. Metropolitan Life regularly reevaluates its exposure from asbestos litigation and has updated its liability analysis for asbestos-related claims through December 31, 2004.

During 1998, Metropolitan Life paid $878 million in premiums for excess insurance policies for asbestos-related claims. The excess insurance policies for asbestos-related claims provide for recovery of losses up to $1,500 million, which is in excess of a $400 million self-insured retention. The asbestos-related policies are also subject to annual and per-claim sublimits. Amounts are recoverable under the policies annually with respect to claims paid during the prior calendar year. Although amounts paid by Metropolitan Life in any given year that may be recoverable in the next calendar year under the policies will be reflected as a reduction in the Company's operating cash flows for the year in which they are paid, management believes that the payments will not have a material adverse effect on the Company's liquidity.

Each asbestos-related policy contains an experience fund and a reference fund that provides for payments to Metropolitan Life at the commutation date if the reference fund is greater than zero at commutation or pro rata reductions from time to time in the loss reimbursements to Metropolitan Life if the cumulative return on the reference fund is less than the return specified in the experience fund. The return in the reference fund is tied to performance of the Standard & Poor's 500 Index and the Lehman Brothers Aggregate Bond Index. A claim was made under the excess insurance policies in 2003 and 2004 for the amounts paid with respect to asbestos litigation in excess of the retention. As the performance of the indices impacts the return in the reference fund, it is possible that loss reimbursements to the Company and the recoverable with respect to later periods may be less than the amount of the recorded losses. Such foregone loss reimbursements may be recovered upon commutation depending upon future performance of the reference fund. If at some point in the future, the Company believes the liability for probable and reasonably estimable losses for asbestos-related claims should be increased, an expense would be recorded and the insurance recoverable would be adjusted subject to the terms, conditions and limits of the excess insurance policies. Portions of the change in the insurance recoverable would be recorded as a deferred gain and amortized into income over the estimated remaining settlement period of the insurance policies. The foregone loss reimbursements were approximately $8.3 million with respect to 2002 claims, $15.5 million with respect to 2003 claims and are estimated to be $10.2 million with respect to 2004 claims and estimated to be approximately $54 million in the aggregate, including future years.

Demutualization Actions

Several lawsuits were brought in 2000 challenging the fairness of Metropolitan Life's plan of reorganization, as amended (the "plan") and the adequacy and accuracy of Metropolitan Life's disclosure to policyholders regarding the plan. These actions named as defendants some or all of Metropolitan Life, MetLife, Inc. (the "Holding Company"), the individual directors, the New York Superintendent of Insurance (the "Superintendent") and the underwriters for MetLife, Inc.'s initial public offering, Goldman, Sachs & Co. and Credit Suisse First Boston. On February 21, 2003, a trial court within the commercial part of the New York State court granted the defendants' motions to dismiss two purported class actions. On April 27, 2004, the appellate court modified the trial court's order by reinstating certain claims against Metropolitan Life, the Holding Company and the individual directors. Plaintiffs in these actions have filed a consolidated amended complaint. Defendants' motion to dismiss part of the consolidated amended complaint, and plaintiffs' motion to certify a litigation class are pending. Another purported class action filed in New York State court in Kings County has been consolidated with this action. The plaintiffs in the state court class actions seek compensatory relief and punitive damages. Five persons have brought a proceeding under Article 78 of New York's Civil Practice Law and Rules challenging the Opinion and Decision of the Superintendent who approved the plan. In this proceeding, petitioners seek to vacate the Superintendent's Opinion and Decision and enjoin him from granting final approval of the plan. Respondents have moved to dismiss the proceeding. In a purported class action against Metropolitan Life and the Holding Company pending in the United States District Court for the

Eastern District of New York, plaintiffs served a second consolidated amended complaint on April 2, 2004. In this action, plaintiffs assert violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 in connection with the plan, claiming that the Policyholder Information Booklets failed to disclose certain material facts. They seek rescission and compensatory damages. On June 22, 2004, the court denied the defendants' motion to dismiss the claim of violation of the Securities Exchange Act of 1934. The court had previously denied defendants' motion to dismiss the claim for violation of the Securities Act of 1933. On December 10, 2004, the court reaffirmed its earlier decision denying defendants' motion for summary judgment as premature. Metropolitan Life, the Holding Company and the individual defendants believe they have meritorious defenses to the plaintiffs' claims and are contesting vigorously all of the plaintiffs' claims in these actions.

In 2001, a lawsuit was filed in the Superior Court of Justice, Ontario, Canada on behalf of a proposed class of certain former Canadian policyholders against the Holding Company, Metropolitan Life, and Metropolitan Life Insurance Company of Canada. Plaintiffs' allegations concern the way that their policies were treated in connection with the demutualization of Metropolitan Life; they seek damages, declarations, and other non-pecuniary relief. The defendants believe they have meritorious defenses to the plaintiffs' claims and will contest vigorously all of plaintiffs' claims in this matter.

On April 30, 2004, a lawsuit was filed in New York state court in New York County against the Holding Company and Metropolitan Life on behalf of a proposed class comprised of the settlement class in the Metropolitan Life sales practices class action settlement approved in December 1999 by the United States District Court for the Western District of Pennsylvania. In July 2004, the plaintiffs served an amended complaint. The amended complaint challenges the treatment of the cost of the sales practices settlement in the demutualization of Metropolitan Life and asserts claims of breach of fiduciary duty, common law fraud, and unjust enrichment. Plaintiffs seek compensatory and punitive damages, as well as attorneys' fees and costs. The Holding Company and Metropolitan Life have moved to dismiss the amended complaint. In October 2003, the United States District Court for the Western District of Pennsylvania dismissed plaintiffs' similar complaint alleging that the demutualization breached the terms of the 1999 settlement agreement and unjustly enriched the Holding Company and Metropolitan Life. The Holding Company and Metropolitan Life intend to contest this matter vigorously.

Race-Conscious Underwriting Claims

Insurance departments in a number of states initiated inquiries in 2000 about possible race-conscious underwriting of life insurance. These inquiries generally have been directed to all life insurers licensed in their respective states, including Metropolitan Life and certain of its affiliates. The New York Insurance Department concluded its examination of Metropolitan Life concerning possible past race-conscious underwriting practices. On April 28, 2003, the United States District Court for the Southern District of New York approved a class action settlement of a consolidated action against Metropolitan Life alleging racial discrimination in the marketing, sale, and administration of life insurance policies. Metropolitan Life also entered into settlement agreements to resolve the regulatory examination.

Twenty lawsuits involving approximately 140 plaintiffs were filed in federal and state court in Alabama, Mississippi and Tennessee alleging federal and/or state law claims of racial discrimination in connection with the sale, formation, administration or servicing of life insurance policies. Metropolitan Life resolved the claims of some of these plaintiffs through settlement, and some additional plaintiffs have voluntarily dismissed their claims. Metropolitan Life resolved claims of some additional persons who opted out of the settlement class referenced in the preceding paragraph but who had not filed suit. The actions filed in Alabama and Tennessee have been dismissed; one action filed in Mississippi remains pending. In the pending action, Metropolitan Life is contesting plaintiffs' claims vigorously.

The Company believes that adequate provision has been made to cover the costs associated with the resolution of these matters.

Other

A putative class action lawsuit is pending in the United States District Court for the District of Columbia, in which plaintiffs allege that they were denied certain ad hoc pension increases awarded to retirees under the Metropolitan Life retirement plan. The ad hoc pension increases were awarded only to retirees (i.e., individuals who were entitled to an immediate retirement benefit upon their termination of employment) and not available to individuals like these plaintiffs whose employment, or whose spouses' employment, had terminated before they became eligible for an immediate retirement benefit. The plaintiffs seek to represent a class consisting of former Metropolitan Life employees, or their surviving spouses, who are receiving deferred vested annuity payments under the retirement plan and who were allegedly eligible to receive the ad hoc pension increases awarded in 1977, 1980, 1989, 1992, 1996 and 2001, as well as increases awarded in earlier years. Metropolitan Life is vigorously defending itself against these allegations.

As previously reported, the SEC is conducting a formal investigation of New England Securities Corporation (**"NES"**), a subsidiary of New England Life Insurance Company ("NELICO"), in response to NES informing the SEC that certain systems and controls relating to one NES advisory program were not operating effectively. NES is cooperating fully with the SEC.

Prior to filing MetLife, Inc.'s June 30, 2003 Form 10-Q, the Holding Company and/or its subsidiaries announced a $31 million charge, net of income taxes, resulting from certain improperly deferred expenses at an affiliate, New England Financial. The Holding Company and/or its subsidiaries notified the SEC about the nature of this charge prior to its announcement. The SEC is pursuing a formal investigation of the matter and, in December 2004, NELICO received a so-called "Wells Notice" in connection with the SEC investigation. The Wells Notice provides notice that the SEC staff is considering recommending that the SEC bring a civil action alleging violations of the U.S. securities laws. Under the SEC's procedures, a recipient can respond to the SEC staff before the staff makes a formal recommendation regarding whether any action alleging violations of the U.S. securities laws should be considered. The Holding Company and/or its subsidiaries continue to cooperate fully with the SEC in its investigation.

The American Dental Association and two individual providers have sued the Holding Company and/or its subsidiaries, Mutual of Omaha and Cigna in a purported class action lawsuit brought in a Florida federal district court. The plaintiffs purport to represent a nationwide class of in-network providers who allege that their claims are being wrongfully reduced by downcoding, bundling, and the improper use and programming of software. The complaint alleges federal racketeering and various state law theories of liability. The Holding Company and/or its subsidiaries are vigorously defending the case. In March 2005, the district court granted in part and denied in part defendants' motion to dismiss.

On November 16, 2004, a New York state court granted plaintiffs' motion to certify a litigation class of owners of certain participating life insurance policies and a sub-class of New York owners of such policies in an action asserting that Metropolitan Life breached their policies and violated New York's General Business Law in the manner in which it allocated investment income across lines of business during a period ending with the 2000 demutualization. Metropolitan Life has filed a notice of appeal from the order granting this motion. In August 2003, an appellate court affirmed the dismissal of fraud claims in this action. Plaintiffs seek compensatory damages. Metropolitan Life is vigorously defending the case.

Regulatory bodies have contacted the Company and have requested information relating to market timing and late trading of mutual funds and variable insurance products and, generally, the marketing of products. The Company believes that many of these inquiries are similar to those made to many financial services companies as part of industry-wide investigations by various regulatory agencies. The SEC has commenced an investigation with respect to market timing and late trading in a limited number of privately-placed variable insurance contracts that were sold through General American. As previously reported, in May 2004, General American received a Wells Notice stating that the SEC staff is considering recommending that the SEC bring a civil action alleging violations of the U.S. securities laws against General American. Under the SEC procedures, General American can avail itself of the opportunity to respond to the SEC staff before it makes a formal recommendation regarding whether any action alleging violations of the U.S. securities laws should be considered. General American has responded to the Wells Notice. The Company is fully cooperating with regard to these information requests and investigations. The Company at the present time is not aware of any systemic problems with respect to such matters that may have a material adverse effect on the Company's consolidated financial position.

In October 2004, the SEC informed the Holding Company and/or its subsidiaries that it anticipates issuing a formal order of investigation related to certain sales by a former sales representative to the Sheriff's Department of Fulton County, Georgia. The Holding Company and/or its subsidiaries are fully cooperating with respect to inquiries from the SEC.

The Holding Company and/or its subsidiaries have received a number of subpoenas and other requests from the Office of the Attorney General of the State of New York seeking, among other things, information regarding and relating to compensation agreements between insurance brokers and the Holding Company and/or its subsidiaries, whether the Holding Company and/or its subsidiaries have provided or are aware of the provision of "fictitious" or "inflated" quotes and information regarding tying arrangements with respect to reinsurance. Based upon an internal review, the Holding Company and/or its subsidiaries advised the Attorney General for the State of New York that the Holding Company and/or its subsidiaries were not aware of any instance in which they had provided a "fictitious" or "inflated" quote. The Holding Company and/or its subsidiaries also have received a subpoena, including a set of interrogatories, from the Office of the Attorney General of the State of Connecticut seeking information and documents concerning contingent commission payments to brokers and their awareness of any "sham" bids for business. The Holding Company and/or its subsidiaries also have received a Civil Investigative Demand from the Office of the Attorney General for the State of Massachusetts seeking information and documents concerning bids and quotes that the Holding Company and/or its subsidiaries submitted to potential customers in Massachusetts, the identity of agents, brokers, and producers to whom the Holding Company and/or its subsidiaries submitted such bids or quotes, and communications with a certain broker. The Holding Company and/or its subsidiaries is continuing to conduct an internal review of its commission payment practices. The Holding Company and/or its subsidiaries continue to fully cooperate with these inquiries and are responding to the subpoenas and other requests.

Approximately twelve broker related lawsuits have been received. Two class action lawsuits were filed in the United States District Court for the Southern District of New York on behalf of proposed classes of all persons who purchased the securities of MetLife, Inc. between April 5, 2000 and October 19, 2004 against MetLife, Inc. and certain officers of MetLife, Inc. In the context of contingent commissions, the complaints allege that defendants violated the federal securities laws by issuing materially false and misleading statements and failing to disclose material facts regarding MetLife, Inc.'s financial performance throughout the class period that had the effect of artificially inflating the market price of MetLife Inc.'s securities. Three class action lawsuits were filed in the United States District Court for the Southern District of New York on behalf of proposed classes of participants in and beneficiaries of Metropolitan Life Insurance Company's Savings and Investment Plan against MetLife, Inc., the MetLife, Inc. Employee Benefits Committee, certain officers of Metropolitan Life Insurance Company, and members of MetLife, Inc.'s board of directors. In the context of contingent commissions, the complaints allege that defendants violated their fiduciary obligations under ERISA by failing to disclose to plan participants who had the option of allocating funds in the plan to the MetLife Company Stock Fund material facts regarding MetLife, Inc.'s financial performance. The plaintiffs in these actions seek compensatory and other relief. Two cases have been brought in California state court against MetLife, Inc., other companies, and an insurance broker. One of these cases alleges that the insurers and the broker violated Section 17200 of the California Business and Professions Code by engaging in unfair trade practices concerning contingent commissions and fees paid to the broker; the other case has been brought by the California Insurance Commissioner and alleges that the defendants violated certain provisions of the California Insurance Code. Additionally, two civil RICO or antitrust related class action lawsuits have been brought against MetLife, Inc., and other companies in California federal court with respect to issues concerning contingent commissions and fees paid to one or more brokers. Three class action lawsuits have been brought in Illinois federal court against MetLife, Inc. and other companies alleging that insurers and brokers violated antitrust laws or engaged in civil RICO violations. The Company intends to vigorously defend these cases.

In addition to those discussed above, regulators and others have made a number of inquiries of the insurance industry regarding industry brokerage practices and related matters and others may begin. It is reasonably possible that the Holding Company and/or its subsidiaries will receive additional subpoenas, interrogatories, requests and lawsuits. The Holding Company and/or its subsidiaries will fully cooperate with all regulatory inquiries and intends to vigorously defend all lawsuits.

Metropolitan Life also has been named as a defendant in a number of silicosis, welding and mixed dust cases in various states. The Company intends to defend itself vigorously against these cases.

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

Summary

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

Leases

In accordance with industry practice, certain of the Company's income from lease agreements with retail tenants is contingent upon the level of the tenants' sales revenues. Additionally, the Company, as lessee, has entered into various lease and sublease agreements for office space, data processing and other equipment. Future minimum rental and sublease income, and minimum gross rental payments relating to these lease agreements were as follows:

	Rental Income	Sublease Income	Gross Rental Payments
	(Dollars in millions)		
2005	$ 451	$19	$162
2006	$ 425	$19	$147
2007	$ 386	$13	$124
2008	$ 315	$10	$ 92
2009	$ 260	$ 4	$ 68
Thereafter	$1,376	$12	$388

Commitments to Fund Partnership Investments

The Company makes commitments to fund partnership investments in the normal course of business. The amounts of these unfunded commitments were approximately $1,320 million and $1,378 million at December 31, 2004 and 2003, respectively. The Company anticipates that these amounts will be invested in the partnerships over the next three to five years.

Guarantees

In the course of its business, the Company has provided certain indemnities, guarantees and commitments to third parties pursuant to which it may be required to make payments now or in the future.

In the context of acquisition, disposition, investment and other transactions, the Company has provided indemnities and guarantees, including those related to tax, environmental and other specific liabilities, and other indemnities and guarantees that are triggered by, among other things, breaches of representations, warranties or covenants provided by the Company. In addition, in the normal course of business, the Company provides indemnifications to counterparties in contracts with triggers similar to the foregoing, as well as for certain other liabilities, such as third party lawsuits. These obligations are often subject to time limitations that vary in duration, including contractual limitations and those that arise by operation of law, such as applicable statutes of limitation. In some cases, the maximum potential obligation under the indemnities and guarantees is subject to a contractual limitation ranging from less than $1 million to $800 million, while in other cases such limitations are not specified or applicable. Since certain of these obligations are not subject to limitations, the Company does not believe that it is possible to determine the maximum potential amount due under these guarantees in the future.

In addition, the Company indemnifies its directors and officers as provided in its charters and by-laws. Also, the Company indemnifies other of its agents for liabilities incurred as a result of their representation of the Company's interests. Since these indemnities are generally not subject to limitation with respect to duration or amount, the Company does not believe that it is possible to determine the maximum potential amount due under these indemnities in the future.

The fair value of such indemnities, guarantees and commitments entered into during 2004 was insignificant. The Company's recorded liability at December 31, 2004 and 2003 for indemnities, guarantees and commitments is insignificant. In conjunction with replication synthetic asset transaction, as described in Note 3, the Company writes credit default swap obligations requiring payment of principal due in exchange for the reference credit obligation, depending on the nature or occurrence of specified credit events for the referenced entities. In the event of a specified credit event, the Company's maximum amount at risk, assuming the value of the referenced credits become worthless, is $1.1 billion at December 31, 2004. The credit default swaps expire at various times during the next seven years.

11. Employee Benefit Plans

Pension Benefit and Other Benefit Plans

The Company is both the sponsor and administrator of defined benefit pension plans covering eligible employees (including employees of certain affiliates) who meet specified eligibility requirements. Retirement benefits are based upon years of credited service and final average or career average earnings history.

The Company also provides certain postemployment benefits and certain postretirement health care and life insurance benefits for retired employees (including retirees of certain affiliates) through insurance contracts. Substantially all of the Company's employees may, in accordance with the plans applicable to the postretirement benefits, become eligible for these benefits if they attain retirement age, with sufficient service, while working for the Company or certain affiliates.

The Company uses a December 31 measurement date for all of its pension and postretirement benefit plans.

Obligations, Funded Status and Net Periodic Benefit Costs

	December 31,			
	Pension Benefits		Other Benefits	
	2004	2003	2004	2003
	(Dollars in millions)			
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	$5,052	$4,744	$2,001	$ 1,878
Service cost	116	122	27	38
Interest cost	297	311	114	122
Acquisitions and divestitures	(3)	(1)	—	—
Actuarial losses (gains)	134	352	(132)	167
Curtailments and terminations	—	(7)	—	(4)
Change in benefits	—	(1)	1	(1)
Transfers in (out) of controlled group	(8)	(181)	(1)	(77)
Benefits paid	(323)	(287)	(127)	(122)
Projected benefit obligation at end of year	5,265	5,052	1,883	2,001
Change in plan assets:				
Fair value of plan assets at beginning of year	4,504	4,006	999	965
Actual return on plan assets	389	636	94	112
Employer contribution	549	335	90	46
Transfers in (out) of controlled group	(5)	(186)	—	(2)
Benefits paid	(323)	(287)	(127)	(122)
Fair value of plan assets at end of year	5,114	4,504	1,056	999
Under funded	(151)	(548)	(827)	(1,002)
Unrecognized net actuarial losses	1,483	1,438	194	352
Unrecognized prior service cost	67	82	(156)	(175)
Prepaid (accrued) benefit cost	$1,399	$ 972	$ (789)	$ (825)
Qualified plan prepaid pension cost	$1,725	$1,297		
Non-qualified plan accrued pension cost	(469)	(467)		
Intangible assets	13	14		
Accumulated other comprehensive income	130	128		
Prepaid benefit cost	$1,399	$ 972		

The aggregate projected benefit obligation and aggregate contract value of plan assets for the pension plans were as follows:

	Qualified Plan		Non-Qualified Plan		Total	
	2004	2003	2004	2003	2004	2003
	(Dollars in millions)					
Aggregate fair value of plan assets (principally company contracts)	$ 5,114	$ 4,504	$ —	$ —	$ 5,114	$ 4,504
Aggregate projected benefit obligation	(4,751)	(4,523)	(514)	(529)	(5,265)	(5,052)
Over (under) funded	$ 363	$ (19)	$(514)	$(529)	$ (151)	$ (548)

The accumulated benefit obligation for all defined benefit pension plans was $4,928 million and $4,866 million at December 31, 2004 and 2003, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	December 31,	
	2004	2003
	(Dollars in millions)	
Projected benefit obligation	$532	$543
Accumulated benefit obligation	$468	$465
Fair value of plan assets	$ 14	$ 10

Information for pension and postretirement plans with a projected benefit obligation in excess of plan assets:

	December 31,			
	Pension Benefits		Other Benefits	
	2004	2003	2004	2003
	(Dollars in millions)			
Projected benefit obligation	$532	$5,043	$1,883	$2,001
Fair value of plan assets	$ 14	$4,484	$1,056	$ 999

As a result of additional pension contributions and favorable investment returns during the year ended December 31, 2004, a significant plan that was included in the pension benefits section of the above table as of December 31, 2003 was no longer included as of December 31, 2004. This plan had a fair value of plan assets of $5,079 with a projected benefit obligation of $4,726 and a fair value of plan assets of $4,474 with a projected benefit obligation of $4,500 as of December 31, 2004 and 2003, respectively.

The components of net periodic benefit cost were as follows:

	Pension Benefits			Other Benefits		
	2004	2003	2002	2004	2003	2002
	(Dollars in millions)					
Service cost	$ 116	$ 122	$ 104	$ 27	$ 38	$ 36
Interest cost	297	311	307	114	122	123
Expected return on plan assets	(406)	(331)	(354)	(76)	(71)	(93)
Amortization of prior actuarial losses (gains) and prior service cost	116	102	33	(12)	(12)	(9)
Curtailment cost	—	10	11	—	3	4
Net periodic benefit cost	$ 123	$ 214	$ 101	$ 53	$ 80	$ 61

The Company expects to receive subsidies on prescription drug benefits beginning in 2006 under the Medicare Prescription Drug, Improvement and Modernization Act of 2003. The postretirement benefit plan assets and accumulated benefit obligation were remeasured effective July 1, 2004 in order to determine the effect of the expected subsidies on net periodic postretirement benefit cost. As a result, the accumulated postretirement benefit obligation was reduced $201 million which will be recognized as adjustments of future benefits through the amortization of actuarial losses (gains) in accordance with FASB staff position 106-2 on a prospective basis and net periodic postretirement benefit cost for the year ended 2004 was reduced $16 million. The reduction of net periodic benefit cost is due to reductions in service cost of $2 million, interest cost of $6 million, and amortization of prior actuarial loss of $8 million.

Assumptions

Assumptions used in determining benefit obligations were as follows:

	December 31,			
	Pension Benefits		Other Benefits	
	2004	2003	2004	2003
Weighted average discount rate	5.86%	6.10%	5.86%	6.10%
Rate of compensation increase	4%-8%	4%-8%	N/A	N/A

Assumptions used in determining net periodic benefit cost were as follows:

	December 31,					
	Pension Benefits			Other Benefits		
	2004	2003	2002	2004	2003	2002
Weighted average discount rate	6.11%	6.75%	7.27%	6.10%	6.75%	7.40%
Weighted average expected return on plan assets	8.47%	8.50%	9.00%	7.91%	7.77%	8.16%
Rate of compensation increase	4%-8%	4%-8%	4%-6%	N/A	N/A	N/A

The discount rate is based on the yield of a hypothetical portfolio of high-quality debt instruments available on the valuation date, which would provide the necessary future cash flows to pay the aggregate projected benefit obligation when due. The expected rate of return on plan assets is based on anticipated performance of the various asset sectors in which the plan invests, weighted by target allocation percentages. Anticipated future performance is based on long-term historical returns of the plan assets by sector, adjusted for the Company's long-term expectations on the performance of the markets. While the precise expected return derived using this approach will fluctuate from year to year, the Company's policy is to hold this long-term assumption constant as long as it remains within reasonable tolerance from the derived rate. The weighted expected return on plan assets for use in that plan's valuation in 2005 is currently anticipated to be 8.50% for pension benefits and other postretirement medical benefits and 6.25% for postretirement life benefits.

The assumed health care cost trend rates used in measuring the accumulated postretirement benefit obligation were as follows:

	December 31,	
	2004	2003
Pre-Medicare eligible claims	8% down to 5% in 2010	8.5% down to 5% in 2010
Medicare eligible claims	10% down to 5% in 2014	10.5% down to 5% in 2014

Assumed health care cost trend rates may have a significant effect on the amounts reported for health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects:

	One Percent Increase	One Percent Decrease
	(Dollars in millions)	
Effect on total of service and interest cost components	$ 10	$ (9)
Effect of accumulated postretirement benefit obligation	$104	$(100)

Plan Assets

The weighted average allocation of pension plan and other benefit plan assets is as follows:

	December 31,			
	Pension Benefits		Other Benefits	
	2004	2003	2004	2003
Asset Category				
Equity securities	50%	48%	41%	38%
Fixed maturities	36%	39%	57%	61%
Other (Real Estate and Alternative investments)	14%	13%	2%	1%
Total	100%	100%	100%	100%

The weighted average target allocation of pension plan and other benefit plan assets for 2005 is as follows:

	Pension Benefits	Other Benefits
Asset Category		
Equity securities	30%-65%	25%-45%
Fixed maturities	20%-70%	45%-70%
Other (Real Estate and Alternative investments)	0%-25%	0%-10%

Target allocations of assets are determined with the objective of maximizing returns and minimizing volatility of net assets through adequate asset diversification. Adjustments are made to target allocations based on an assessment of the impact of economic factors and market conditions.

Cash Flows

The Company expects to contribute $31 million to its pension plans and $91 million to its other benefit plans during 2005.

The following gross benefit payments, which reflect expected future service as appropriate, are expected to be paid:

	Pension Benefits	Other Benefits
	(Dollars in millions)	
2005	$ 295	$119
2006	$ 306	$124
2007	$ 313	$128
2008	$ 324	$132
2009	$ 333	$135
2010-2014	$1,823	$724

Gross subsidy payments expected to be received under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 are as follows:

	Other Benefits
	(Dollars in millions)
2005	$—
2006	$ 9
2007	$10
2008	$11
2009	$11
2010-2014	$67

Savings and Investment Plans

The Company sponsors savings and investment plans for substantially all employees under which the Company matches a portion of employee contributions. The Company contributed $58 million, $59 million and $58 million for the years ended December 31, 2004, 2003 and 2002, respectively.

12. Equity

Parent's Interest in Preferred Stock of a Subsidiary

On December 16, 2003, the Holding Company contributed 2,532,600 shares of RGA's common stock to a subsidiary of the Company in exchange for 93,402 shares of Series A Cumulative Preferred Stock ("the Preferred Shares"). Holders of the Preferred Shares are entitled to receive cumulative cash dividends at the annual applicable rate of 7% times the Liquidation Preference of $1,000 per share payable quarterly, when and if declared by the Board of Directors. Holders of the Preferred Shares have no voting rights, except as required by applicable law. The Preferred Shares rank senior to the common stock.

On December 21, 2004, the Holding Company contributed the 93,402 Preferred Shares to a subsidiary of the Company. The subsidiary of the Company retired the shares and recorded a contribution of capital of $93 million from MetLife, Inc.

Dividend Restrictions

Under New York State Insurance Law, Metropolitan Life is permitted, without prior insurance regulatory clearance, to pay a dividend to the Holding Company as long as the aggregate amount of all such dividends in any calendar year does not exceed the lesser of (i) 10% of its surplus to policyholders as of the immediately preceding calendar year, and (ii) its statutory net gain from operations for the immediately preceding calendar year (excluding realized capital gains). Metropolitan Life will be permitted to pay a dividend to the Holding Company in excess of the lesser of such two amounts only if it files notice of its intention to declare such a dividend and the amount thereof with the New York Superintendent of Insurance (the "Superintendent") and the Superintendent does not disapprove the distribution. Under New York State Insurance Law, the Superintendent has broad discretion in determining whether the financial condition of a stock life insurance company would support the payment of such dividends to its stockholders. The New York State Department of Insurance has established informal guidelines for such determinations. The guidelines, among other things, focus on the insurer's overall financial condition and profitability under statutory accounting practices. For the years ended December 31, 2004, 2003 and 2002, Metropolitan Life paid to MetLife, Inc. $797 million, $698 million and $535 million, respectively, in dividends for which prior insurance regulatory clearance was not required and $0 million, $750 million and $369 million, respectively, in special dividends, as approved by the Superintendent. At December 31, 2004, the maximum amount of the dividend which may be paid to the Holding Company from Metropolitan Life in 2005, without prior regulatory approval is $880 million. For the years ended December 31, 2004, 2003 and 2002, Metropolitan Life received dividends from affiliates of $14 million, $32 million and $230 million, respectively.

Stock Compensation Plans

Under the MetLife, Inc. 2000 Stock Incentive Plan, as amended, (the "Stock Incentive Plan"), awards granted may be in the form of non-qualified or incentive stock options qualifying under Section 422A of the Internal Revenue Code. The aggregate number of options to purchase shares of stock that may be awarded under the Stock Incentive Plan is subject to a maximum limit of 37,823,333.

All options granted have an exercise price equal to the fair market value price of the Holding Company's common stock on the date of grant, and an option's maximum term is ten years. Certain options under the Stock Incentive Plan become exercisable over a three year period commencing with date of grant, while other options become exercisable three years after the date of grant.

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes options-pricing model with the following weighted average assumptions used for grants for the:

	Years Ended December 31,		
	2004	2003	2002
Dividend yield	0.70%	0.79%	0.68%
Risk-free rate of return	3.69%	3.62%	5.08%
Volatility	34.85%	38.56%	26.70%
Expected duration	6 years	6 years	6 years

	Years Ended December 31,		
	2004	2003	2002
Weighted average fair value of options granted	$13.25	$10.41	$10.48

MetLife, Inc. allocated stock option expense to the Company in each of the years ended December 31, 2004, 2003 and 2002. Options outstanding attributable to the expense allocated to Company were as follows:

	Years Ended December 31,		
	2004	2003	2002
Outstanding Options	21,510,200	20,295,028	16,259,630
Exercisable Options	12,634,118	4,566,265	1,357,034

Effective January 1, 2003, MetLife, Inc. and the Company elected to prospectively apply the fair value method of accounting for stock options granted by the Holding Company subsequent to December 31, 2002. As permitted under SFAS 148, options granted prior to January 1, 2003 will continue to be accounted for under APB 25. Had compensation expense for grants awarded prior to January 1, 2003 been determined based on fair value at the date of grant in accordance with SFAS 123, the Company's net income would have been reduced to the following pro forma amounts:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions, except per share data)		
Net Income	$2,239	$2,001	$1,612
Add: Stock option-based employee compensation expense included in reported net income, net of income taxes	$ 24	$ 11	$ 1
Deduct: Total Stock option-based employee compensation determined under fair value based method for all awards, net of income taxes	$ (42)	$ (40)	$ (33)
Pro forma net income(1)	$2,221	$1,972	$1,580

(1) The pro forma earnings disclosures are not necessarily representative of the effects on net income.

Certain levels of Company management also received awards of stock-based compensation under the MetLife, Inc. Long Term Performance Compensation Plan ("LTPCP"). LTPCP awards vest in their entirety at the end of the three year performance period. Each participant is assigned a target compensation amount at the inception of the performance period with the final compensation amount determined by the performance of the Holding Company's stock over the three-year vesting period, subject to management's discretion. Final awards may be paid in whole or in part with shares of the Holding Company's stock. Compensation expense related to the LTPCP was $45 million, $42 million and $19 million for the years ended December 31, 2004, 2003 and 2002, respectively.

For the years ended December 31, 2004, 2003 and 2002, stock-based compensation expense related to the Stock Incentive Plan and LTPCP was $82 million, $60 million, and $21 million, respectively, including stock- based compensation for non-employees of $468 thousand, $550 thousand and $2 million, respectively.

Statutory Equity and Income

The National Association of Insurance Commissioners ("NAIC") adopted the Codification of Statutory Accounting Principles ("Codification") in 2001. Codification was intended to standardize regulatory accounting and reporting to state insurance departments. However, statutory accounting principles continue to be established by individual state laws and permitted practices. The New York State Department of Insurance has adopted Codification with certain modifications for the preparation of statutory financial statements of insurance companies domiciled in New York. Modifications by the various state insurance departments may impact the effect of Codification on the statutory capital and surplus of the Company.

Statutory accounting practices differ from GAAP primarily by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities using different actuarial assumptions, reporting surplus notes as surplus instead of debt and valuing securities on a different basis.

Statutory net income of Metropolitan Life, a New York domiciled insurer, was $2,648 million, $2,169 million and $1,455 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Statutory capital and surplus, as filed with the New York State Department of Insurance, was $8,804 million and $7,967 million at December 31, 2004 and 2003, respectively.

Other Comprehensive Income

The following table sets forth the reclassification adjustments required for the years ended December 31, 2004, 2003 and 2002 in other comprehensive income (loss) that are included as part of net income for the current year that have been reported as a part of other comprehensive income (loss) in the current or prior year:

	2004	2003	2002
	(Dollars in millions)		
Holding gains on investments arising during the year	$ 520	$ 783	$ 2,575
Income tax effect of holding gains	(182)	(323)	(859)
Reclassification adjustments:			
Recognized holding (gains) losses included in current year income	(236)	363	668
Amortization of premiums and accretion of discounts associated with investments	(3)	(152)	(440)
Income tax effect	86	(84)	(71)
Allocation of holding losses on investments relating to other policyholder amounts	(284)	(576)	(2,592)
Income tax effect of allocation of holding losses to other policyholder amounts	102	228	858
Unrealized investment gains of subsidiary at date of sale	—	269	68
Deferred income taxes on unrealized investment gains of subsidiary at date of sale	—	(94)	(15)
Net unrealized investment gains (losses)	3	414	192
Foreign currency translation adjustment arising during the year	79	174	137
Foreign currency translation adjustment of subsidiary at date of sale	—	—	(65)
Foreign currency translation adjustment	79	174	72
Minimum pension liability adjustment arising during the year	(2)	(81)	—
Minimum pension liability adjustment of subsidiary at date of sale	—	(1)	—
Minimum pension liability adjustment	(2)	(82)	—
Other comprehensive income (loss)	$ 80	$ 506	$ 264

13. Other Expenses

Other expenses were comprised of the following:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Compensation	$ 2,038	$ 2,060	$ 2,441
Commissions	1,746	1,712	1,938
Interest and debt issue costs	183	313	242
Amortization of policy acquisition costs	1,142	1,355	1,512
Capitalization of policy acquisition costs	(1,817)	(1,982)	(2,227)
Rent, net of sublease income	216	226	289
Minority interest	168	119	74
Other	1,706	1,830	2,079
Total other expenses	$ 5,382	$ 5,633	$ 6,348

14. Business Segment Information

The Company provides insurance and financial services to customers in the United States, Canada, Central America, South Africa and Asia. At December 31, 2004, the Company's business is divided into three operating segments: Institutional, Individual and Reinsurance, as well as Corporate & Other. These segments are managed separately because they either provide different products and services, require different strategies or have different technology requirements. Auto & Home, operated through Met P&C, was sold to the Holding Company in October 2003. See Note 1. Significant operations of the International segment were sold to the Holding Company in the fourth quarter of 2002. The Company's remaining international operations consisting of the Company's Canadian branch, a subsidiary in Indonesia and a joint venture in China are reported in Corporate & Other for the year ended December 31, 2004.

Institutional offers a broad range of group insurance and retirement & savings products and services, including group life insurance, non-medical health insurance, such as short and long-term disability, long-term care, and dental insurance, and other insurance products and services. Individual offers a wide variety of protection and asset accumulation products, including life insurance, annuities and mutual funds. Reinsurance provides primarily reinsurance of life and annuity policies in North America and various international markets. Additionally, reinsurance of critical illness policies is provided in select international markets.

Corporate & Other contains the excess capital not allocated to the business segments, various start up entities and run off entities, the Company's ancillary international operations in 2004, as well as the interest expense related to the majority of the Company's outstanding debt and expenses associated with the resolution of certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of all intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings, as well as intersegment transactions. Additionally, the Company's ancillary asset management business is included in the results of operations for Corporate & Other for all periods. See Note 16 for disclosures regarding discontinued operations, including real estate.

Set forth in the tables below is certain financial information with respect to the Company's operating segments for the years ended December 31, 2004, 2003 and 2002. The accounting policies of the segments are the same as those of the Company, except for the method of capital allocation and the accounting for gains (losses) from intercompany sales, which are eliminated in consolidation. The Company allocates capital to each segment based upon an internal capital allocation system that allows the Company to more effectively manage its capital. The Company evaluates the performance of each operating segment based upon net income excluding certain net investment gains (losses), net of income taxes, and the impact from the cumulative effect of changes in accounting, net of income taxes. Scheduled periodic settlement payments on derivative instruments not qualifying for hedge accounting are included in net investment gains (losses). The Company allocates certain non-recurring items, such as expenses associated with certain legal proceedings, to Corporate & Other.

As of or For the Year Ended December 31, 2004	Institutional	Individual	Reinsurance	Corporate & Other(1)	Total
		(Dollars in millions)			
Premiums	$ 10,103	$ 4,051	$ 3,349	$ 9	$ 17,512
Universal life and investment-type product policy fees	716	1,325	—	1	2,042
Net investment income	4,470	5,496	539	300	10,805
Other revenues	632	3	56	21	712
Net investment gains (losses)	185	68	60	(24)	289
Policyholder benefits and claims	11,134	4,870	2,694	37	18,735
Interest credited to policyholder account balances	958	1,187	212	1	2,358
Policyholder dividends	107	1,634	—	2	1,743
Other expenses	1,906	2,264	965	247	5,382
Income from continuing operations before provision for income taxes	2,001	988	133	20	3,142
Income from discontinued operations, net of income taxes	10	4	—	29	43
Cumulative effect of a change in accounting, net of income taxes	(59)	9	—	(2)	(52)
Net income	1,270	679	88	202	2,239
Total assets	120,766	137,693	14,573	26,956	299,988
Deferred policy acquisition costs	965	7,517	2,580	9	11,071
Goodwill, net	61	39	99	18	217
Separate account assets	36,913	31,594	14	(14)	68,507
Policyholder liabilities	70,051	91,049	10,463	263	171,826
Separate account liabilities	36,913	31,594	14	(14)	68,507

As of or For the Year Ended December 31, 2003	Institutional	Individual	Reinsurance	Corporate & Other	International(1)	Auto & Home(2)	Total
	(Dollars in millions)						
Premiums	$ 9,093	$ 4,242	$ 2,648	$ (6)	$ 6	$2,168	$ 18,151
Universal life and investment-type product policy fees	633	1,287	—	—	1	—	1,921
Net investment income	4,027	5,585	431	67	50	119	10,279
Other revenues	592	204	48	38	14	23	919
Net investment gains (losses)	(293)	(299)	31	15	(7)	(4)	(557)
Policyholder benefits and claims	9,842	4,876	2,102	4	16	1,604	18,444
Interest credited to policyholder account balances	914	1,280	184	—	1	—	2,379
Policyholder dividends	198	1,697	—	(1)	3	—	1,897
Other expenses	1,782	2,436	741	78	24	572	5,633
Income from continuing operations before provision for income taxes	1,316	730	131	33	20	130	2,360
Income from discontinued operations, net of income taxes	37	34	—	263	—	—	334
Cumulative effect of a change in accounting, net of income taxes	(26)	—	—	—	—	—	(26)
Net income	849	519	86	423	13	111	2,001
Total assets	109,492	133,335	12,879	24,490	1,069	—	281,265
Deferred policy acquisition costs	739	7,363	2,122	2	6	—	10,232
Goodwill, net	59	42	99	18	—	—	218
Separate account assets	35,632	28,028	13	(12)	—	—	63,661
Policyholder liabilities	61,565	88,096	9,272	(579)	297	—	158,651
Separate account liabilities	35,632	28,028	13	(12)	—	—	63,661

As of or For the Year Ended December 31, 2002	Institutional	Individual	Reinsurance	Corporate & Other	International(1)	Auto & Home(2)	Total
	(Dollars in millions)						
Premiums	$8,245	$4,419	$1,984	$ (7)	$992	$2,828	$18,461
Universal life and investment-type product policy fees	623	1,267	—	—	37	—	1,927
Net investment income	3,907	6,013	378	(163)	241	177	10,553
Other revenues	607	454	42	49	10	26	1,188
Net investment gains (losses)	(491)	(255)	7	(38)	(9)	(46)	(832)
Policyholder benefits and claims	9,343	5,005	1,517	3	821	2,020	18,709
Interest credited to policyholder account balances	930	1,608	146	(1)	28	—	2,711
Policyholder dividends	115	1,769	—	—	28	(1)	1,911
Other expenses	1,529	2,555	616	481	373	794	6,348
Income (loss) from continuing operations before provision (benefit) for income taxes	974	961	132	(642)	21	172	1,618
Income from discontinued operations, net of income taxes	127	203	—	162	—	—	492
Net income (loss)	759	811	86	(196)	21	131	1,612

(1) Ancillary international results are reported in Corporate & Other for the year ended December 31, 2004.

(2) Auto & Home, operated through Met P&C, was sold to the Holding Company in October 2003. See Note 1.

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

Beginning in 2003, the Company changed its methodology of allocating capital to its business segments from Risk-Based Capital ("RBC") to Economic Capital. Prior to 2003, the Company's business segments' allocated equity was primarily based on RBC, an internally developed formula based on applying a multiple to the National Association of Insurance Commissioners Statutory Risk-Based Capital and included certain adjustments in accordance with GAAP. Economic Capital is an internally developed risk capital model, the purpose of which is to measure the risk in the business and to provide a basis upon which capital is deployed. The Economic Capital model accounts for the unique and specific nature of the risks inherent in the Company's businesses. This is in contrast to the standardized regulatory RBC formula, which is not as refined in its risk calculations with respect to the nuances of the Company's businesses.

The change in methodology is being applied prospectively. This change has and will continue to impact the level of net investment income and net income of each of the Company's business segments. A portion of net investment income is credited to the segments based on the level of allocated equity. This change in methodology of allocating equity does not impact the Company's consolidated net investment income or net income.

The following table presents actual and pro forma net investment income with respect to the Company's segments for the year ended December 31, 2002. The amounts shown as pro forma reflect net investment income that would have been reported in 2002 had the Company allocated capital based on Economic Capital rather than on the basis of RBC.

	Net Investment Income For the Year Ended December 31, 2002	
	Actual	Pro forma
	(Dollars in millions)	
Institutional	$ 3,907	$ 3,969
Individual	6,013	5,924
Reinsurance	378	339
Corporate & Other	(163)	(43)
International	241	204
Auto & Home	177	160
Total	$10,553	$10,553

Revenues derived from any customer did not exceed 10% of consolidated revenues. Revenues from U.S. operations were $30,049 million, $29,708 million and $29,344 million for the years ended December 31, 2004, 2003 and 2002, respectively, which represented 96%, 97% and 94%, respectively, of consolidated revenues.

15. Acquisitions and Dispositions

On January 31, 2005, the Company completed the sale of SSRM to a third party for $328 million of cash and stock. As a result of the sale of SSRM, the Company recognized income from discontinued operations of approximately $150 million, net of income taxes, comprised of a realized gain of $166 million, net of income taxes, and an operating expense related to a lease abandonment of $16 million, net of income taxes. Under the terms of the agreement, the Company will have an opportunity to receive, prior to the end of 2006, additional payments aggregating up to approximately 25% of the base purchase price, based on, among other things, certain revenue retention and growth measures. The purchase price is also subject to reduction over five years, depending on retention of certain Company-related business. The Company has reclassified the assets, liabilities and operations of SSRM into discontinued operations for all periods presented in the consolidated financial statements. Additionally, the sale of SSRM resulted in the elimination of the Company's Asset Management segment. The remaining asset management business, which is insignificant, has been reclassified into Corporate & Other. The Company's discontinued operations for the year ended December 31, 2004 also includes expenses of approximately $20 million, net of income taxes, related to the sale of SSRM. See Note 16.

In 2003, RGA entered into a coinsurance agreement under which it assumed the traditional U.S. life reinsurance business of Allianz Life Insurance Company of North America. The transaction added approximately $278 billion of life reinsurance in-force, $246 million of premium and $11 million of income before income tax expense, excluding minority interest expense, in 2003. The effects of such transaction are included within the Reinsurance segment.

In October 2003, the Company completed its sale of MTL, MetLife General Insurance Agency, Inc., MetLife Securities, Inc. and N.L. Holding Corporation to the Holding Company. The amount received in excess of book value of $28 million was recorded as a capital contribution from the Holding Company. Total assets and total liabilities of the entities sold at the date of sale were $293 million and $195 million, respectively. Total revenues of the entities sold included in the consolidated statements of income were $156 million and $218 million for the years ended December 31, 2003 and 2002, respectively.

In October 2003, the Company sold Metropolitan Property and Casualty Insurance Company's common stock to the Holding Company for $1,990 million. The amount received in excess of book value of $120 million was recorded as a capital contribution from the Holding Company. Total assets and total liabilities of the entities sold at the date of sale were $5,806 million and $3,400 million, respectively. Total revenues of the entities sold included in the consolidated statements of income were $2,343 million and $3,013 million for the years ended December 31, 2003 and 2002, respectively.

In December 2002, the Company completed its sale of Cova Corporation, MetLife Investors Group, Inc., MetLife International Holdings, Inc., Walnut Street Securities, Inc., Seguros Genesis S.A., MetLife Pensiones S.A. and Metropolitan Life Seguros de Vida S.A. to the Holding Company. The amount received in excess of book value of $149 million was recorded as a capital contribution from the Holding Company. Total assets and total liabilities of the entities sold at the date of sale were $17,853 million and $16,545 million, respectively. Total revenues of the entities sold included in the consolidated statements of the income were $1,648 million for the year ended December 31, 2002.

16. Discontinued Operations

Real Estate

The Company actively manages its real estate portfolio with the objective to maximize earnings through selective acquisitions and dispositions. Income related to real estate classified as held-for-sale or sold is presented as discontinued operations. These assets are carried at the lower of depreciated cost or fair value less expected disposition costs.

The following table presents the components of income from discontinued real estate operations:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Investment income	$ 84	$ 199	$ 530
Investment expense	(67)	(125)	(350)
Net investment gains (losses)	20	420	581
Total revenues	37	494	761
Interest expense	—	1	1
Provision for income taxes	13	180	276
Income from discontinued operations, net of income taxes	$ 24	$ 313	$ 484

The carrying value of real estate related to discontinued operations was $252 million and $472 million at December 31, 2004 and 2003, respectively.

The following table shows the real estate discontinued operations by segment:

	Year Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Net investment income			
Institutional	$ 6	$ 12	$ 42
Individual	7	12	57
Corporate & Other	4	50	81
Total net investment income	$17	$ 74	$180
Net investment gains (losses)			
Institutional	$ 9	$ 45	$156
Individual	(2)	43	262
Corporate & Other	13	332	163
Total net investment gains (losses)	$20	$420	$581
Interest Expense			
Individual	$—	$ 1	$ 1
Total interest expense	$—	$ 1	$ 1

Operations

During the third quarter of 2004, the Company entered into an agreement to sell its wholly-owned subsidiary, SSRM, to a third party, which was sold on January 31, 2005. Accordingly, the assets, liabilities and operations of SSRM have been reclassified into discontinued operations for all periods presented. The operations of SSRM include affiliated revenues of $59 million, $54 million and $56 million, for the years ended December 31, 2004, 2003 and 2002, respectively, related to asset management services provided by SSRM to the Company that have not been eliminated from discontinued operations as these transactions will continue after the sale of SSRM. The following tables present the amounts related to operations of SSRM that have been combined with the discontinued real estate operations in the consolidated income statements:

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in millions)		
Revenues from discontinued operations	$328	$231	$239
Income from discontinued operations before provision for income taxes	$ 32	$ 34	$ 14
Provision for income taxes	13	13	6
Income from discontinued operations, net of income taxes	$ 19	$ 21	$ 8

	December 31,	
	2004	2003
	(Dollars in millions)	
Equity securities	$ 49	$ 14
Real estate and real estate joint ventures	96	3
Short term investments	33	17
Other invested assets	20	8
Cash and cash equivalents	55	50
Premiums and other receivables	38	23
Other assets	88	68
Total assets held-for-sale	$379	$183
Short-term debt	$ 19	$ —
Current income taxes payable	1	1
Deferred income taxes payable	1	2
Other liabilities	219	67
Total liabilities held-for-sale	$240	$ 70

See Note 15 for further discussion of SSRM disposition.

17. Fair Value Information

The estimated fair values of financial instruments have been determined by using available market information and the valuation methodologies described below. Considerable judgment is often required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented herein may not necessarily be indicative of amounts that could be realized in a current market exchange. The use of different assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

Amounts related to the Company's financial instruments were as follows:

	Notional Amount	Carrying Value	Estimated Fair Value
	(Dollars in millions)		
December 31, 2004			
Assets:			
Fixed maturities		$150,246	$150,246
Equity securities		$ 1,903	$ 1,903
Mortgage and other loans		$ 31,571	$ 33,006
Policy loans		$ 8,256	$ 8,256
Short-term investments		$ 1,195	$ 1,195
Cash and cash equivalents		$ 2,373	$ 2,373
Mortgage loan commitments	$1,161	$ —	$ 4
Commitments to fund partnership investments	$1,320	$ —	$ —
Liabilities:			
Policyholder account balances		$ 59,270	$ 58,456
Short-term debt		$ 1,445	$ 1,445
Long-term debt		$ 2,050	$ 2,244
Shares subject to mandatory redemption		$ 278	$ 361
Payable under securities loaned transactions		$ 25,230	$ 25,230
December 31, 2003			
Assets:			
Fixed maturities		$143,148	$143,148
Equity securities		$ 1,232	$ 1,232
Mortgage and other loans		$ 26,637	$ 28,572
Policy loans		$ 8,180	$ 8,180
Short-term investments		$ 1,303	$ 1,303
Cash and cash equivalents		$ 2,343	$ 2,343
Mortgage loan commitments	$ 555	$ —	$ (4)
Commitments to fund partnership investments	$1,378	$ —	$ —
Liabilities:			
Policyholder account balances		$ 53,503	$ 55,195
Short-term debt		$ 3,536	$ 3,536
Long-term debt		$ 2,055	$ 2,236
Shares subject to mandatory redemption		$ 277	$ 336
Payable under securities loaned transactions		$ 24,065	$ 24,065

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

Fixed Maturities and Equity Securities

The fair value of fixed maturities and equity securities are based upon quotations published by applicable stock exchanges or received from other reliable sources. For securities for which the market values were not readily available, fair values were estimated using quoted market prices of comparable investments.

Mortgage and Other Loans, Mortgage Loan Commitments and Commitments to Fund Partnership Investments

Fair values for mortgage and other loans are estimated by discounting expected future cash flows, using current interest rates for similar loans with similar credit risk. For mortgage loan commitments, the estimated fair value is the net premium or discount of the commitments. Commitments to fund partnership investments have no stated interest rate and are assumed to have a fair value of zero.

Policy Loans

The carrying values for policy loans approximate fair value.

Cash and Cash Equivalents and Short-term Investments

The carrying values for cash and cash equivalents and short-term investments approximated fair values due to the short-term maturities of these instruments.

Policyholder Account Balances

The fair value of policyholder account balances is estimated by discounting expected future cash flows based upon interest rates currently being offered for similar contracts with maturities consistent with those remaining for the agreements being valued.

Short-term and Long-term Debt, Payables Under Securities Loaned Transactions and Shares Subject to Mandatory Redemption

The fair values of short-term and long-term debt, payables under securities loaned transactions and shares subject to mandatory redemption are determined by discounting expected future cash flows using risk rates currently available for debt with similar terms and remaining maturities.

Derivative Financial Instruments

The fair value of derivative instruments, including financial futures, financial forwards, interest rate, credit default and foreign currency swaps, foreign currency forwards, caps, floors, and options are based upon quotations obtained from dealers or other reliable sources. See Note 3 for derivative fair value disclosures.

18. Related Parties

Effective January 1, 2003, MetLife Group, Incorporated, a New York corporation and wholly owned subsidiary of the Holding Company, was formed as a personnel services company to provide personnel, as needed, to support the activities of the Company. Charges for these services were approximately $1,713 million and $1,680 million in 2004 and 2003, respectively. (See Note 15.)

19. Subsequent Events

Business Combinations

On July 1, 2005, the Holding Company completed the acquisition of Travelers for $11.8 billion. Consideration paid by the Holding Company to Citigroup for the purchase consisted of approximately $10.8 billion in cash and 22,436,617 shares of MetLife, Inc. common stock with a market value of approximately $1 billion. Consideration paid will be finalized subject to the completion of the June 30, 2005 financial statements of Travelers and review by both Citigroup Inc. and the Holding Company of such financial statements pursuant to the provisions of the acquisition agreement. The cash portion of the purchase price was financed through the issuance of debt securities, common equity units, preferred shares, and cash on-hand. The $7.0 billion unsecured senior bridge credit facility entered into by the Holding Company on May 16, 2005, to finance a portion of the purchase price of Travelers was terminated unused on July 1, 2005.

The acquisition was reported on MetLife, Inc.'s Form 8-K on July 8, 2005. An amendment to that Form 8-K containing pro forma financial information was filed on August 2, 2005.

On July 1, 2005, in connection with the closing of the acquisition of Travelers, the $2.0 billion amended and restated five-year letter of credit and reimbursement agreement (the "L/C Agreement") entered into by the Holding Company, the Travelers Life and Annuity Reinsurance Company ("TLARC") and various institutional lenders on April 25, 2005 became effective. Under the L/C Agreement, the Holding Company agreed to unconditionally guarantee reimbursement obligations of TLARC with respect to reinsurance letters of credit issued pursuant to the L/C Agreement. The L/C Agreement amends an agreement under which Citigroup Insurance Holding Company, the former parent of TLARC, was the guarantor of TLARC's reimbursement obligations. The Holding Company replaced Citigroup Insurance Holding Company as guarantor upon closing of the Travelers acquisition. The L/C Agreement expires five years after the closing of the acquisition.

Under distribution agreements executed as a part of the acquisition, certain of the Company's products will be available through certain Citigroup distribution channels, including Smith Barney, Citibank branches, and Primerica Financial Services in the United States, as well as a number of international businesses.

Litigation

Demutualization Actions

In a class action against Metropolitan Life and the Holding Company pending in the United States District Court for the Eastern District of New York, plaintiffs served a second consolidated amended complaint in 2004. In this action, plaintiffs assert violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 in connection with the plan, claiming that the Policyholder Information Booklets failed to disclose certain material facts and contained certain material misstatements. On July 19, 2005, this federal trial court certified a class action against Metropolitan Life and the Holding Company. Metropolitan Life and the Holding Company have filed a petition seeking permission for an interlocutory appeal from this order. Metropolitan Life, the Holding Company and the individual defendants believe they have meritorious defenses to the plaintiffs' claims and are contesting vigorously all of the plaintiffs' claims in these actions.

On April 30, 2004, a lawsuit was filed in New York state court in New York County against the Holding Company and Metropolitan Life on behalf of a proposed class comprised of the settlement class in the Metropolitan Life sales practices class action settlement approved in December 1999 by the United States District Court for the Western District of Pennsylvania. In their amended complaint, plaintiffs challenged the treatment of the cost of the sales practices settlement in the demutualization of

Metropolitan Life and asserted claims of breach of fiduciary duty, common law fraud, and unjust enrichment. In an order dated July 13, 2005, the court granted the defendants' motion to dismiss the action and the plaintiffs have filed a notice of appeal.

Other

Prior to filing MetLife, Inc.'s June 30, 2003 Form 10-Q, the Holding Company announced a $31 million charge, net of income taxes, resulting from certain improperly deferred expenses at an affiliate, New England Financial. The Holding Company and/or its subsidiaries notified the SEC about the nature of this charge prior to its announcement. The SEC opened a formal investigation of the matter and, in December 2004, NELICO received a "Wells Notice" in connection with the SEC investigation. The staff of the SEC has notified NELICO that no enforcement action has been recommended against NELICO.

As anticipated, the SEC issued a formal order of investigation related to certain sales by a former sales representative to the Sheriff's Department of Fulton County, Georgia. The Holding Company and/or its subsidiaries are fully cooperating with respect to inquiries from the SEC.

A putative class action lawsuit is pending in the United States District Court for the District of Columbia, in which plaintiffs allege that they were denied certain ad hoc pension increases awarded to retirees under the Metropolitan Life retirement plan. The ad hoc pension increases were awarded only to retirees (i.e., individuals who were entitled to an immediate retirement benefit upon their termination of employment) and not available to individuals like these plaintiffs whose employment, or whose spouses' employment, had terminated before they became eligible for an immediate retirement benefit. The plaintiffs seek to represent a class consisting of former Metropolitan Life employees, or their surviving spouses, who are receiving deferred vested annuity payments under the retirement plan and who were allegedly eligible to receive the ad hoc pension increases awarded in 1977, 1980, 1989, 1992, 1996 and 2001, as well as increases awarded in earlier years. In September 2005, Metropolitan Life's motion for summary judgment was granted. Plaintiffs have moved for reconsideration, and MetLife will oppose their motion. Plaintiffs have not yet filed a notice of appeal.

The Holding Company and/or its subsidiaries have received subpoenas from the District Attorney of the County of San Diego, California. The subpoenas seek numerous documents including incentive agreements entered into with brokers. The Florida Department of Financial Services and the Florida Office of Insurance Regulation also have served subpoenas on the Holding Company and/or its subsidiaries asking for answers to interrogatories and document requests concerning topics that include compensation paid to intermediaries. The Office of the Attorney General for the State of Florida has also served a subpoena on the Holding Company and/or its subsidiaries seeking, among other things, copies of materials produced in response to the subpoenas discussed above. The Insurance Commissioner of Oklahoma has served a subpoena, including a set of interrogatories, on the Holding Company and/or its subsidiaries seeking, among other things, documents and information concerning the compensation of insurance producers for insurance covering Oklahoma entities and persons. The Holding Company and/or its subsidiaries continue to cooperate fully with these inquiries and are responding to the subpoenas and other requests. The Holding Company and/or its subsidiaries are continuing to conduct an internal review of their commission payment practices.

Approximately four broker-related lawsuits are pending. The California Insurance Commissioner has brought an action in California state court against the Holding Company and/or its subsidiaries and other companies alleging that the defendants violated certain provisions of the California Insurance Code. A multi-district proceeding has been established in the federal district court in the District of New Jersey. In this proceeding, plaintiffs have filed an amended class action complaint consolidating the claims from separate actions that had been filed in or transferred to the District of New Jersey. The consolidated amended complaint alleges that the Holding Company, Metropolitan Life Insurance Company, several other insurance companies and several insurance brokers violated RICO, ERISA, and antitrust laws and committed other misconduct in the context of providing insurance to employee benefit plans and to persons who participate in such employee benefit plans. Plaintiffs seek to represent classes of employers that established employee benefit plans and persons who participated in such employee benefit plans. Plaintiffs in several other actions have voluntarily dismissed their claims. The Company intends to vigorously defend these cases.

In addition to those discussed above, regulators and others have made a number of inquiries of the insurance industry regarding industry brokerage practices and related matters and others may begin. It is reasonably possible that the Holding Company and/or its subsidiaries will receive additional subpoenas, interrogatories, requests and lawsuits. The Holding Company and/or its subsidiaries will fully cooperate with all regulatory inquiries and intend to vigorously defend all lawsuits.

The Holding Company has received a subpoena from the Connecticut Attorney General requesting information regarding its participation in any finite reinsurance transactions. The Holding Company and/or its subsidiaries have also received information requests relating to finite insurance or reinsurance from other regulatory and governmental authorities. The Holding Company and its subsidiaries believe they have appropriately accounted for transactions of this type and intend to cooperate fully with these information requests. The Holding Company and its subsidiaries believe that a number of other industry participants have received similar requests from various regulatory and governmental authorities. It is reasonably possible that the Holding Company and/or its subsidiaries may receive additional requests. The Holding Company and/or its subsidiaries will fully cooperate with all such requests.

The Holding Company announced on September 8, 2005 that the National Association of Securities Dealers, Inc. (the "NASD") staff has notified MetLife Securities, Inc., New England Securities Corp. and Walnut Street Securities, Inc., all affiliates of Metropolitan Life, that it has made a preliminary determination to file charges of violations of the NASD's rules against the firms. The notification follows an investigation by the NASD of certain mutual fund transactions by the firms during 2003. As the result of an internal audit, the firms determined that a limited number of mutual fund transactions processed by firm representatives and at the firms' consolidated trading desk, during the period April through December 2003, had been received from customers after 4:00 p.m. Eastern time and received the same day's net asset value. The pending investigation was initiated after the firms reported their findings to the NASD. The potential charges of violations of NASD's rules relate to the firm's maintenance of books and records, supervisory procedures and responses to the NASD's information requests. Under the NASD's procedures, the firms intend to respond to the staff before the staff makes a formal recommendation regarding whether any action alleging violations of the rules should be considered. The firms continue to cooperate fully with the NASD in its investigation.

Other

On May 23, 2005, the Superintendent approved the payment of a special dividend of $2,320 million to the Holding Company. On May 26, 2005 the Company paid a total of $3.2 billion to the Holding Company which included an ordinary dividend of $880 million.

On May 4, 2005, an affiliate of the Company, Metropolitan Tower Life Insurance Company ("MTL"), sold its 200 Park Avenue real estate property located in New York City, to a third party for $1.72 billion. Concurrent with the sale, MTL repaid the related $690 million mortgage, including accrued interest, it owed to the Company. The Company also received a $120 million prepayment penalty, which was recognized as investment income when received.

On April 29, 2005, the Company sold one of its real estate investments, One Madison Avenue in Manhattan, New York, to a third party for $918 million, resulting in a gain, net of income taxes, of $431 million.

See also Note 15 for subsequent event related to the disposition of SSRM.

METROPOLITAN LIFE INSURANCE COMPANY

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
September 30, 2005 (Unaudited) and December 31, 2004
(In millions, except share and per share data)

	September 30, 2005	December 31, 2004
ASSETS		
Investments:		
Fixed maturities available-for-sale, at fair value (amortized cost: $146,611 and $141,496, respectively)	$153,278	$150,229
Trading securities, at fair value (cost $297 and $0, respectively)	296	—
Equity securities available-for-sale, at fair value (cost: $1,925 and $1,646, respectively)	2,115	1,903
Mortgage and consumer loans	32,059	31,571
Policy loans	8,300	8,256
Real estate and real estate joint ventures held-for-investment	3,740	2,643
Real estate held-for-sale	187	678
Other limited partnership interests	3,319	2,891
Short-term investments	1,041	1,194
Other invested assets	5,623	4,908
Total investments	209,958	204,273
Cash and cash equivalents	2,445	2,370
Accrued investment income	2,112	2,006
Premiums and other receivables	7,908	5,497
Deferred policy acquisition costs	11,279	11,062
Assets of subsidiaries held-for-sale	—	410
Other assets	5,852	5,863
Separate account assets	70,778	68,507
Total assets	$310,332	$299,988
LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities:		
Future policy benefits	$ 94,025	$ 91,598
Policyholder account balances	71,437	68,357
Other policyholder funds	9,126	6,730
Policyholder dividends payable	967	885
Policyholder dividend obligation	1,735	2,243
Short-term debt	1,143	1,445
Long-term debt	1,924	2,050
Shares subject to mandatory redemption	278	278
Liabilities of subsidiaries held-for-sale	—	268
Current income taxes payable	635	709
Deferred income taxes payable	2,390	2,671
Payables under securities loaned transactions	27,801	25,230
Other liabilities	10,200	10,025
Separate account liabilities	70,778	68,507
Total liabilities	292,439	280,996
Stockholder's Equity:		
Common stock, par value $0.01 per share; 1,000,000,000 shares authorized; 494,466,664 shares issued and outstanding at September 30, 2005 and December 31, 2004;	5	5
Additional paid-in capital	13,829	13,827
Retained earnings	2,256	2,696
Accumulated other comprehensive income	1,803	2,464
Total stockholder's equity	17,893	18,992
Total liabilities and stockholder's equity	$310,332	$299,988

See accompanying notes to interim condensed consolidated financial statements.

METROPOLITAN LIFE INSURANCE COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the Three Months and Nine Months Ended September 30, 2005 and 2004 (Unaudited)
(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Revenues				
Premiums	$4,946	$4,470	$14,413	$12,886
Universal life and investment-type product policy fees	505	529	1,463	1,516
Net investment income	2,907	2,667	8,822	7,964
Other revenues	173	174	523	543
Net investment gains (losses)	(56)	216	339	470
Total revenues	8,475	8,056	25,560	23,379
Expenses				
Policyholder benefits and claims	5,187	4,862	15,364	13,884
Interest credited to policyholder account balances	665	586	1,907	1,747
Policyholder dividends	418	400	1,238	1,230
Other expenses	1,491	1,395	4,065	3,997
Total expenses	7,761	7,243	22,574	20,858
Income from continuing operations before provision for income taxes	714	813	2,986	2,521
Provision for income taxes	195	255	920	711
Income from continuing operations	519	558	2,066	1,810
Income from discontinued operations, net of income taxes	37	11	694	65
Income before cumulative effect of a change in accounting	556	569	2,760	1,875
Cumulative effect of a change in accounting, net of income taxes	—	—	—	(52)
Net income	$ 556	$ 569	$ 2,760	$ 1,823

See accompanying notes to interim condensed consolidated financial statements.

METROPOLITAN LIFE INSURANCE COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
For the Nine Months Ended September 30, 2005 (Unaudited)
(In millions)

				Accumulated Other Comprehensive Income (Loss)			
	Common Stock	Additional Paid-In Capital	Retained Earnings	Net Unrealized Investment Gains (Losses)	Foreign Currency Translation Adjustment	Minimum Pension Liability Adjustment	Total
Balance at January 1, 2005	$5	$13,827	$ 2,696	$2,408	$186	$(130)	$18,992
Issuance of shares — by subsidiary		7					7
Issuance of stock options — by subsidiary		(4)					(4)
Sale of subsidiary		(1)					(1)
Dividends on common stock			(3,200)				(3,200)
Comprehensive income (loss):							
Net income			2,760				2,760
Other comprehensive income (loss):							
Unrealized gains (losses) on derivative instruments, net of income taxes				152			152
Unrealized investment gains (losses), net of related offsets and income taxes				(819)			(819)
Foreign currency translation adjustments					(41)		(41)
Minimum pension liability adjustment						47	47
Other comprehensive income (loss)							(661)
Comprehensive income (loss)							2,099
Balance at September 30, 2005	$5	$13,829	$ 2,256	$1,741	$145	$ (83)	$17,893

See accompanying notes to interim condensed consolidated financial statements.

METROPOLITAN LIFE INSURANCE COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2005 and 2004 (Unaudited)
(In millions)

	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Net cash provided by operating activities	$ 4,091	$ 4,036
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturities	87,148	53,992
Equity securities	683	612
Mortgage and consumer loans	5,385	2,878
Real estate and real estate joint ventures	1,527	233
Other limited partnership interests	710	561
Purchases of:		
Fixed maturities	(91,806)	(59,495)
Equity securities	(802)	(828)
Mortgage and consumer loans	(5,916)	(4,903)
Real estate and real estate joint ventures	(1,204)	(523)
Other limited partnership interests	(864)	(670)
Net change in short-term investments	250	172
Proceeds from sales of businesses	240	—
Net change in other invested assets	(524)	23
Other, net	(98)	(296)
Net cash used in investing activities	(5,271)	(8,244)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	22,175	21,192
Withdrawals	(19,920)	(16,779)
Net change in payable under securities loaned transactions	2,571	1,368
Net change in short-term debt	(302)	(1,970)
Long-term debt issued	19	21
Long-term debt repaid	(145)	(34)
Dividends on preferred stock	—	(5)
Dividends on common stock	(3,200)	—
Stock options exercised	(7)	—
Other, net	6	—
Net cash provided by financing activities	1,197	3,793
Change in cash and cash equivalents	17	(415)
Cash and cash equivalents, beginning of period	2,428	2,393
Cash and cash equivalents, end of period	$ 2,445	$ 1,978
Cash and cash equivalents, subsidiaries held-for-sale, beginning of period	$ 58	$ 57
Cash and cash equivalents, subsidiaries held-for-sale, end of period	$ —	$ 41
Cash and cash equivalents, from continuing operations, beginning of period	$ 2,370	$ 2,336
Cash and cash equivalents, from continuing operations, end of period	$ 2,445	$ 1,937
Supplemental disclosures of cash flow information:		
Net cash paid during the period for:		
Interest	$ 134	$ 136
Income taxes	$ 1,304	$ 693
Non-cash transactions during the period:		
Business Dispositions:		
Assets disposed	$ 366	$ —
Less: liabilities disposed	269	—
Net assets disposed	$ 97	$ —
Plus: equity securities received	43	—
Less: cash disposed	43	—
Business disposition, net of cash disposed	$ 97	$ —
Contribution of equity securities to MetLife Foundation	$ —	$ 50
Transfer from funds withheld at interest to fixed maturities	$ —	$ 606

See accompanying notes to interim condensed consolidated financial statements.

METROPOLITAN LIFE INSURANCE COMPANY

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Summary of Accounting Policies

Business

Metropolitan Life Insurance Company ("Metropolitan Life") with its subsidiaries (collectively, the "Company"), is a leading provider of insurance and other financial services to individual and institutional customers. The Company offers life insurance, annuities, as well as group insurance, reinsurance and retirement & savings products and services to corporations and other institutions. Metropolitan Life is a wholly-owned subsidiary of MetLife, Inc. (the "Holding Company").

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the unaudited interim condensed consolidated financial statements. The most critical estimates include those used in determining: (i) investment impairments; (ii) the fair value of investments in the absence of quoted market values; (iii) application of the consolidation rules to certain investments; (iv) the fair value of and accounting for derivatives; (v) the capitalization and amortization of deferred policy acquisition costs ("DAC"), including value of business acquired ("VOBA"); (vi) the measurement of goodwill and related impairment, if any; (vii) the liability for future policyholder benefits; (viii) the liability for litigation and regulatory matters; and (ix) accounting for reinsurance transactions and employee benefit plans. In applying these policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company's businesses and operations. Actual results could differ from these estimates.

The accompanying unaudited interim condensed consolidated financial statements include the accounts of (i) Metropolitan Life and its subsidiaries; (ii) partnerships and joint ventures in which the Company has control; and (iii) variable interest entities ("VIEs") for which the Company is deemed to be the primary beneficiary. Closed block assets, liabilities, revenues and expenses are combined on a line-by-line basis with the assets, liabilities, revenues and expenses outside the closed block based on the nature of the particular item. See Note 4.

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

Minority interest related to consolidated entities included in other liabilities was $1,425 million and $1,325 million at September 30, 2005 and December 31, 2004, respectively.

Certain amounts in the prior year periods' consolidated financial statements have been reclassified to conform with the 2005 presentation. Such reclassifications include $1,368 million relating to the net change in payable under securities loaned transactions reclassified from cash flows from investing activities to cash flows from financing activities on the interim condensed consolidated statements of cash flows for the nine months ended September 30, 2004.

The accompanying unaudited interim condensed consolidated financial statements reflect all adjustments (including normal recurring adjustments) necessary to present fairly the consolidated financial position of the Company at September 30, 2005, its consolidated results of operations for the three months and nine months ended September 30, 2005 and 2004, its consolidated cash flows for the nine months ended September 30, 2005 and 2004 and its consolidated statement of stockholder's equity for the nine months ended September 30, 2005, in accordance with GAAP. Interim results are not necessarily indicative of full year performance. These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2004.

Significant Accounting Policies

Trading Securities

During the first quarter of 2005, the Company established a trading securities portfolio to support investment strategies that involve the active and frequent purchases and sales of securities. Trading securities are recorded at fair value with subsequent changes in fair value recognized in net investment income.

Federal Income Taxes

Federal income taxes for interim periods have been computed using an actual effective income tax rate.

Application of Recent Accounting Pronouncements

In September 2005, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 05-1, *Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts* ("SOP 05-1"). SOP 05-1 provides guidance on accounting by insurance enterprises for deferred acquisition costs on internal replacements of insurance and investment contracts other than those specifically described in Statement of Financial Accounting Standards ("SFAS") No. 97, *Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and For Realized Gains and Losses from the Sale of Investments.* SOP 05-1 defines an internal replacement as a modification in product benefits, features, rights, or coverages that occurs by the exchange of a contract for a new contract, or by amendment, endorsement, or rider to a contract, or by the election of a feature or coverage within a contract. Under SOP 05-1, modifications that result in a substantially unchanged contract will be accounted for as a continuation of the replaced contract. A replacement contract that is substantially changed will be accounted for as an extinguishment of the replaced contract resulting in a release of unamortized deferred acquisition costs, unearned revenue and deferred sales inducements associated with the replaced contract. The guidance in SOP 05-1 will be applied prospectively and is effective for internal replacements occurring in fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact of SOP 05-1 and does not expect that the pronouncement will have a material impact on the Company's unaudited interim condensed consolidated financial statements.

In September 2005, the Emerging Issues Task Force ("EITF") reached consensus on Issue No. 05-7, *Accounting for Modifications to Conversion Options Embedded in Debt Instruments and Related Issues* ("EITF 05-7"). EITF 05-7 provides guidance on whether a modification of conversion options embedded in debt results in an extinguishment of that debt. In certain situations, companies may change the terms of an embedded conversion option as part of a debt modification. The EITF concluded that the change in the fair value of an embedded conversion option upon modification should be included in the analysis of EITF Issue No. 96-19, *Debtor's Accounting for a Modification or Exchange of Debt Instrument*, to determine whether a modification or extinguishment has occurred and that a change in the fair value of a conversion option should be recognized upon the modification as a discount (or premium) associated with the debt, and an increase (or decrease) in additional paid-in capital. EITF 05-7 will be applied prospectively and is effective for all debt modifications occurring in periods beginning after December 15, 2005. EITF 05-7 is not expected to have a material impact on the Company's unaudited interim condensed consolidated financial statements.

In September 2005, the EITF reached consensus on Issue No. 05-8, *Income Tax Consequences of Issuing Convertible Debt with a Beneficial Conversion Feature* ("EITF 05-8"). EITF 05-8 concludes that (i) the issuance of convertible debt with a beneficial conversion feature results in a basis difference that should be accounted for as a temporary difference and (ii) the establishment of the deferred tax liability for the basis difference should result in an adjustment to additional paid in capital. EITF 05-8 will be applied retrospectively for all instruments with a beneficial conversion feature accounted for in accordance with EITF Issue No. 98-5, *Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios*, and EITF Issue No. 00-27, *Application of Issue No. 98-5 to Certain Convertible Instruments*, and is effective for periods beginning after December 15, 2005. EITF 05-8 is not expected to have a material impact on the Company's unaudited interim condensed consolidated financial statements.

Effective July 1, 2005, the Company adopted SFAS No. 153, *Exchanges of Nonmonetary Assets, an amendment of Accounting Principles Board* ("APB") *Opinion No. 29* ("SFAS 153"). SFAS 153 amended prior guidance to eliminate the exception for nonmonetary exchanges of similar productive assets and replaced it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of SFAS 153 were required to be applied prospectively. SFAS 153 did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

Effective July 1, 2005, the Company adopted EITF Issue No. 05-6, *Determining the Amortization Period for Leasehold Improvements* ("EITF 05-6"). EITF 05-6 provides guidance on determining the amortization period for leasehold improvements acquired in a business combination or acquired subsequent to lease inception. As required by EITF 05-6, the Company adopted this guidance on a prospective basis which had no material impact on the Company's unaudited interim condensed consolidated financial statements.

In June 2005, the Financial Accounting Standards Board ("FASB") completed its review of EITF Issue No. 03-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* ("EITF 03-1"). EITF 03-1 provides accounting guidance regarding the determination of when an impairment of debt and marketable equity securities and investments accounted for under the cost method should be considered other-than-temporary and recognized in income. EITF 03-1 also requires certain quantitative and qualitative disclosures for debt and marketable equity securities classified as available-for-sale or held-to-maturity under SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* ("SFAS 115"), that are impaired at the balance sheet date but for which an other-than-temporary impairment has not been recognized. The FASB decided not to provide additional guidance on the meaning of other-than-temporary impairment but has issued FASB Staff Position ("FSP") 115-1, *The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments* ("FSP 115-1"), which nullifies the accounting guidance on the determination of whether an investment is other-than-temporarily impaired as set forth in EITF 03-1. FSP 115-1 is effective on a prospective basis for other-than-temporary impairments on certain investments in periods beginning after December 15, 2005. The Company has complied with the disclosure requirements of EITF 03-1, which was effective December 31, 2003 and will remain in effect until the adoption of FSP 115-1. The Company does not anticipate that the adoption will have a material impact on its unaudited interim condensed consolidated financial statements.

In June 2005, the EITF reached consensus on Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* ("EITF 04-5"). EITF 04-5 provides a framework for determining whether a general partner controls and should consolidate a limited partnership or a similar entity in light of certain rights held by the limited partners. The consensus also provides additional guidance on substantive rights. EITF 04-5 was effective after June 29, 2005 for all newly formed partnerships and for any pre-existing limited partnerships that modified their partnership agreements after that date. The adoption of this provision of EITF 04-5 did not have a material impact on the Company's unaudited interim condensed consolidated financial statements. EITF 04-5 must be adopted by January 1, 2006 for all other limited partnerships through a cumulative effect of a change in accounting principle recorded in opening equity or it may be applied retrospectively by adjusting prior period financial statements. The adoption of this provision of EITF 04-5 is not expected to have a material impact on the Company's unaudited interim condensed consolidated financial statements.

In June 2005, the FASB cleared SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"), Implementation Issue No. B38, *Embedded Derivatives: Evaluation of Net Settlement with Respect to the Settlement of a Debt Instrument through Exercise of an Embedded Put Option or Call Option* ("Issue B38") and Implementation Issue No. B39, *Embedded Derivatives: Application of Paragraph 13(b) to Call Options That Are Exercisable Only by the Debtor* ("Issue B39"). Issue B38 clarifies that the potential settlement of a debtor's obligation to a creditor that would occur upon exercise of a put or call option meets the net settlement criteria of SFAS No. 133. Issue B39 clarifies that an embedded call option, in which the underlying is an interest rate or interest rate index, that can accelerate the settlement of a debt host financial instrument should not be bifurcated and fair valued if the right to accelerate the settlement can be exercised only by the debtor (issuer/borrower) and the investor will recover substantially all of its initial net investment. Issue Nos. B38 and B39, which must be adopted as of the first day of the first fiscal quarter beginning after December 15, 2005, are not expected to have a material impact on the Company's unaudited interim condensed consolidated financial statements.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3* ("SFAS 154"). The statement requires retrospective application to prior periods' financial statements for a voluntary change in accounting principle unless it is deemed impracticable. It also requires that a change in the method of depreciation, amortization, or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate rather than a change in accounting principle. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. SFAS 154 is not expected to have a material impact on the Company's unaudited interim condensed consolidated financial statements.

In December 2004, the FASB issued SFAS 123 (revised 2004) *Share-Based Payment* ("SFAS 123(r)"), which revised SFAS No. 123, *Accounting for Stock-Based Compensation* and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees.* SFAS 123(r) provides additional guidance on determining whether certain financial instruments awarded in share-based payment transactions are liabilities. SFAS 123(r) also requires that the cost of all share-based transactions be measured at fair value and recognized over the period during which an employee is required to provide service in exchange for an award. The SEC issued a final ruling in April 2005 allowing a public company that is not a small business issuer to implement SFAS 123(r) at the beginning of the next fiscal year after June 15, 2005. Thus, the revised pronouncement must be adopted by the Company by January 1, 2006. As permitted under SFAS 148, *Accounting for Stock-Based Compensation — Transition and Disclosure — an amendment of FASB Statement No. 123*, the Company elected to use the prospective method of accounting for stock options granted subsequent to December 31, 2002. Options granted prior to January 1, 2003 will continue to be accounted for under the intrinsic value method until the adoption of SFAS 123(r). In addition, the pro forma impact of accounting for these options at fair value will continue to be accounted for under the intrinsic value method until the last of those options vest in 2005. As all stock options currently accounted for under the intrinsic value method will vest prior to the effective date, implementation of SFAS 123(r) will not have a significant impact on the Company's unaudited interim condensed consolidated financial statements. See Note 8.

In December 2004, the FASB issued FSP 109-2, *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004* ("FSP 109-2"). The American Jobs Creation Act of 2004 ("AJCA") introduced a one-time dividend received deduction on the repatriation of certain earnings to a U.S. taxpayer. FSP 109-2 provides companies additional time beyond the financial reporting period of enactment to evaluate the effects of the AJCA on their plans to repatriate foreign earnings for purposes of applying SFAS No. 109, *Accounting for Income Taxes.* The Company is currently evaluating the repatriation provision of the AJCA. If the repatriation provision is implemented by the Company the impact on the Company's income tax expense and deferred income tax assets and liabilities would not be material.

Effective July 1, 2004, the Company prospectively adopted FSP No. 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003* ("FSP 106-2"). FSP 106-2 provides accounting guidance to employers that sponsor postretirement health care plans that provide prescription drug benefits. The Company expects to receive subsidies on prescription drug benefits beginning in 2006 under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 based on the Company's determination that the prescription drug benefits offered under certain postretirement plans are actuarially equivalent to the benefits offered under Medicare Part D. The postretirement benefit plan assets and accumulated benefit obligation were remeasured to determine the effect of the expected subsidies on net periodic postretirement benefit cost. FSP 106-2 did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

Effective July 1, 2004, the Company adopted EITF Issue No. 03-16, *Accounting for Investments in Limited Liability Companies* ("EITF 03-16"). EITF 03-16 provides guidance regarding whether a limited liability company should be viewed as similar to a corporation or similar to a partnership for purposes of determining whether a noncontrolling investment should be accounted for using the cost method or the equity method of accounting. EITF 03-16 did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

Effective January 1, 2004, the Company adopted SOP 03-1, *Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts* ("SOP 03-1"), as interpreted by a Technical Practice Aid ("TPA"), issued by the AICPA. SOP 03-1 provides guidance on (i) the classification and valuation of long-duration contract liabilities; (ii) the accounting for sales inducements; and (iii) separate account presentation and valuation. In June 2004, the FASB released FSP No. 97-1, *Situations in Which Paragraphs 17(b) and 20 of FASB Statement No. 97, Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments, Permit or Require Accrual of an Unearned Revenue Liability* ("FSP 97-1"), which included clarification that unearned revenue liabilities should be considered in determining the necessary insurance benefit liability required under SOP 03-1. Since the Company had considered unearned revenue in determining its SOP 03-1 benefit liabilities, FSP 97-1 did not impact its unaudited interim condensed consolidated financial statements. As a result of the adoption of SOP 03-1, effective January 1, 2004, the Company decreased the liability for future policyholder benefits for changes in the methodology relating to various guaranteed death and annuitization benefits and for determining liabilities for certain universal life insurance contracts by $4 million, which has been reported as a cumulative effect of a change in accounting. This amount is net of corresponding changes in DAC, including VOBA and unearned revenue liability ("offsets"), under certain variable annuity and life contracts and income taxes. Certain other contracts sold by the Company provide for a return through periodic crediting rates, surrender adjustments or termination adjustments based on the total return of a contractually referenced pool of assets owned by the Company. To the extent that such contracts are not accounted for as derivatives under the provisions of SFAS No. 133 and not already credited to the contract account balance, under SOP 03-1 the change relating to the fair value of the referenced pool of assets is recorded as a liability with the change in the liability recorded as policyholder benefits and claims. Prior to the adoption of SOP 03-1, the Company recorded the change in such liability as other comprehensive income. At adoption, this change decreased net income and increased other comprehensive income by $63 million, net of income taxes, which were recorded as cumulative effects of changes in accounting. Effective with the adoption of SOP 03-1, costs associated with enhanced or bonus crediting rates to contractholders must be deferred and amortized over the life of the related contract using assumptions consistent with the amortization of DAC. Since the Company followed a similar approach prior to adoption of SOP 03-1, the provisions of SOP 03-1 relating to sales inducements had no significant impact on the Company's unaudited interim condensed consolidated financial statements. In accordance with SOP 03-1's guidance for the reporting of certain separate accounts, at adoption, the Company also reclassified $1.7 billion of separate account assets to general account investments and $1.7 billion of separate account liabilities to future policy benefits and policyholder account balances. This reclassification decreased net income and increased other comprehensive income by $27 million, net of income taxes, which were reported as cumulative effects of changes in accounting. Due to the adoption of SOP 03-1, the Company recorded a cumulative effect of a change in accounting of $52 million, net of income taxes of $27 million, for the nine months ended September 30, 2004.

2. Investments

Fixed Maturities by Sector and Equity Securities Available-for-Sale

The following tables set forth the cost or amortized cost, gross unrealized gain and loss, and estimated fair value of the Company's fixed maturities by sector and equity securities, the percentage of the total fixed maturities holdings that each sector represents and the percentage of the total equity securities at:

	September 30, 2005				
	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value	% of Total
	(In millions)				
U.S. corporate securities	$ 49,739	$2,748	$288	$ 52,199	34.2%
Residential mortgage-backed securities	29,441	330	198	29,573	19.3
Foreign corporate securities	22,470	1,784	173	24,081	15.7
U.S. treasury/agency securities	19,158	1,319	50	20,427	13.3
Commercial mortgage-backed securities	11,264	234	88	11,410	7.4
Asset-backed securities	8,770	82	51	8,801	5.7
Foreign government securities	4,761	1,040	6	5,795	3.8
State and political subdivision securities	675	20	14	681	0.4
Other fixed maturity securities	196	11	33	174	0.1
Total bonds	146,474	7,568	901	153,141	99.9
Redeemable preferred stocks	137	1	1	137	0.1
Total fixed maturities	$146,611	$7,569	$902	$153,278	100.0%
Common stocks	$ 1,546	$ 198	$ 28	$ 1,716	81.1%
Nonredeemable preferred stocks	379	22	2	399	18.9
Total equity securities	$ 1,925	$ 220	$ 30	$ 2,115	100.0%

	December 31, 2004				
	Cost or Amortized Cost	Gross Unrealized		Estimated Fair Value	% of Total
		Gain	Loss		
	(In millions)				
U.S. corporate securities	$ 51,398	$3,561	$144	$ 54,815	36.5%
Residential mortgage-backed securities	28,155	573	52	28,676	19.1
Foreign corporate securities	21,545	2,381	65	23,861	15.9
U.S. treasury/agency securities	14,938	1,271	19	16,190	10.8
Commercial mortgage-backed securities	10,395	408	30	10,773	7.2
Asset-backed securities	9,282	115	29	9,368	6.2
Foreign government securities	4,650	766	12	5,404	3.6
State and political subdivision securities	340	16	1	355	0.2
Other fixed maturity securities	519	46	33	532	0.3
Total bonds	141,222	9,137	385	149,974	99.8
Redeemable preferred stocks	274	—	19	255	0.2
Total fixed maturities	$141,496	$9,137	$404	$150,229	100.0%
Common stocks	$ 1,329	$ 238	$ 5	$ 1,562	82.1%
Nonredeemable preferred stocks	317	24	—	341	17.9
Total equity securities	$ 1,646	$ 262	$ 5	$ 1,903	100.0%

Unrealized Losses for Fixed Maturities and Equity Securities Available-for-Sale

The following tables show the estimated fair values and gross unrealized losses of the Company's fixed maturities (aggregated by sector) and equity securities in an unrealized loss position, aggregated by length of time that the securities have been in a continuous unrealized loss position at September 30, 2005 and December 31, 2004:

	September 30, 2005					
	Less than 12 Months		Equal to or Greater than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
	(Dollars in millions)					
U.S. corporate securities	$12,669	$226	$1,942	$ 62	$14,611	$288
Residential mortgage-backed securities	20,070	184	523	14	20,593	198
Foreign corporate securities	5,601	132	1,306	41	6,907	173
U.S. treasury/agency securities	8,406	49	138	1	8,544	50
Commercial mortgage-backed securities	5,692	82	230	6	5,922	88
Asset-backed securities	4,324	41	314	10	4,638	51
Foreign government securities	491	5	71	1	562	6
State and political subdivision securities	263	14	—	—	263	14
Other fixed maturity securities	—	28	36	5	36	33
Total bonds	57,516	761	4,560	140	62,076	901
Redeemable preferred stocks	48	1	—	—	48	1
Total fixed maturities	$57,564	$762	$4,560	$140	$62,124	$902
Equity securities	$ 423	$ 30	$ 7	$ —	$ 430	$ 30
Total number of securities in an unrealized loss position	3,744		445		4,189	

	December 31, 2004					
	Less than 12 Months		Equal to or Greater than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
	(Dollars in millions)					
U.S. corporate securities	$ 8,122	$ 97	$1,081	$47	$ 9,203	$144
Residential mortgage-backed securities	7,257	49	215	3	7,472	52
Foreign corporate securities	3,234	52	413	13	3,647	65
U.S. treasury/agency securities	4,399	19	1	—	4,400	19
Commercial mortgage-backed securities	3,137	27	136	3	3,273	30
Asset-backed securities	3,424	22	203	7	3,627	29
Foreign government securities	490	8	39	4	529	12
State and political subdivision securities	37	—	14	1	51	1
Other fixed maturity securities	37	33	12	—	49	33
Total bonds	30,137	307	2,114	78	32,251	385
Redeemable preferred stocks	255	19	—	—	255	19
Total fixed maturities	$30,392	$326	$2,114	$78	$32,506	$404
Equity securities	$ 78	$ 5	$ 4	$—	$ 82	$ 5
Total number of securities in an unrealized loss position	2,864		244		3,108	

Aging of Gross Unrealized Losses for Fixed Maturities and Equity Securities Available-for-Sale

The following table presents the cost or amortized cost, gross unrealized losses and number of securities for fixed maturities and equity securities at September 30, 2005 where the estimated fair value had declined and remained below cost or amortized cost by less than 20%, or 20% or more for:

	September 30, 2005					
	Cost or Amortized Cost		Gross Unrealized Losses		Number of Securities	
	Less than 20%	20% or more	Less than 20%	20% or more	Less than 20%	20% or more
	(In millions)					
Less than six months	$48,702	$119	$549	$32	2,608	105
Six months or greater but less than nine months	6,453	—	127	—	567	2
Nine months or greater but less than twelve months	3,504	—	83	—	462	—
Twelve months or greater	4,688	20	136	5	437	8
Total	$63,347	$139	$895	$37	4,074	115

Net Investment Gains (Losses)

Net investment gains (losses) are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Fixed maturities	$ (29)	$ 56	$(185)	$ 88
Equity securities	6	43	95	138
Mortgage and consumer loans	19	(7)	7	(7)
Real estate and real estate joint ventures	4	—	3	2
Other limited partnership interests	16	52	36	42
Derivatives	(114)	47	313	17
Other	42	25	70	190
Net investment gains (losses)	$ (56)	$216	$ 339	$470

The Company periodically disposes of fixed maturity and equity securities at a loss. Generally, such losses are insignificant in amount or in relation to the cost basis of the investment or are attributable to declines in fair value occurring in the period of disposition.

Trading Securities

Net investment income for the three months and nine months ended September 30, 2005 includes $2 million and $3 million, respectively, of gains (losses) on securities classified as trading. Of these amounts, $1 million and $2 million, respectively, relate to net gains (losses) recognized on trading securities sold during the three months and nine months ended September 30, 2005. The remaining $1 million for both the three months and nine months ended September 30, 2005 relate to changes in fair value on trading securities held at September 30, 2005. The Company did not have any trading securities during the three months and nine months ended September 30, 2004.

3. Derivative Financial Instruments

Types of Derivative Instruments

The following table provides a summary of the notional amounts and current market or fair value of derivative financial instruments held at:

	September 30, 2005			December 31, 2004		
	Notional Amount	Current Market or Fair Value		Notional Amount	Current Market or Fair Value	
		Assets	Liabilities		Assets	Liabilities
	(In millions)					
Interest rate swaps	$14,573	$335	$ 11	$12,215	$276	$ 19
Interest rate floors	5,265	65	—	2,065	24	—
Interest rate caps	19,520	169	—	7,045	12	—
Financial futures	843	25	—	417	—	5
Foreign currency swaps	8,484	62	897	7,457	149	1,274
Foreign currency forwards	1,476	14	40	888	—	57
Options	442	2	4	263	8	7
Financial forwards	2,074	11	—	326	—	—
Credit default swaps	2,491	9	5	1,879	10	5
Synthetic GICs	5,497	—	—	5,869	—	—
Other	—	—	—	450	1	1
Total	$60,665	$692	$957	$38,874	$480	$1,368

The Company previously disclosed in its consolidated financial statements for the year ended December 31, 2004, its types and uses of derivative instruments. During the nine months ended September 30, 2005, the Company began using swap spread locks and credit default swaps without the use of the replication synthetic asset transaction structure ("RSAT"). Swap spread locks are used to hedge invested assets against the risk of changes in credit spreads and are included in financial forwards in the preceding table. Credit default swaps are used as a means of both hedging and diversifying credit risk exposure in certain portfolios.

In addition, during the three months ended September 30, 2005, the Company, began using currency option contracts. Currency option contracts are used to hedge the Company's exposure to foreign currency exchange rates that result from the Company's direct foreign currency investments. They are included in options in the preceding table.

The Company enters into various collateral arrangements, which require both the pledging and accepting of collateral in connection with its derivative instruments. As of September 30, 2005, the Company was obligated to return cash collateral under its control of $44 million. This unrestricted cash collateral is included in cash and cash equivalents and the obligation to return it is included in other liabilities in the interim condensed consolidated balance sheets. The Company did not have any cash or other collateral related to derivative instruments at December 31, 2004.

This information should be read in conjunction with Note 3 of Notes to Consolidated Financial Statements for the year ended December 31, 2004.

Hedging

The table below provides a summary of the notional amount and fair value of derivatives by type of hedge designation at:

	September 30, 2005			December 31, 2004		
	Notional Amount	Fair Value Assets	Fair Value Liabilities	Notional Amount	Fair Value Assets	Fair Value Liabilities
	(In millions)					
Fair value	$ 4,387	$ 56	$ 66	$ 4,850	$173	$ 233
Cash flow	7,501	38	491	8,057	40	664
Foreign operations	575	—	41	535	—	47
Non qualifying	48,202	598	359	25,432	267	424
Total	$60,665	$692	$957	$38,874	$480	$1,368

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

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
	(In millions)			
Qualifying hedges:				
Net investment income	$14	$(27)	$19	$(109)
Interest credited to policyholder account balances	5	13	17	26
Non-qualifying hedges:				
Net investment gains (losses)	27	12	61	45
Total	$46	$ (2)	$97	$ (38)

Fair Value Hedges

The Company designates and accounts for the following as fair value hedges when they have met the requirements of SFAS 133: (i) interest rate swaps to convert fixed rate investments to floating rate investments; (ii) foreign currency swaps to hedge the foreign currency fair value exposure of foreign currency denominated investments and liabilities; and (iii) treasury futures to hedge against changes in value of fixed rate securities.

The Company recognized net investment gains (losses) representing the ineffective portion of all fair value hedges as follows:

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
	(In millions)			
Changes in the fair value of derivatives	$(3)	$(70)	$(75)	$ 5
Changes in the fair value of the items hedged	1	81	75	25
Net ineffectiveness of fair value hedging activities	$(2)	$ 11	$ —	$30

All components of each derivative's gain or loss were included in the assessment of hedge ineffectiveness. There were no instances in which the Company discontinued fair value hedge accounting due to a hedged firm commitment no longer qualifying as a fair value hedge.

Cash Flow Hedges

The Company designates and accounts for the following as cash flow hedges when they have met the requirements of SFAS 133: (i) interest rate swaps to convert floating rate investments to fixed rate investments; (ii) interest rate swaps to convert floating rate liabilities into fixed rate liabilities; (iii) foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated investments and liabilities; (iv) treasury futures to hedge against changes in value of securities to be acquired; (v) treasury futures to hedge against changes in interest rates on liabilities to be issued; and (vi) financial forwards to gain exposure to the investment risk and return of securities not yet available.

For the three months and nine months ended September 30, 2005, the Company recognized net investment gains (losses) of ($33) million and ($12) million, respectively, which represented the ineffective portion of all cash flow hedges. For the three months and nine months ended September 30, 2004, the Company recognized net investment gains (losses) of $23 million and ($5) million, respectively, which represented the ineffective portion of all cash flow hedges. All components of each derivative's gain or loss were included in the assessment of hedge ineffectiveness. In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions did not occur on the anticipated date or in the additional time period permitted by SFAS 133. The net amounts reclassified into net investment gains (losses) for the three months and nine months ended September 30, 2005, due to discontinuance of the cash flow hedge because the transaction did not occur on the anticipated date or in the additional time period permitted by SFAS 133 were losses of $1 million and $29 million, respectively. Such amounts for the three months and nine months ended September 30, 2004, were losses of $11 million and $30 million, respectively. There were no hedged forecasted transactions, other than the receipt or payment of variable interest payments.

Presented below is a rollforward of the components of other comprehensive income (loss), before income taxes, related to cash flow hedges:

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005	Year Ended December 31, 2004	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2004
			(In millions)		
Other comprehensive income (loss) balance at the beginning of the period	$(229)	$(447)	$(385)	$(276)	$(385)
Gains (losses) deferred in other comprehensive income (loss) on the effective portion of cash flow hedges	(37)	150	(98)	(7)	81
Amounts reclassified to net investment gains (losses)	7	38	41	17	43
Amounts reclassified to net investment income	1	2	2	1	2
Amortization of transition adjustment	—	(1)	(7)	—	(6)
Other comprehensive income (loss) balance at the end of the period	$(258)	$(258)	$(447)	$(265)	$(265)

Hedges of Net Investments in Foreign Operations

The Company uses forward exchange contracts and foreign currency swaps to hedge portions of its net investment in foreign operations against adverse movements in exchange rates. The Company measures ineffectiveness on the forward exchange contracts based upon the change in forward rates. There was no ineffectiveness recorded for the three months and nine months ended September 30, 2005 or 2004.

In the Company's consolidated statements of stockholder's equity for the nine months ended September 30, 2005, losses of $31 million were recorded on foreign currency contracts used to hedge its net investments in foreign operations. At September 30, 2005 and December 31, 2004, the cumulative foreign currency translation loss recorded in accumulated other comprehensive income (loss) ("AOCI") related to these hedges was approximately $88 million and $57 million, respectively. When substantially all of the net investments in foreign operations are sold or liquidated, the amounts in AOCI are reclassified to the consolidated statements of income, while a pro rata portion will be reclassified upon partial sale of the net investments in foreign operations.

Non-qualifying Derivatives and Derivatives for Purposes Other Than Hedging

The Company enters into the following derivatives that do not qualify for hedge accounting under SFAS 133 or for purposes other than hedging: (i) interest rate swaps, purchased caps and floors, and treasury futures to minimize its exposure to interest rate volatility; (ii) foreign currency forwards, swaps and option contracts to minimize its exposure to adverse movements in exchange rates; (iii) swaptions to sell embedded call options in fixed rate liabilities; (iv) credit default swaps to minimize its exposure to adverse movements in credit; (v) swap spread locks to hedge invested assets against the risk of changes in credit spreads; (vi) synthetic guaranteed interest contracts ("GICs") to synthetically create traditional

GICs; and (vii) replication synthetic asset transactions and total rate of return swaps ("TRRs") to synthetically create investments.

For the three months and nine months ended September 30, 2005, the Company recognized as net investment gains (losses) changes in fair value of $(105) million and $317 million, respectively, related to derivatives that do not qualify for hedge accounting. For the three months and nine months ended September 30, 2004, the Company recognized as net investment gains (losses) changes in fair value of $(3) million and $8 million, respectively, related to derivatives that do not qualify for hedge accounting.

Embedded Derivatives

The Company has certain embedded derivatives which are required to be separated from their host contracts and accounted for as derivatives. These host contracts include guaranteed rate of return contracts and modified coinsurance contracts. The fair value of the Company's embedded derivative assets was $51 million and $43 million at September 30, 2005 and December 31, 2004, respectively. The fair value of the Company's embedded derivative liabilities was $13 million and $26 million at September 30, 2005 and December 31, 2004, respectively. The amounts recorded in net investment gains (losses) during the three months and nine months ended September 30, 2005, were gains of $18 million and gains of $20 million, respectively. The amounts included in net investment gains (losses) during the three months and nine months ended September 30, 2004, were losses of $32 million and gains of $5 million, respectively.

4. Closed Block

On April 7, 2000, (the "date of demutualization"), Metropolitan Life converted from a mutual life insurance company to a stock life insurance company and became a wholly-owned subsidiary of MetLife, Inc. The conversion was pursuant to an order by the New York Superintendent of Insurance (the "Superintendent") approving Metropolitan Life's plan of reorganization, as amended (the "plan"). On the date of demutualization, Metropolitan Life established a closed block for the benefit of holders of certain individual life insurance policies of Metropolitan Life.

Liabilities and assets designated to the closed block are as follows:

	September 30, 2005	December 31, 2004
	(In millions)	
Closed Block Liabilities		
Future policy benefits	$42,541	$42,348
Other policyholder funds	260	258
Policyholder dividends payable	756	690
Policyholder dividend obligation	1,735	2,243
Payables under securities loaned transactions	5,623	4,287
Other liabilities	297	199
Total closed block liabilities	51,212	50,025
Assets Designated to the Closed Block		
Investments:		
Fixed maturities available-for-sale, at fair value (amortized cost: $29,350 and $27,757, respectively)	30,875	29,766
Equity securities available-for-sale, at fair value (cost: $1,043 and $898, respectively)	1,170	979
Mortgage loans on real estate	7,782	8,165
Policy loans	4,124	4,067
Short-term investments	66	101
Other invested assets	490	221
Total investments	44,507	43,299
Cash and cash equivalents	574	325
Accrued investment income	500	511
Deferred income taxes	932	1,002
Premiums and other receivables	112	103
Total assets designated to the closed block	46,625	45,240
Excess of closed block liabilities over assets designated to the closed block	4,587	4,785
Amounts included in accumulated other comprehensive income (loss):		
Net unrealized investment gains, net of deferred income tax of $594 and $752, respectively	1,058	1,338
Unrealized derivative gains (losses), net of deferred income tax benefit of ($21) and ($31), respectively	(38)	(55)
Allocated to policyholder dividend obligation, net of deferred income tax benefit of ($573) and ($763), respectively	(1,020)	(1,356)
Total amounts included in accumulated other comprehensive income (loss)	—	(73)
Maximum future earnings to be recognized from closed block assets and liabilities	$ 4,587	$ 4,712

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

	Nine Months Ended September 30, 2005	Year Ended December 31, 2004
	(In millions)	
Balance at beginning of period	$2,243	$2,130
Impact on revenues, net of expenses and income taxes	19	124
Change in unrealized investment and derivative gains (losses)	(527)	(11)
Balance at end of period	$1,735	$2,243

Closed block revenues and expenses are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Revenues				
Premiums	$ 735	$ 759	$2,211	$2,283
Net investment income and other revenues	574	629	1,785	1,892
Net investment gains (losses)	29	24	41	9
Total revenues	1,338	1,412	4,037	4,184
Expenses				
Policyholder benefits and claims	852	815	2,529	2,518
Policyholder dividends	371	368	1,098	1,098
Change in policyholder dividend obligation	(16)	85	19	125
Other expenses	65	67	199	207
Total expenses	1,272	1,335	3,845	3,948
Revenues, net of expenses before income taxes	66	77	192	236
Income taxes	22	28	67	85
Revenues, net of expenses and income taxes	$ 44	$ 49	$ 125	$ 151

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Balance at end of period	$4,587	$4,756	$4,587	$4,756
Balance at beginning of period	4,631	4,805	4,712	4,907
Change during period	$ (44)	$ (49)	$ (125)	$ (151)

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

5. Commitments, Contingencies and Guarantees

Litigation

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

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

On a quarterly and annual basis, the Company reviews relevant information with respect to liabilities for litigation and contingencies to be reflected in the Company's consolidated financial statements. The review includes senior legal and financial personnel. Unless stated below, estimates of possible additional losses or ranges of loss for particular matters cannot in the ordinary course be made with a reasonable degree of certainty. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. It is possible that some of the matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be estimated as of September 30, 2005.

Sales Practices Claims

Over the past several years, Metropolitan Life, New England Mutual Life Insurance Company ("New England Mutual") and General American Life Insurance Company ("General American") have faced numerous claims, including class action lawsuits, alleging improper marketing and sales of individual life insurance policies or annuities. These lawsuits are generally referred to as "sales practices claims."

In December 1999, a federal court approved a settlement resolving sales practices claims on behalf of a class of owners of permanent life insurance policies and annuity contracts or certificates issued pursuant to individual sales in the United States by Metropolitan Life, Metropolitan Insurance and Annuity Company or Metropolitan Tower Life Insurance Company between January 1, 1982 and December 31, 1997.

Similar sales practices class actions against New England Mutual, with which Metropolitan Life merged in 1996, and General American, which was acquired in 2000, have been settled. In October 2000, a federal court approved a settlement resolving sales practices claims on behalf of a class of owners of permanent life insurance policies issued by New England Mutual between January 1, 1983 through August 31, 1996. A federal court has approved a settlement resolving sales practices claims on behalf of a class of owners of permanent life insurance policies issued by General American between January 1, 1982 through December 31, 1996. An appellate court has affirmed the order approving the settlement.

Certain class members have opted out of the class action settlements noted above and have brought or continued non-class action sales practices lawsuits. In addition, other sales practices lawsuits, including lawsuits relating to the sale of mutual funds and other products, have been brought. As of September 30, 2005, there are approximately 318 sales practices lawsuits pending against Metropolitan Life; approximately 45 sales practices lawsuits pending against New England Mutual, New England Life Insurance Company ("NELICO"), and New England Securities Corporation ("NES," together with New England Mutual and NELICO, collectively, "New England"); and approximately 34 sales practices lawsuits pending against General American. Metropolitan Life, New England, and General American continue to defend themselves vigorously against these lawsuits. Some individual sales practices claims have been resolved through settlement, won by dispositive motions, or, in a few instances, have gone to trial. Most of the current cases seek substantial damages, including in some cases punitive and treble damages and attorneys' fees. Additional litigation relating to the Company's marketing and sales of individual life insurance, mutual funds and other products may be commenced in the future.

The Metropolitan Life class action settlement did not resolve two putative class actions involving sales practices claims filed against Metropolitan Life in Canada, and these actions remain pending.

The Company believes adequate provision has been made in its financial statements for all probable and reasonably estimable losses for sales practices claims against Metropolitan Life, New England, and General American.

Regulatory authorities in a small number of states have had investigations or inquiries relating to Metropolitan Life's, New England's, or General American's sales of individual life insurance policies or annuities or other products. Over the past several years, these and a number of investigations by other regulatory authorities were resolved for monetary payments and certain other relief. The Company may continue to resolve investigations in a similar manner.

Asbestos-Related Claims

Metropolitan Life is also a defendant in thousands of lawsuits seeking compensatory and punitive damages for personal injuries allegedly caused by exposure to asbestos or asbestos-containing products. Metropolitan Life has never engaged in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products nor has Metropolitan Life issued liability or workers' compensation insurance to companies in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products. Rather, these lawsuits principally have been based upon allegations relating to certain research, publication and other activities of one or more of Metropolitan Life's employees during the period from the 1920's through approximately the 1950's and have alleged that Metropolitan Life learned or should have learned of certain health risks posed by asbestos and, among other things, improperly publicized or failed to disclose those health risks. Metropolitan Life believes that it should not have legal liability in such cases.

Legal theories asserted against Metropolitan Life have included negligence, intentional tort claims and conspiracy claims concerning the health risks associated with asbestos. Although Metropolitan Life believes it has meritorious defenses to these claims, and has not suffered any adverse monetary judgments in respect of these claims, due to the risks and expenses of litigation, almost all past cases have been resolved by settlements. Metropolitan Life's defenses (beyond denial of certain factual allegations) to plaintiffs' claims include that: (i) Metropolitan Life owed no duty to the plaintiffs — it had no special relationship with the plaintiffs and did not manufacture, produce, distribute or sell the asbestos products that allegedly injured plaintiffs; (ii) plaintiffs cannot demonstrate justifiable detrimental reliance; and (iii) plaintiffs cannot demonstrate proximate causation. In defending asbestos cases, Metropolitan Life selects various strategies depending upon the jurisdictions in which such cases are brought and other factors which, in Metropolitan Life's judgment, best protect Metropolitan Life's interests. Strategies include seeking to settle or compromise claims, motions challenging the legal or factual basis for such claims or defending on the merits at trial. Since 2002, trial courts in California, Utah, Georgia, New York, Texas, and Ohio granted motions dismissing claims against Metropolitan Life on some or all of the above grounds. Other courts have denied motions brought by Metropolitan Life to dismiss cases without the necessity of trial. There can be no assurance that Metropolitan Life will receive favorable decisions on motions in the future. Metropolitan Life intends to continue to exercise its best judgment regarding settlement or defense of such cases, including when trials of these cases are appropriate.

See Note 10 of Notes to Consolidated Financial Statements for the year ended December 31, 2004 for information regarding historical asbestos claims information and the increase of its recorded liability at December 31, 2002.

Metropolitan Life continues to study its claims experience, review external literature regarding asbestos claims experience in the United States and consider numerous variables that can affect its asbestos liability exposure, including bankruptcies of other companies involved in asbestos litigation and legislative and judicial developments, to identify trends and to assess their impact on the recorded asbestos liability.

Bankruptcies of other companies involved in asbestos litigation, as well as advertising by plaintiffs' asbestos lawyers, may be resulting in an increase in the cost of resolving claims and could result in an increase in the number of trials and possible adverse verdicts Metropolitan Life may experience. Plaintiffs are seeking additional funds from defendants, including Metropolitan Life, in light of such bankruptcies by certain other defendants. In addition, publicity regarding legislative reform efforts may result in an increase or decrease in the number of claims. Metropolitan Life previously reported that it had received approximately 23,500 asbestos-related claims in 2004 and approximately 19,100 such claims in the first nine months of 2004. In the context of reviewing in the third quarter of 2005 certain pleadings received in 2004, it was determined that there was a small undercount of Metropolitan Life's asbestos-related claims in 2004. Accordingly, Metropolitan Life now reports that it received approximately 23,900 asbestos-related claims in 2004 and approximately 12,100 and 19,500 asbestos-related claims during the first nine months of 2005 and 2004, respectively.

The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for asbestos-related claims. The ability of Metropolitan Life to estimate its ultimate asbestos exposure is subject to considerable uncertainty due to numerous factors. The availability of data is limited and it is difficult to predict with any certainty numerous variables that can affect liability estimates, including the number of future claims, the cost to resolve claims, the disease mix and severity of disease, the jurisdiction of claims filed, tort reform efforts and the impact of any possible future adverse verdicts and their amounts.

The number of asbestos cases that may be brought or the aggregate amount of any liability that Metropolitan Life may ultimately incur is uncertain. Accordingly, it is reasonably possible that the Company's total exposure to asbestos claims may be greater than the liability recorded by the Company in its interim condensed consolidated financial statements and that future charges to income may be necessary. While the potential future charges could be material in particular quarterly or annual periods in which they are recorded, based on information currently known by management, it does not believe any such charges are likely to have a material adverse effect on the Company's consolidated financial position.

During 1998, Metropolitan Life paid $878 million in premiums for excess insurance policies for asbestos-related claims. The excess insurance policies for asbestos-related claims provide for recovery of losses up to $1,500 million, which is in excess of a $400 million self-insured retention. The asbestos-related policies are also subject to annual and per-claim sublimits. Amounts are recoverable under the policies annually with respect to claims paid during the prior calendar year. Although amounts paid by Metropolitan Life in any given year that may be recoverable in the next calendar year under the policies will be reflected as a reduction in the Company's operating cash flows for the year in which they are paid, management believes that the payments will not have a material adverse effect on the Company's liquidity.

Each asbestos-related policy contains an experience fund and a reference fund that provides for payments to Metropolitan Life at the commutation date if the reference fund is greater than zero at commutation or pro rata reductions from time to time in the loss reimbursements to Metropolitan Life if the cumulative return on the reference fund is less than the return specified in the experience fund. The return in the reference fund is tied to performance of the Standard & Poor's 500 Index and the Lehman Brothers Aggregate Bond Index. A claim with respect to the prior year was made under the excess insurance policies in 2003, 2004 and 2005 for the amounts paid with respect to asbestos litigation in excess of the retention. As the performance of the indices impacts the return in the reference fund, it is possible that loss reimbursements to the Company and the recoverable with respect to later periods may be less than the amount of the recorded losses. Such foregone loss reimbursements may be recovered upon commutation depending upon future performance of the reference fund. If at some point in the future, the Company believes the liability for probable and reasonably estimable losses for asbestos-related claims should be increased, an expense would be recorded and the insurance recoverable would be adjusted subject to the terms, conditions and limits of the excess insurance policies. Portions of the change in the insurance recoverable would be recorded as a deferred gain and amortized into income over the estimated remaining settlement period of the insurance policies. The foregone loss reimbursements were approximately $8.3 million with respect to 2002 claims, $15.5 million with respect to 2003 claims and $15.1 million with respect to 2004 claims and estimated as of September 30, 2005, to be approximately $59 million in the aggregate, including future years.

Demutualization Actions

Several lawsuits were brought in 2000 challenging the fairness of Metropolitan Life's plan of reorganization, as amended (the "plan") and the adequacy and accuracy of Metropolitan Life's disclosure to policyholders regarding the plan. These actions named as defendants some or all of Metropolitan Life, MetLife, Inc. ("the Holding Company"), the individual directors, the New York Superintendent of Insurance ("the Superintendent") and the underwriters for MetLife, Inc.'s initial public offering, Goldman Sachs & Co. and Credit Suisse First Boston. In 2003, a trial court within the commercial part of the New York State court granted the defendants' motions to dismiss two purported class actions. In 2004, the appellate court modified the trial court's order by reinstating certain claims against Metropolitan Life, the Holding Company and the individual directors. Plaintiffs in these actions have filed a consolidated amended complaint. On October 11, 2005, the trial court granted in part and denied in part defendants' motion to dismiss or strike portions of the consolidated amended complaint. Plaintiffs' motion to certify a litigation class is pending. Another purported class action filed in New York State court in Kings County has been consolidated with this action. The plaintiffs in the state court class actions seek compensatory relief and punitive damages. Five persons brought a proceeding under Article 78 of New York's Civil Practice Law and Rules challenging the Opinion and Decision of the Superintendent who approved the plan. In this proceeding, petitioners sought to vacate the Superintendent's Opinion and Decision and enjoin him from granting final approval of the plan. On November 10, 2005, the trial court granted respondents' motions to dismiss this proceeding. In a class action against Metropolitan Life and the Holding Company pending in the United States District Court for the Eastern District of New York, plaintiffs served a second consolidated amended complaint in 2004. In this action, plaintiffs assert violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 in connection with the plan, claiming that the Policyholder Information Booklets failed to disclose certain material facts and contained certain material misstatements. They seek rescission and compensatory damages. On June 22, 2004, the court denied the defendants' motion to dismiss the claim of violation of the Securities Exchange Act of 1934. The court had previously denied defendants' motion to dismiss the claim for violation of the Securities Act of 1933. In 2004, the court reaffirmed its earlier decision denying defendants' motion for summary judgment as premature. On July 19, 2005, this federal trial court certified a class action against Metropolitan Life and the Holding Company. Metropolitan Life and the Holding Company have filed a petition seeking permission for an interlocutory appeal from this order. Metropolitan Life, the Holding Company and the individual defendants believe they have meritorious defenses to the plaintiffs' claims and are contesting vigorously all of the plaintiffs' claims in these actions.

In 2001, a lawsuit was filed in the Superior Court of Justice, Ontario, Canada on behalf of a proposed class of certain former Canadian policyholders against the Holding Company, Metropolitan Life, and Metropolitan Life Insurance Company of Canada. Plaintiffs' allegations concern the way that their policies were treated in connection with the demutualization of Metropolitan Life; they seek damages, declarations, and other non-pecuniary relief. The defendants believe they have meritorious defenses to the plaintiffs' claims and will contest vigorously all of plaintiffs' claims in this matter.

On April 30, 2004, a lawsuit was filed in New York state court in New York County against the Holding Company and Metropolitan Life on behalf of a proposed class comprised of the settlement class in the Metropolitan Life sales practices class action settlement approved in December 1999 by the United States District Court for the Western District of Pennsylvania. In their amended complaint, plaintiffs challenged the treatment of the cost of the sales practices settlement in the demutualization of Metropolitan Life and asserted claims of breach of fiduciary duty, common law fraud, and unjust enrichment. In an order dated July 13, 2005, the court granted the defendants' motion to dismiss the action and the plaintiffs have filed a notice of appeal.

Other

A putative class action lawsuit is pending in the United States District Court for the District of Columbia, in which plaintiffs allege that they were denied certain ad hoc pension increases awarded to retirees under the Metropolitan Life retirement plan. The ad hoc pension increases were awarded only to retirees (i.e., individuals who were entitled to an immediate retirement benefit upon their termination of employment) and not available to individuals like these plaintiffs whose employment, or whose spouses' employment, had terminated before they became eligible for an immediate retirement benefit. The plaintiffs seek to represent a class consisting of former Metropolitan Life employees, or their surviving spouses, who are receiving deferred vested annuity payments under the retirement plan and who were allegedly eligible to receive the ad hoc pension increases awarded in 1977, 1980, 1989, 1992, 1996 and 2001, as well as increases awarded in earlier years. In September 2005, Metropolitan Life's motion for summary judgment was granted. Plaintiffs have moved for reconsideration.

As previously reported, the SEC is conducting a formal investigation of NES, a subsidiary of NELICO, in response to NES informing the SEC that certain systems and controls relating to one NES advisory program were not operating effectively. NES is cooperating fully with the SEC.

The American Dental Association and three individual providers have sued MetLife and Cigna in a purported class action lawsuit brought in a Florida federal district court. The plaintiffs purport to represent a nationwide class of in-network providers who allege that their claims are being wrongfully reduced by downcoding, bundling, and the improper use and programming of software. The complaint alleges federal racketeering and various state law theories of liability. MetLife is vigorously defending the matter. The district court has granted in part and denied in part MetLife's motion to dismiss. MetLife has filed another motion to dismiss, and written and oral discovery will be taken.

In 2004, a New York state court granted plaintiffs' motion to certify a litigation class of owners of certain participating life insurance policies and a sub-class of New York owners of such policies in an action asserting that Metropolitan Life breached their policies and violated New York's General Business Law in the manner in which it allocated investment income across lines of business during a period ending with the 2000 demutualization. Metropolitan Life's appeal from the order granting this motion is pending. In 2003, an appellate court affirmed the dismissal of fraud claims in this action. On November 23, 2005, the trial court issued a Memorandum Decision granting Metropolitan Life's motion for summary judgment on the remaining claims. Plaintiffs time for filing a notice of appeal from this decision has not expired.

Regulatory bodies have contacted the Company and have requested information relating to market timing and late trading of mutual funds and variable insurance products and, generally, the marketing of products. The Company believes that many of these inquiries are similar to those made to many financial services companies as part of industry-wide investigations by various regulatory agencies. The SEC has commenced an investigation with respect to market timing and late trading in a limited number of privately-placed variable insurance contracts that were sold through General American. As previously reported, in May 2004, General American received a Wells Notice stating that the SEC staff is considering recommending that the SEC bring a civil action alleging violations of the U.S. securities laws against General American. Under the SEC procedures, General American can avail itself of the opportunity to respond to the SEC staff before it makes a formal recommendation regarding whether any action alleging violations of the U.S. securities laws should be considered. General American has responded to the Wells Notice. The Company is fully cooperating with regard to these information requests and investigations. The Company at the present time is not aware of any systemic problems with respect to such matters that may have a material adverse effect on the Company's financial position.

As anticipated, the SEC issued a formal order of investigation related to certain sales by a former Company sales representative to the Sheriff's Department of Fulton County, Georgia. The Company is fully cooperating with respect to inquiries from the SEC.

The Holding Company and/or subsidiaries have received a number of subpoenas and other requests from the Office of the Attorney General of the State of New York seeking, among other things, information regarding and relating to compensation agreements between insurance brokers and the Holding Company and/or subsidiaries, whether the Holding Company and/or subsidiaries have provided or are aware of the provision of "fictitious" or "inflated" quotes, and information regarding tying arrangements with respect to reinsurance. Based upon an internal review, the Company advised the Attorney General for the State of New York that the Holding Company and/or subsidiaries were not aware of any instance in which the Holding Company and/or subsidiaries had provided a "fictitious" or "inflated" quote. The Holding Company and/or subsidiaries also have received subpoenas, including sets of interrogatories, from the Office of the Attorney General of the State of Connecticut seeking information and documents including contingent commission payments to brokers and the Holding Company's and/or subsidiaries' awareness of any "sham" bids for business. The Holding Company and/or subsidiaries also have received a Civil Investigative Demand from the Office of the Attorney General for the State of Massachusetts seeking information and documents concerning bids and quotes that the Holding Company and/or subsidiaries submitted to potential customers in Massachusetts, the identity of agents, brokers, and producers to whom the Holding Company and/or subsidiaries submitted such bids or quotes, and communications with a certain broker. The Holding Company and/or subsidiaries have received two subpoenas from the District Attorney of the County of San Diego, California. The subpoenas seek numerous documents including incentive agreements entered into with brokers. The Florida Department of Financial Services and the Florida Office of Insurance Regulation also have served subpoenas on the Holding Company and/or subsidiaries asking for answers to interrogatories and document requests concerning topics that include compensation paid to intermediaries. The Office of the Attorney General for the State of Florida has also served a subpoena on the Holding Company and/or subsidiaries seeking, among other things, copies of materials produced in response to the subpoenas discussed above. The Holding Company and/or subsidiaries have received a subpoena from the Office of the U.S. Attorney for the Southern District of California asking for documents regarding the insurance broker, Universal Life Resources. The Insurance Commissioner of Oklahoma has served a subpoena, including a set of interrogatories, on the Holding Company and/or subsidiaries seeking, among other things, documents and information concerning the compensation of insurance producers for insurance covering Oklahoma entities and persons. The Holding Company and/or subsidiaries continue to cooperate fully with these inquiries and are responding to the subpoenas and other requests. The Holding Company and/or subsidiaries are continuing to conduct an internal review of its commission payment practices.

Approximately sixteen broker-related lawsuits in which the Holding Company and/or subsidiaries were named as a defendant were filed. Voluntary dismissals and consolidations have reduced the number of pending actions to four. In one of these, the California Insurance Commissioner has brought an action in California state court against MetLife, Inc., and other companies alleging that the defendants violated certain provisions of the California Insurance Code. Another of these actions is pending in a multi-district proceeding established in the federal district court in the District of New Jersey. In this proceeding, plaintiffs have filed an amended class action complaint consolidating the claims from separate actions that had been filed in or transferred to the District of New Jersey. The consolidated amended complaint alleges that the Holding Company, Metropolitan Life Insurance Company, several other insurance companies and several insurance brokers violated RICO, ERISA, and antitrust laws and committed other misconduct in the context of providing insurance to employee benefit plans and to persons who participate in such employee benefit plans. Plaintiffs seek to represent classes of employers that established employee benefit plans and persons who participated in such employee benefit plans. Plaintiffs in several other actions have voluntarily dismissed their claims. The Holding Company and/or subsidiaries intend to vigorously defend these cases.

In addition to those discussed above, regulators and others have made a number of inquiries of the insurance industry regarding industry brokerage practices and related matters and other inquiries may begin. It is reasonably possible that the Holding Company and/or subsidiaries will receive additional subpoenas, interrogatories, requests and lawsuits. The Holding Company and/or subsidiaries will fully cooperate with all regulatory inquiries and intend to vigorously defend all lawsuits.

The Holding Company and/or its subsidiaries have received a subpoena from the Connecticut Attorney General requesting information regarding its participation in any finite reinsurance transactions. The Holding Company and/or subsidiaries have also received information requests relating to finite insurance or reinsurance from other regulatory and governmental authorities. The Holding Company and/or subsidiaries believe they have appropriately accounted for its transactions of this type and intend to cooperate fully with these information requests. The Holding Company and/or subsidiaries believe that a number of other industry participants have received similar requests from various regulatory and governmental authorities. It is reasonably possible that the Holding Company and/or subsidiaries may receive additional requests. The Holding Company and any such subsidiaries will fully cooperate with all such requests.

The NASD staff notified MetLife Securities, Inc., NES and Walnut Street, all direct or indirect subsidiaries of the Holding Company that it has made a preliminary determination to file charges of violations of the NASD's and the SEC's rules against the firms. The pending investigation was initiated after the firms reported to the NASD that a limited number of mutual fund transactions processed by firm representatives and at the firms' consolidated trading desk, during the period April through December 2003, had been received from customers after 4:00 p.m., Eastern time, and received the same day's net asset value. The potential charges of violations of the NASD's and the SEC's rules relate to the processing of transactions received after 4:00 p.m., the firms' maintenance of books and records, supervisory procedures and responses to the NASD's information requests. Under the NASD's procedures, the firms have submitted a response to the NASD staff. The NASD staff has not made a formal recommendation regarding whether any action alleging violations of the rules should be filed. The Holding Company and/or subsidiaries continue to cooperate fully with the NASD in its investigation.

Metropolitan Life also has been named as a defendant in a number of silicosis, welding and mixed dust cases in various states. The Company intends to defend itself vigorously against these cases.

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

Summary

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

Commitments to Fund Partnership Investments

The Company makes commitments to fund partnership investments in the normal course of business. The amounts of these unfunded commitments were $1,996 million and $1,320 million at September 30, 2005 and December 31, 2004, respectively. The Company anticipates that these amounts will be invested in partnerships over the next five years.

Mortgage Loan Commitments

The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments were $2,185 million and $1,161 million, respectively, at September 30, 2005 and December 31, 2004.

Guarantees

In the course of its business, the Company has provided certain indemnities, guarantees and commitments to third parties pursuant to which it may be required to make payments now or in the future.

In the context of acquisition, disposition, investment and other transactions, the Company has provided indemnities and guarantees, including those related to tax, environmental and other specific liabilities, and other indemnities and guarantees that are triggered by, among other things, breaches of representations, warranties or covenants provided by the Company. In addition, in the normal course of business, the Company provides indemnifications to counterparties in contracts with triggers similar to the foregoing, as well as for certain other liabilities, such as third party lawsuits. These obligations are often subject to time limitations that vary in duration, including contractual limitations and those that arise by operation of law, such as applicable statutes of limitation. In some cases, the maximum potential obligation under the indemnities and guarantees is subject to a contractual limitation ranging from less than $1 million to $800 million, while in other cases such limitations are not specified or applicable. Since certain of these obligations are not subject to limitations, the Company does not believe that it is possible to determine the maximum potential amount due under these guarantees in the future.

In addition, the Company indemnifies its directors and officers as provided in its charters and by-laws. Also, the Company indemnifies other of its agents for liabilities incurred as a result of their representation of the Company's interests. Since these indemnities are generally not subject to limitation with respect to duration or amount, the Company does not believe that it is possible to determine the maximum potential amount due under these indemnities in the future.

In the first quarter of 2005, the Company recorded a liability of $4 million with respect to indemnities provided in a certain disposition. The approximate term for this liability is 18 months. The maximum potential amount of future payments the Company could be required to pay is approximately $500 million. Due to the uncertainty in assessing changes to the liability over the term, the liability on the balance sheet will remain until either expiration or settlement of the guarantee unless evidence clearly indicates that the estimates should be revised. The Company's recorded liabilities at September 30, 2005 for indemnities, guarantees and commitments was $4 million. The Company had no liability at December 31, 2004 for indemnities, guarantees and commitments.

In conjunction with RSATs, the Company writes credit default swap obligations requiring payment of principal due in exchange for the reference credit obligation, depending on the nature or occurrence of specified credit events for the referenced entities. In the event of a specified credit event, the Company's maximum amount at risk, assuming the value of the referenced credits becomes worthless, is $529 million at September 30, 2005. The credit default swaps expire at various times during the next six years.

Impact of Hurricane Katrina

On August 29, 2005, Hurricane Katrina made landfall in the states of Louisiana, Mississippi and Alabama causing catastrophic damage to these coastal regions. In the third quarter of 2005, the Company recognized total net losses of approximately $20 million, net of income taxes, related to the catastrophe.

Additional Hurricane-related losses may be recorded in future periods as claims are received from insureds. Based on information currently known by management, it does not believe that additional claim losses resulting from the hurricane will have a material adverse impact on the Company's consolidated financial position.

6. Employee Benefit Plans

Pension Benefit and Other Postretirement Benefit Plans

The Company has both qualified and non-qualified defined benefit pension plans that together cover eligible employees and sales representatives of the Company. Metropolitan Life Insurance Company is both the sponsor and administrator of the Metropolitan Life Retirement Plan for United States Employees and the Metropolitan Life Auxiliary Plan, (collectively "the Plans"). The Plans cover eligible employees and retirees of the sponsor and its participating affiliates. Participating affiliates have no legal obligation for benefits under the Plans; however, participating affiliates are allocated a proportionate share of net expense related to the Plans. The Company's proportionate share of net expense related to the Plans was $101 million or 95% for the nine months ended September 30, 2005. Other defined benefit pension plans are sponsored and administered by subsidiaries of the Company and the related expense is immaterial to the Company. Retirement benefits are based upon years of credited service and final average or career average earnings history.

The Company also provides certain postemployment benefits and certain postretirement medical and life insurance benefits for retired employees through insurance contracts. Metropolitan Life Insurance Company is both the sponsor and administrator of the MetLife Options and Choices Plan, (the "Postretirement Plan"). The Postretirement Plan covers eligible employees and retirees of the sponsor and its participating affiliates. Participating affiliates have no legal obligation for benefits under the Postretirement Plan; however, participating affiliates are allocated a proportionate share of net expense related to the Postretirement Plan. The Company's proportionate share of net expense related to the Postretirement Plan was $45 million or 87% for the nine months ended September 30, 2005. Other postretirement plans are sponsored and administered by subsidiaries of the Company and the related expense is immaterial to the Company. Substantially all of the employees of the Company and its participating affiliates may, in accordance with the plans applicable to the postretirement benefits, become eligible for these benefits if they attain retirement age, with sufficient service, while working for the Company or its participating affiliates.

The Company uses a December 31 measurement date for all of its pension and postretirement benefit plans.

The components of net periodic benefit cost were as follows:

	Pension Benefits				Other Postretirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004	2005	2004(1)	2005	2004(1)
	(In millions)							
Service cost	$ 36	$ 32	$ 106	$ 96	$ 9	$ 6	$ 27	$ 24
Interest cost	79	77	236	231	30	28	90	90
Expected return on plan assets	(111)	(106)	(332)	(318)	(20)	(19)	(59)	(57)
Amortization of prior service cost	4	3	12	11	(4)	(5)	(14)	(15)
Amortization of prior actuarial losses (gains)	29	27	87	77	3	(1)	10	7
Net periodic benefit cost	$ 37	$ 33	$ 109	$ 97	$ 18	$ 9	$ 54	$ 49

Employer Contributions

The Company disclosed in Note 11 of the Company's Notes to Consolidated Financial Statements for the year ended December 31, 2004, that it expected to contribute $31 million and $91 million, respectively, to its pension and postretirement benefit plans in 2005. As of September 30, 2005, contributions of $26 million have been made to the pension plans and the Company presently anticipates contributing an additional $5 million to fund its pension plans in 2005, for a total of $31 million. As of September 30, 2005, contributions of $75 million have been made to the other benefit plans and the Company presently anticipates contributing an additional $18 million to fund its other benefit plans in 2005 for a total of $93 million.

7. Equity

Dividend Restrictions

Under New York State Insurance Law, Metropolitan Life is permitted, without prior insurance regulatory clearance, to pay stockholder dividends to the Holding Company as long as the aggregate amount of all such dividends in any calendar year does not exceed the lesser of (i) 10% of its surplus to policyholders as of the immediately preceding calendar year, or (ii) its statutory net gain from operations for the immediately preceding calendar year (excluding realized capital gains). Metropolitan Life will be permitted to pay a cash dividend to the Holding Company in excess of the lesser of such two amounts only if it files notice of its intention to declare such a dividend and the amount thereof with the Superintendent and the Superintendent does not disapprove the distribution within 30 days of its filing. Under New York State Insurance Law, the Superintendent has broad discretion in determining whether the financial condition of a stock life insurance company would support the payment of such dividends to its stockholders. The New York State Department of Insurance has established informal guidelines for such determinations. The guidelines, among other things, focus on the insurer's overall financial condition and profitability under statutory accounting practices. During the nine months ended September 30, 2005, Metropolitan Life paid to the Holding Company $880 million in ordinary dividends, the maximum amount which could be paid to the Holding Company in 2005 without prior regulatory approval and an additional $2,320 million in special dividends, as approved by the Superintendent. Further dividend payments to the Holding Company in 2005 require prior regulatory approval.

8. Stock Compensation Plans

The MetLife, Inc. 2000 Stock Incentive Plan, as amended (the "Stock Incentive Plan"), authorized the granting of awards in the form of non-qualified or incentive stock options qualifying under Section 422A of the Internal Revenue Code. The MetLife, Inc. 2000 Directors Stock Plan, as amended (the "Directors Stock Plan"), authorized the granting of awards in the form of stock awards, non-qualified stock options, or a combination of the foregoing to outside Directors of the Holding Company. Under the MetLife, Inc. 2005 Stock and Incentive Compensation Plan, as amended (the "2005 Stock Plan"), awards granted may be in the form of non-qualified stock options or incentive stock options qualifying under Section 422A of the Internal Revenue Code, Stock Appreciation Rights, Restricted Stock or Restricted Stock Units, Performance Shares or Performance Share Units, Cash-Based Awards, and Stock-Based Awards (each as defined in the 2005 Stock Plan). Under the MetLife, Inc. 2005 Non-Management Director Stock Compensation Plan (the "2005 Directors Stock Plan"), awards granted may be in the form of non-qualified stock options, Stock Appreciation Rights, Restricted Stock or Restricted Stock Units, or Stock-Based Awards (each as defined in the 2005 Directors Stock Plan). The Stock Incentive Plan, Directors Stock Plan, 2005 Stock Plan, the 2005 Directors Stock Plan and the Long-Term Performance Compensation Plan ("LTPCP"), as described below, are hereinafter collectively referred to as the "Incentive Plans."

The aggregate number of shares reserved for issuance under the 2005 Stock Plan is 68,000,000 plus those shares available but not utilized under the Stock Incentive Plan and those shares utilized under the Stock Incentive Plan that are recovered due to forfeiture of stock options. At the commencement of the 2005 Stock Plan, additional shares carried forward from the Stock Incentive Plan and available for issuance under the 2005 Stock Plan were 11,917,472. Each share issued under the 2005 Stock Plan in connection with a stock option or Stock Appreciation Right reduces the number of shares remaining for issuance under that plan by one, and each share issued under the 2005 Stock Plan in connection with awards other than stock options or Stock Appreciation Rights reduces the number of shares remaining for issuance under that plan by 1.179 shares. The number of shares reserved for issuance under the 2005 Directors Stock Plan is 2,000,000.

All stock options granted have an exercise price equal to the fair market value price of the Holding Company's common stock on the date of grant, and a maximum term of ten years. Certain stock options granted under the Stock Incentive Plan and the 2005 Stock Plan become exercisable over a three year period commencing with the date of grant, while other stock options become exercisable three years after the date of grant. Stock options issued under the Directors Stock Plan are exercisable immediately. Stock options issued under the 2005 Directors Stock Plan will be exercisable at the times determined at the time they are granted.

Effective January 1, 2003, the Company elected to prospectively apply the fair value method of accounting for stock options granted by the Holding Company subsequent to December 31, 2002. As permitted under SFAS 148, stock options granted prior to January 1, 2003 will continue to be accounted for under APB 25. Had compensation expense for grants awarded prior to January 1, 2003 been determined based on fair value at the date of grant in accordance with SFAS 123, the Company's earnings would have been reduced to the following pro forma amounts:

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
	(In millions)			
Net income	$556	$569	$2,760	$1,823
Add: Stock option-based employee compensation expense included in reported net income, net of income taxes	8	6	23	19
Deduct: Total stock option-based employee compensation determined under fair value based method for all awards, net of income taxes	(8)	(8)	(24)	(32)
Pro forma net income(1)	$556	$567	$2,759	$1,810

(1) The pro forma earnings disclosures are not necessarily representative of the effects on net income in future years.

The fair value of stock options issued prior to January 1, 2005 was estimated on the date of grant using a Black-Scholes option-pricing model. The fair value of stock options issued on or after January 1, 2005, was estimated on the date of grant using a binomial lattice option pricing model. On April 15, 2005, the Holding Company granted 4,051,725 stock options for which compensation expense will be allocated to the Company ratably during the vesting period. The total fair value of these stock options was approximately $41 million on the date of grant.

The Holding Company also awards long-term stock-based compensation to certain members of management. Under the LTPCP, awards are payable in their entirety at the end of a three-year performance period. Each participant was assigned a target compensation amount at the inception of the performance period with the final compensation amount determined based on the total shareholder return on the Holding Company's stock over the three-year performance period, subject to limited further adjustment approved by the Holding Company's Board of Directors. Final awards may be paid in whole or in part with shares of the Holding Company's stock, as approved by the Holding Company's Board of Directors. Beginning in 2005, no further LTPCP target compensation amounts were set. Instead, certain members of management were awarded Performance Shares under the 2005 Stock Plan. Participants are awarded an initial target number of Performance Shares with the final number of Performance Shares payable being determined by the product of the initial target multiplied by a factor of 0.0 to 2.0. The factor applied is based on measurements of the Holding Company's performance with respect to net operating earnings and total shareholder return with reference to the three-year performance period relative to other companies in the Standard and Poor's Insurance Index with reference to the same three-year period. Performance Share awards will normally vest in their entirety at the end of the three-year performance period (subject to certain contingencies) and will be payable entirely in shares of the Holding Company's stock. On April 15, 2005, the Company granted 995,150 Performance Shares for which compensation expense will be allocated to the Company ratable during the vesting period. The total fair value of these Performance Shares on the date of grant was approximately $40 million. For the three months and nine months ended September 30, 2005, compensation expense allocated to the Company related to the LTPCP and Performance Shares was $13 million and $32 million, respectively. For the three months and nine months ended September 30, 2004, compensation expense allocated to the Company related to the LTPCP was $13 million and $33 million, respectively.

For the three months and nine months ended September 30, 2005, the aggregate stock-based compensation expense allocated to the Company related to the Incentive Plans was $25 million and $67 million, respectively, including stock-based compensation for non-employees of $55 thousand and $263 thousand, respectively. For the three months and nine months ended September 30, 2004, the aggregate stock-based compensation expense related to the Incentive Plans was $22 million and $62 million, respectively, including stock-based compensation for non-employees of $71 thousand and $403 thousand, respectively.

9. Comprehensive Income (Loss)

The components of comprehensive income (loss) are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Net income	$ 556	$ 569	$2,760	$1,823
Other comprehensive income (loss):				
Unrealized gains (losses) on derivative instruments, net of income taxes	(18)	(1)	152	59
Unrealized investment gains (losses), net of related offsets and income taxes	(646)	729	(819)	(74)
Cumulative effect of a change in accounting, net of income taxes	—	—	—	61
Foreign currency translation adjustments	22	38	(41)	10
Minimum pension liability adjustment	—	—	47	—
Other comprehensive income (loss)	(642)	766	(661)	56
Comprehensive income (loss)	$ (86)	$1,335	$2,099	$1,879

10. Other Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Compensation	$ 197	$ 140	$ 422	$ 440
Commissions	441	427	1,244	1,307
Interest and debt issue cost	62	63	186	122
Amortization of policy acquisition costs	298	332	983	912
Capitalization of policy acquisition costs	(443)	(434)	(1,066)	(1,414)
Rent, net of sublease income	52	48	182	150
Minority interest	54	30	121	124
Other	830	789	1,993	2,356
Total other expenses	$1,491	$1,395	$ 4,065	$ 3,997

11. Business Segment Information

The Company provides insurance and financial services to customers in the United States, Canada, Central America, South Africa, and Asia. The Company's business is divided into three operating segments: Institutional, Individual, and Reinsurance, as well as Corporate & Other. These segments are managed separately because they either provide different products and services, require different strategies or have different technology requirements.

As a part of the Travelers acquisition by the Holding Company, management realigned certain products and services within its segments to better conform to the way it intends to manage and assess the business going forward. Accordingly, all prior period segment results have been adjusted to reflect such product reclassifications. Also in connection with the Travelers acquisition by the Holding Company, management has utilized its economic capital model to evaluate the deployment of capital based upon the unique and specific nature of the risks inherent in the Company's existing and newly acquired businesses and has adjusted such allocations based upon this model.

Institutional offers a broad range of group insurance and retirement & savings products and services, including group life insurance, non-medical health insurance, such as short and long-term disability, long-term care, and dental insurance, and other insurance products and services. Individual offers a wide variety of protection and asset accumulation products, including life insurance, annuities and mutual funds. Through the Company's majority-owned subsidiary, Reinsurance Group of America, Incorporated, Reinsurance provides reinsurance of life and annuity policies in North America and various international markets. Additionally, reinsurance of critical illness policies is provided in select international markets.

Corporate & Other contains the excess capital not allocated to the business segments, international entities other than those of the reinsurance segment, various start-up entities and run-off entities, as well as interest expense related to the majority of the Company's outstanding debt and expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of all intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings, as well as intersegment transactions. Additionally, the Company's asset management business, including amounts reported as discontinued operations, is included in the results of operations for Corporate & Other. See Note 12 for disclosures regarding discontinued operations, including real estate.

Set forth in the tables below is certain financial information with respect to the Company's segments, as well as Corporate & Other for the three months and nine months ended September 30, 2005 and 2004. The accounting policies of the segments are the same as those of the Company, except for the method of capital allocation and the accounting for gains (losses) from intercompany sales, which are eliminated in consolidation. The Company allocates capital to each segment based upon an internal capital allocation system that allows the Company to effectively manage its capital. The Company evaluates the performance of each operating segment based upon net income excluding certain net investment gains (losses), net of income taxes, adjustments related to net investment gains (losses), net of income taxes, and the impact from the cumulative effect of changes in accounting, net of income taxes. Scheduled periodic settlement payments on derivative instruments not qualifying for hedge accounting are included in net investment gains (losses). The Company allocates certain non-recurring items, such as expenses associated with certain legal proceedings, to Corporate & Other.

Three Months Ended September 30, 2005	Institutional	Individual	Reinsurance	Corporate & Other	Total
			(In millions)		
Premiums	$2,959	$1,011	$976	$ —	$4,946
Universal life and investment-type product policy fees	188	316	(2)	3	505
Net investment income	1,325	1,388	158	36	2,907
Other revenues	158	(6)	13	8	173
Net investment gains (losses)	(63)	(27)	7	27	(56)
Income (loss) from continuing operations before provision for income taxes	432	253	44	(15)	714

Three Months Ended September 30, 2004	Institutional	Individual	Reinsurance	Corporate & Other	Total
			(In millions)		
Premiums	$2,662	$ 988	$819	$ 1	$4,470
Universal life and investment-type product policy fees	182	345	—	2	529
Net investment income	1,126	1,330	134	77	2,667
Other revenues	160	(8)	13	9	174
Net investment gains (losses)	104	126	(19)	5	216
Income from continuing operations before provision for income taxes	499	266	21	27	813

Nine Months Ended September 30, 2005	Institutional	Individual	Reinsurance	Corporate & Other	Total
			(In millions)		
Premiums	$8,637	$2,967	$2,807	$ 2	$14,413
Universal life and investment-type product policy fees	565	896	—	2	1,463
Net investment income	3,891	4,192	445	294	8,822
Other revenues	482	(22)	45	18	523
Net investment gains (losses)	149	195	28	(33)	339
Income from continuing operations before provision for income taxes	1,611	1,173	94	108	2,986

Nine Months Ended September 30, 2004	Institutional	Individual	Reinsurance	Corporate & Other	Total
				(In millions)	
Premiums	$7,519	$2,930	$2,431	$ 6	$12,886
Universal life and investment-type product policy fees	533	981	—	2	1,516
Net investment income	3,376	3,994	381	213	7,964
Other revenues	489	(4)	40	18	543
Net investment gains (losses)	248	126	35	61	470
Income from continuing operations before provision for income taxes	1,639	712	105	65	2,521

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

	September 30, 2005	December 31, 2004
	(In millions)	
Institutional	$133,918	$127,533
Individual	135,059	130,927
Reinsurance	15,797	14,511
Corporate & Other	25,558	27,017
Total	$310,332	$299,988

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

Revenues derived from any one customer did not exceed 10% of consolidated revenues. Revenues from U.S. operations were $8,083 million and $24,380 million for the three months and nine months ended September 30, 2005, respectively, which both represented 95% of consolidated revenues. Revenues from U.S. operations were $7,740 million and $22,423 million for the three months and nine months ended September 30, 2004, respectively, which both represented 96% of consolidated revenues.

12. Discontinued Operations

Real Estate

The Company actively manages its real estate portfolio with the objective of maximizing earnings through selective acquisitions and dispositions. Income related to real estate classified as held-for-sale or sold is presented in discontinued operations. These assets are carried at the lower of depreciated cost or fair value less expected disposition costs.

The following table presents the components of income from discontinued real estate operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In millions)			
Investment income	$ 9	$ 38	$ 76	$140
Investment expense	(10)	(22)	(40)	(84)
Net investment gains	47	(5)	804	16
Total revenues	46	11	840	72
Provision for income taxes	16	3	302	25
Income from discontinued operations, net of income taxes	$ 30	$ 8	$538	$ 47

The carrying value of real estate related to discontinued operations was $187 million and $678 million at September 30, 2005 and December 31, 2004, respectively.

The following table shows the discontinued real estate operations by segment:

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
	(In millions)			
Net investment income				
Institutional	$—	$ 8	$ 12	$19
Individual	(1)	7	14	23
Corporate & Other	—	1	10	14
Total net investment income	$(1)	$16	$ 36	$56
Net investment gains (losses)				
Institutional	$—	$(5)	$241	$(3)
Individual	41	1	373	4
Corporate & Other	6	(1)	190	15
Total net investment gains (losses)	$47	$(5)	$804	$16

In the second quarter of 2005, the Company sold its One Madison Avenue in Manhattan, New York for $918 million resulting in a gain, net of income taxes, of $431 million. The gain is included in income from discontinued operations in the accompanying unaudited interim condensed consolidated statements of income.

Operations

On September 29, 2005, the Company completed the sale of P.T. Sejahtera ("MetLife Indonesia") to a third party resulting in a gain upon disposal of $10 million, net of income taxes. As a result of this sale the Company recognized income from discontinued operations of $7 million, net of income taxes, for the three months ended September 30, 2005. The Company reclassified the assets, liabilities and operations of MetLife Indonesia into discontinued operations for all periods presented.

The following tables present the amounts related to the operations and financial position of MetLife Indonesia that has been combined with the discontinued real estate operations in the consolidated income statements:

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
	(In millions)			
Revenues from discontinued operations	$ 1	$ 1	$ 5	$ 4
Expenses from discontinued operations	4	3	10	9
Income from discontinued operations before provision for income taxes	(3)	(2)	(5)	(5)
Provision for income taxes	—	—	—	—
Income from discontinued operations, net of income taxes	(3)	(2)	(5)	(5)
Net investment gain, net of income taxes	10	—	10	—
Income from discontinued operations, net of income taxes	$ 7	$(2)	$ 5	$(5)

	As of December 31, 2004
	(In millions)
Fixed maturities	$17
Short-term investments	1
Cash and cash equivalents	3
Deferred policy acquisition costs	9
Premiums and other receivables	1
Total assets held-for-sale	$31
Future policy benefits	5
Policyholder account balances	12
Other policyholder funds	7
Other liabilities	4
Total liabilities held-for-sale	$28

On January 31, 2005, the Holding Company completed the sale of SSRM Holdings, Inc. ("SSRM") to a third party for $328 million in cash and stock. As a result of the sale of SSRM, the Company recognized income from discontinued operations of approximately $157 million, net of income taxes, comprised of a realized gain of $165 million, net of income taxes, and an operating expense related to a lease abandonment of $8 million, net of income taxes. Under the terms of the agreement, MetLife will have an opportunity to receive, prior to the end of 2006, additional payments aggregating up to approximately 25% of the base purchase price, based on, among other things, certain revenue retention and growth measures. The purchase price is also subject to reduction over five years, depending on retention of certain MetLife-related business. The Company reclassified the assets, liabilities and operations of SSRM into discontinued operations for the period ended December 31, 2004 and all preceding periods presented. Additionally, the sale of SSRM resulted in the elimination of the Company's Asset Management segment. The remaining asset management business, which is insignificant, has been reclassified into Corporate & Other. The Company's discontinued operations for the nine months ended September 30, 2005 also includes expenses of approximately $6 million, net of income taxes, related to the sale of SSRM.

The operations of SSRM include affiliated revenues of $5 million for the nine months ended September 30, 2005 and $14 million and $44 million, respectively, for the three months and nine months ended September 30, 2004, related to asset management services provided by SSRM to the Company that have not been eliminated from discontinued operations as these transactions continue after the sale of SSRM. The following tables present the amounts related to operations and financial position of SSRM that have been combined with the discontinued real estate operations in the consolidated income statements:

	Three Months Ended September 30,	Nine Months Ended September 30,	
	2004	2005	2004
	(In millions)		
Revenues from discontinued operations	$70	$ 19	$224
Expenses from discontinued operations	61	38	185
Income from discontinued operations before provision for income taxes	9	(19)	39
Provision for income taxes	4	(5)	16
Income from discontinued operations, net of income taxes	5	(14)	23
Net investment gain, net of income taxes	—	165	—
Income from discontinued operations, net of income taxes	$ 5	$151	$ 23

	As of December 31, 2004
	(In millions)
Equity securities	$ 49
Real estate and real estate joint ventures	96
Short-term investments	33
Other invested assets	20
Cash and cash equivalents	55
Premiums and other receivables	38
Other assets	88
Total assets held-for-sale	$379
Short-term debt	19
Current income taxes payable	1
Deferred income taxes payable	1
Other liabilities	219
Total liabilities held-for-sale	$240

13. Subsequent Events

In the fourth quarter of 2005, Metropolitan Life (i) repaid 7% Surplus Notes in the aggregate principal amount of $250 million upon the maturity thereof on November 1, 2005 and (ii) issued to the Holding Company a 5% Surplus Note due 2007 in the aggregate principal amount of $800 million. In addition, Reinsurance Group of America, Incorporated issued $400 million aggregate principal amount of Junior Subordinated Debentures due 2065 in a public offering.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN IFRS AND U.S. GAAP

The Issuer has prepared the financial information included in this Offering Circular and certain financial information included herein using accounting principles generally accepted in the United States of America ("**U.S. GAAP**"), which differ in certain significant respects from International Financial Reporting Standards ("**IFRS**") based on standards in effect as of June 30, 2005. A description of certain relevant accounting principles which differ materially has been provided below. This summary should not be construed as being exhaustive. Investors must rely on their own examination of the Issuer and its financial information. Investors should consult their own professional advisors for an understanding of the differences between U.S. GAAP and IFRS and how these differences might affect the financial information included herein. In addition, no attempt has been made to identify all classification, disclosure and presentation differences between U.S. GAAP and IFRS that would affect the manner in which transactions and events are presented in the financial statements or notes thereto. No attempt has been made to identify future differences between U.S. GAAP and IFRS as the result of prescribed changes in standards and regulations. In addition, regulatory bodies that promulgate U.S. GAAP and IFRS have significant projects ongoing that could affect future comparisons between U.S. GAAP and IFRS. In particular, IFRS has not adopted any insurance-specific accounting standards dealing with measurement and recognition criteria for insurance contracts and as such, no such standards are discussed below. Finally, no attempt has been made to identify all future differences between U.S. GAAP and IFRS that may affect the Issuer's financial statements as a result of transactions or events that may occur in the future.

IFRS	U.S. GAAP
Changes in Accounting Policy	
Unless otherwise specified in the transition provisions of a specific accounting standard, changes in accounting standards should be implemented retrospectively, with the amount relating to periods prior to the earliest period presented adjusted against the opening retained earnings balance.	U.S. GAAP requires the recognition of a change in accounting policy as a cumulative effect recorded in the income statement in the period the change occurs. Pro-forma information for comparative periods is presented in the footnotes to the financial statements. Statement of Financial Accounting Standards ("SFAS") No. 154, *Accounting Changes and Error Corrections*, which is effective for fiscal years beginning after December 15, 2005, will revise the U.S. GAAP accounting for accounting changes to more closely align with the IFRS standards.
Principles of Consolidation	
Consolidation of a subsidiary including any type of special purpose entities ("SPE") by the reporting entity is determined primarily based on an evaluation of whether the subsidiary is controlled by the reporting entity. Control is evaluated based on the reporting entity's ability to govern the financial and operating policies of the subsidiary to obtain benefits.	There are two consolidation models under U.S. GAAP, the traditional model, which is based on voting control, and the variable interest model, which is based on the proportion of the subsidiary's expected losses or returns that are absorbed by the reporting entity. Additionally, under US GAAP certain qualifying SPE's ("QSPE") are not required to be consolidated even if controlled by the reporting entity.
Segment Reporting	
Disclosures required for primary (business) and secondary (geographical) segments. Segment reporting must be presented on an IFRS basis.	Determination of segments based on information reported to top management. Only one basis of segmentation presented. Segment reporting

IFRS	U.S. GAAP
	presented on the same basis used for internal reporting.

Financial Guarantees

IFRS	U.S. GAAP
Guarantees should be recorded under IFRS only when it is expected that payment will be made under the guarantee contract. Guarantees should be recorded as the best estimate of the cost to settle the current obligation at the balance sheet date.	U.S. GAAP requires that a liability be established at the time a guarantee is entered into for the fair value of the guarantee. The liability should be released to earnings as the guarantor is relieved of the risks associated with the guarantee.

Income Taxes

IFRS	U.S. GAAP
Income taxes are calculated using the tax rates that are either enacted or "substantively enacted" at the balance sheet date.	Income taxes are calculated using enacted tax rates at the balance sheet date.
Deferred tax assets should be recognized when it is probable (i.e., more likely than not) that they will be utilized.	Deferred tax assets are recognized in full, with valuation allowances established to reduce the asset to an amount considered more likely than not to be realized.
Deferred tax assets and liabilities should be classified as non-current on the balance sheet.	U.S. GAAP requires deferred tax assets and liabilities to be separated into current and non-current based on the nature of assets and liabilities causing a temporary difference and reported as such in the balance sheet if an entity presents a classified balance sheet.

Derivative Instruments

IFRS	U.S. GAAP
A derivative is defined as a financial instrument (1) whose value changes in response to changes in a specified underlying, (2) requires little or no net investment and (3) is settled at a future date.	U.S. GAAP defines a derivative similarly to IFRS, however U.S. GAAP also requires that the derivative contract provide for net settlement.
IFRS requires for all hedge accounting relationships that an entity demonstrates both prospectively and retrospectively the hedge would be highly effective.	Unlike IFRS, U.S. GAAP provides for the use of a "short-cut" (effectiveness is assumed) method for obtaining hedge accounting when certain conditions are met.

Financial Assets

IFRS	U.S. GAAP
IFRS allows a reporting entity to make a one-time designation at initial recognition of a financial asset or liability to record financial assets or liabilities at fair value with changes in fair value recorded in the income statement.	Under US GAAP , securities are measured at fair value except for those designated as held to maturity. Changes in fair value are recognized in income for trading securities and in stockholders' equity for securities designated as available for sale.
Financial assets are derecognized when the rights to the asset's cash flows expire, the rights to its cash flows and substantially all risks and rewards are transferred or an obligation to transfer the asset's cash flows is assumed. If an entity neither retains or transfers substantially all the risks and rewards of ownership derecognition if achieved if	Under U.S. GAAP, financial assets are derecognized when an entity surrenders control over those assets. Surrender of control is generally established through the legal isolation of the financial assets.
	Once recorded, impairment charges on held-to-

IFRS	U.S. GAAP
the entity has not retained control over the financial asset, or if it has retained control derecognition is precluded up to the amount of the continuing involvement. Unrealized gains and losses on investment securities held by investment companies may be reported as a component of stockholders' equity if the investments are classified as available for sale or in the income statement if classified as investment at fair value with changes in fair value through the income statement. Impairment charges on held-to-maturity or available-for-sale debt securities should be reversed in the event of recovery of the value of the security subsequent to the recording of the impairment.	maturity or available-for-sale securities cannot be reversed.
Asset Impairment	
Impairment is indicated when the carrying value of an asset exceeds the greater of the value in use (i.e., asset's discounted future cash flows) and fair value less cost to sell. Impairment losses are recognized to the asset's recoverable amount. Impairment charges on long-lived assets, excluding goodwill, should be reversed in the event of recovery of the value of the asset subsequent to the recording of the impairment.	Impairment is indicated if the carrying value of an asset the undiscounted future cash flows of the asset. Impairment losses are recognized to the asset's fair value. Once recorded, impairment of long-lived assets, including goodwill, cannot be reversed.
Business Combinations	
The acquisition date is the date on which the acquirer obtains control of the acquired entity. Securities issued in connection with an acquisition are valued at their fair value on the date issued. Minority interest is valued at its percentage of the fair value of the net assets of the acquired entity. All integration costs relating to acquisitions are expensed as post-acquisition expenses.	The acquisition date is the date on which assets are received or securities are issued. Securities issued in connection with an acquisition are valued at their market price over a short period (generally a few days) before and after the terms of the acquisition are agreed to and announced. Minority interest is valued based on historical carrying values of the acquired entity. I.e. there is no "step-up" in the basis of the minority interest. Certain restructuring and exit costs incurred in the acquired business are treated as liabilities assumed on acquisition and taken into account in the calculation of goodwill.
Employee Benefit Plans	
No minimum pension liability required.	Additional minimum pension liability must be recorded when the accumulated benefit obligation

IFRS	U.S. GAAP
	exceeds the fair value of the plan assets.
Unvested prior service costs are amortized on a straight-line basis over the remaining vesting period. Vested prior service costs are recognized immediately.	Vested and unvested prior service costs are amortized over the remaining service lives of active employees.
The pension asset recorded on the balance sheet cannot exceed the total of any cumulative unrecognized actuarial losses and past service cost and the present value of any available refunds from the plan or reduction in future contributions to the plan.	No such limitation exists under US GAAP.

Investments in Real Estate

IFRS	U.S. GAAP
Reporting entities may elect to report real estate investments at either depreciated cost or fair value. If fair value is elected, changes in fair value must be reported in the income statement.	Investments in real estate should be carried at depreciated cost.

REGISTERED OFFICE OF THE ISSUER
Delaware Trust Company,
National Association
300 Delaware Avenue, 9th Floor
Wilmington, DE 19801

REGISTERED OFFICE OF
METROPOLITAN LIFE INSURANCE COMPANY
200 Park Avenue
New York, NY 10166

U.S. DEALERS

ABN AMRO Incorporated
55 E. 52nd Street
New York, New York 10055
United States of America

Banc of America Securities LLC
9 West 57th Street
New York, New York 10019
United States of America

Barclays Capital Inc.
200 Park Avenue
New York, NY 10166
United States of America

Bear, Stearns & Co. Inc.
383 Madison Avenue
New York, New York 10179
United States of America

Citigroup Global Markets Inc.
390 Greenwich Street
New York, New York 10013
United States of America

Credit Suisse Securities (USA) LLC
Eleven Madison Avenue
New York, New York 10010
United States of America

Deutsche Bank Securities Inc.
60 Wall Street
New York, NY 10005
United States of America

Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004
United States of America

EUROPEAN DEALERS

ABN AMRO Bank N.V.
250 Bishopsgate
London EC2M 4AA
United Kingdom

Banc of America Securities Limited
5 Canada Square
London E14 5AQ
United Kingdom

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Bear, Stearns International Limited
One Canada Square
London E14 5AD
United Kingdom

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ
United Kingdom

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

J.P. Morgan Securities Inc.
270 Park Avenue
New York, New York 10017
United States of America

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
United Kingdom

Lehman Brothers Inc.
745 Seventh Avenue
New York, New York 10019
United States of America

Lehman Brothers International (Europe)
25 Bank Street
London E14 5LE
United Kingdom

Merrill Lynch, Pierce, Fenner & Smith Incorporated
4 World Financial Center
New York, New York 10080
United States of America

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ
United Kingdom

Morgan Stanley & Co. Incorporated
1585 Broadway
New York, New York 10036
United States of America

Morgan Stanley & Co. International Limited
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Greenwich Capital Markets, Inc.
600 Steamboat Road
Greenwich, Connecticut 06830
United States of America

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR
United Kingdom

UBS Securities LLC
677 Washington Boulevard
Stamford, Connecticut 06901
United States of America

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
United Kingdom

Wachovia Capital Markets, LLC
301 South College Street
Charlotte, North Carolina 28288
United States of America

Wachovia Securities International Limited
1 Plantation Place
30 Fenchurch Street
London EC3M 3BD
United Kingdom

INDEPENDENT AUDITORS OF
METROPOLITAN LIFE INSURANCE COMPANY

Deloitte & Touche LLP
Two World Financial Center
New York, New York 10281

INDENTURE TRUSTEE
Citibank, N.A.
Citigroup Centre, 14th Floor
Canada Square, Canary Wharf
London E14 5LB

PRINCIPAL PAYING AGENT,
REGISTRAR AND TRANSFER AGENT
Citibank, N.A.
5 Carmelite Street
London EC4Y OPA

IRISH LISTING AGENT
Arthur Cox Listing Services Limited
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

IRISH PAYING AGENT
Citibank International plc
1 North Wall Quay
Dublin 1
Ireland

LEGAL ADVISORS

To MetLife as to certain matters of New York and United States federal law, and special U.S. Federal income tax counsel to
MetLife and the Issuer
LeBoeuf, Lamb, Greene & MacRae LLP
125 West 55th Street
New York, New York 10019

To the Dealers and to the Issuer as to certain matters of New York and United States law
Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036

To the Issuer as to certain matters of Delaware law
Richards, Layton and Finger, P.A.
One Rodney Square
920 King Street
Wilmington, DE 19801

Metropolitan Life Global Funding I

$17,000,000,000 Global Note Issuance Program

This supplement (the "Base Prospectus Supplement") is supplemental to and must be read in conjunction with the Offering Circular dated January 19, 2006 (the "Offering Circular") prepared by Metropolitan Life Global Funding I (the "Issuer") under the Issuer's global medium-term note program for the issuance of senior secured medium-term notes (the "Notes").

Application has been made to the Irish Financial Services Authority as competent authority for the purposes of Directive 2003/71/EC (the "Prospectus Directive") for this Base Prospectus Supplement to be approved.

This document constitutes a Base Prospectus Supplement for the purposes of the Prospectus Directive. References herein to this document are to this Base Prospectus Supplement incorporating Annex 1 hereto.

On April 28, 2006 Metropolitan Life Insurance Company and its consolidated subsidiaries ("MetLife") prepared its annual audited consolidated financial statements (including any notes thereto, the "2005 Consolidated Financial Statements"). The text of the 2005 Consolidated Financial Statements is set out in Annex 1 to this document. Copies of the 2005 Consolidated Financial Statements will be made available for inspection at the offices of the parties at whose offices documents are to be available for inspection as identified in "General Information" in the Offering Circular dated January 19, 2006.

Except as disclosed in this Base Prospectus Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to the information included in the Offering Circular since the publication of the Offering Circular.

Each of the Issuer and MetLife accepts responsibility that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus Supplement is, to the best of their knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

Base Prospectus Supplement dated May 10, 2006

ANNEX 1

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholder of
Metropolitan Life Insurance Company
New York, New York:

We have audited the accompanying consolidated balance sheets of Metropolitan Life Insurance Company and subsidiaries (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Metropolitan Life Insurance Company and subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Company changed its method of accounting for certain non-traditional long duration contracts and separate accounts, and for embedded derivatives in certain insurance products as required by new accounting guidance which became effective on January 1, 2004 and October 1, 2003, respectively, and recorded the impact as cumulative effects of changes in accounting principles.

/s/ DELOITTE & TOUCHE LLP

New York, New York
April 17, 2006

METROPOLITAN LIFE INSURANCE COMPANY AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of Metlife, Inc.)

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005 AND 2004

(In millions, except share and per share data)

	2005	2004
Assets		
Investments:		
Fixed maturities available-for-sale, at fair value (amortized cost: $141,929 and $141,496, respectively)	$147,897	$150,229
Trading securities, at fair value (cost: $373 and $0, respectively)	373	—
Equity securities available-for-sale, at fair value (cost: $1,989 and $1,646, respectively)	2,217	1,903
Mortgage and consumer loans	33,094	31,571
Policy loans	8,412	8,256
Real estate and real estate joint ventures held-for-investment	4,087	2,643
Real estate held-for-sale	—	678
Other limited partnership interests	3,256	2,891
Short-term investments	883	1,194
Other invested assets	5,839	4,908
Total investments	206,058	204,273
Cash and cash equivalents	1,787	2,370
Accrued investment income	2,030	2,006
Premiums and other receivables	6,678	5,497
Deferred policy acquisition costs and value of business acquired	11,438	11,062
Assets of subsidiaries held-for-sale	—	410
Other assets	6,183	5,863
Separate account assets	73,152	68,507
Total assets	$307,326	$299,988
Liabilities and Stockholder's Equity		
Liabilities:		
Future policy benefits	$ 94,372	$ 91,598
Policyholder account balances	72,793	68,357
Other policyholder funds	6,918	6,730
Policyholder dividends payable	915	885
Policyholder dividend obligation	1,607	2,243
Short-term debt	453	1,445
Long-term debt	2,961	2,050
Shares subject to mandatory redemption	278	278
Liabilities of subsidiaries held-for-sale	—	268
Current income taxes payable	444	709
Deferred income taxes payable	2,729	2,671
Payables for collateral under securities loaned and other transactions	21,009	25,230
Other liabilities	11,228	10,025
Separate account liabilities	73,152	68,507
Total liabilities	288,859	280,996
Stockholder's Equity:		
Common stock, par value $0.01 per share; 1,000,000,000 shares authorized; 494,466,664 shares issued and outstanding at December 31, 2005 and 2004	5	5
Additional paid-in capital	13,808	13,827
Retained earnings	2,749	2,696
Accumulated other comprehensive income	1,905	2,464
Total stockholder's equity	18,467	18,992
Total liabilities and stockholder's equity	$307,326	$299,988

See accompanying notes to consolidated financial statements.

METROPOLITAN LIFE INSURANCE COMPANY AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of Metlife, Inc.)

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(In millions)

	2005	2004	2003
Revenues			
Premiums	$19,256	$17,437	$18,099
Universal life and investment-type product policy fees	1,948	2,009	1,920
Net investment income	11,750	10,818	10,267
Other revenues	820	862	980
Net investment gains (losses)	179	282	(526)
Total revenues	33,953	31,408	30,740
Expenses			
Policyholder benefits and claims	20,445	18,736	18,590
Interest credited to policyholder account balances	2,596	2,357	2,379
Policyholder dividends	1,647	1,636	1,699
Other expenses	5,717	5,583	5,771
Total expenses	30,405	28,312	28,439
Income from continuing operations before provision for income taxes	3,548	3,096	2,301
Provision for income taxes	1,105	876	643
Income from continuing operations	2,443	2,220	1,658
Income from discontinued operations, net of income taxes	810	71	369
Income before cumulative effect of a change in accounting	3,253	2,291	2,027
Cumulative effect of a change in accounting, net of income taxes	—	(52)	(26)
Net income	$ 3,253	$ 2,239	$ 2,001

See accompanying notes to consolidated financial statements.

METROPOLITAN LIFE INSURANCE COMPANY AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of Metlife, Inc.)

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(In millions)

					Accumulated Other Comprehensive Income (Loss)			
	Parent's Interest in Preferred Stock of a Subsidiary	Common Stock	Additional Paid-In Capital	Retained Earnings	Net Unrealized Investment Gains (Losses)	Foreign Currency Translation Adjustment	Minimum Pension Liability Adjustment	Total
Balance at January 1, 2003	$ —	$5	$13,474	$ 708	$1,991	$(67)	$ (46)	$16,065
Issuance of preferred stock by subsidiary to the Holding Company	93							93
Issuance of shares — by subsidiary			24					24
Issuance of stock options — by subsidiary			2					2
Sale of subsidiaries to the Holding Company or affiliate			261					261
Capital contribution from the Holding Company			2					2
Return of capital to the Holding Company			(33)					(33)
Dividends on common stock				(1,448)				(1,448)
Comprehensive income (loss):								
Net income				2,001				2,001
Other comprehensive income (loss):								
Unrealized gains (losses) on derivative instruments, net of income taxes					(228)			(228)
Unrealized investment gains (losses), net of related offsets and income taxes					642			642
Foreign currency translation adjustments						174		174
Minimum pension liability adjustment							(82)	(82)
Other comprehensive income (loss)								506
Comprehensive income (loss)								2,507
Balance at December 31, 2003	93	5	13,730	1,261	2,405	107	(128)	17,473
Contribution of preferred stock by Holding Company to subsidiary and retirement thereof	(93)							(93)
Issuance of shares — by subsidiary			4					4
Issuance of stock options — by subsidiary			2					2
Capital contribution from the Holding Company			94					94
Return of capital to the Holding Company			(3)					(3)
Dividends on preferred stock				(7)				(7)
Dividends on common stock				(797)				(797)
Comprehensive income (loss):								
Net income				2,239				2,239
Other comprehensive income (loss):								
Unrealized gains (losses) on derivative instruments, net of income taxes					(77)			(77)
Unrealized investment gains (losses), net of related offsets and income taxes					19			19
Cumulative effect of a change in accounting, net of income taxes					61			61
Foreign currency translation adjustments						79		79
Minimum pension liability adjustment							(2)	(2)
Other comprehensive income (loss)								80
Comprehensive income (loss)								2,319
Balance at December 31, 2004	—	5	13,827	2,696	2,408	186	(130)	18,992
Treasury stock transactions, net — by subsidiary			(15)					(15)
Issuance of stock options — by subsidiary			(4)					(4)
Dividends on common stock				(3,200)				(3,200)
Comprehensive income (loss):								
Net income				3,253				3,253
Other comprehensive income (loss):								
Unrealized gains (losses) on derivative instruments, net of income taxes					184			184
Unrealized investment gains (losses), net of related offsets and income taxes					(783)			(783)
Foreign currency translation adjustments						(49)		(49)
Minimum pension liability adjustment							89	89
Other comprehensive income (loss)								(559)
Comprehensive income (loss)								2,694
Balance at December 31, 2005	$ —	$5	$13,808	$ 2,749	$1,809	$137	$ (41)	$18,467

See accompanying notes to consolidated financial statements.

METROPOLITAN LIFE INSURANCE COMPANY AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of Metlife, Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(In millions)

	2005	2004	2003
Cash flows from operating activities			
Net income	$ 3,253	$ 2,239	$ 2,001
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expenses	299	344	394
Amortization of premiums and accretion of discounts associated with investments, net	(203)	(15)	(162)
(Gains) losses from sales of investments and businesses, net	(1,379)	(289)	96
Equity of earnings of real estate joint ventures and other limited partnership interests	(399)	(167)	19
Interest credited to policyholder account balances	2,596	2,357	2,379
Universal life and investment-type product policy fees	(1,948)	(2,009)	(1,920)
Change in accrued investment income	(24)	(67)	(93)
Change in premiums and other receivables	(734)	460	(81)
Change in deferred policy acquisition costs, net	(504)	(752)	(904)
Change in insurance-related liabilities	3,794	3,829	3,989
Change in trading securities	(375)	—	—
Change in income taxes payable	147	(101)	250
Change in other assets	(236)	(390)	(455)
Change in other liabilities	1,878	1,288	637
Other, net	24	29	(61)
Net cash provided by operating activities	6,189	6,756	6,089
Cash flows from investing activities			
Sales, maturities and repayments of:			
Fixed maturities	118,459	78,494	69,292
Equity securities	777	1,587	576
Mortgage and consumer loans	7,890	3,961	3,221
Real estate and real estate joint ventures	1,922	436	1,087
Other limited partnership interests	953	800	330
Purchases of:			
Fixed maturities	(119,375)	(83,243)	(90,077)
Equity securities	(1,057)	(2,107)	(149)
Mortgage and consumer loans	(9,473)	(8,639)	(4,354)
Real estate and real estate joint ventures	(1,323)	(737)	(278)
Other limited partnership interests	(1,012)	(893)	(643)
Net change in short-term investments	409	215	(183)
Proceeds from sales of businesses, net of cash disposed of $43, $7 and $(13), respectively	260	18	1,995
Net change in policy loans	(156)	(77)	(154)
Net change in other invested assets	(598)	(379)	(1,108)
Net change in property, equipment and leasehold improvements	(114)	17	(45)
Other, net	(76)	—	(2)
Net cash used in investing activities	(2,514)	(10,547)	(20,492)

METROPOLITAN LIFE INSURANCE COMPANY AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of Metlife, Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS — (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(In millions)

	2005	2004	2003
Cash flows from financing activities			
Policyholder account balances:			
Deposits	30,008	28,344	29,132
Withdrawals	(26,732)	(22,801)	(22,339)
Net change in payables for collateral under securities loaned and other transactions	(4,221)	1,166	7,744
Net change in short-term debt	(992)	(2,072)	2,624
Long-term debt issued	1,216	28	137
Long-term debt repaid	(395)	(38)	(714)
Capital contribution from the Parent Company	—	—	148
Proceeds from offering of common stock by subsidiary, net	—	—	398
Dividends on preferred stock	—	(7)	—
Dividends on common stock	(3,200)	(797)	(1,448)
Other, net	—	3	8
Net cash (used in) provided by financing activities	(4,316)	3,826	15,690
Change in cash and cash equivalents	(641)	35	1,287
Cash and cash equivalents, beginning of year	2,428	2,393	1,106
Cash and cash equivalents, end of year	$ 1,787	$ 2,428	$ 2,393
Cash and cash equivalents, subsidiaries held-for-sale, beginning of year	$ 58	$ 57	$ 66
Cash and cash equivalents, subsidiaries held-for-sale, end of year	$ —	$ 58	$ 57
Cash and cash equivalents, from continuing operations, beginning of year	$ 2,370	$ 2,336	$ 1,040
Cash and cash equivalents, from continuing operations, end of year	$ 1,787	$ 2,370	$ 2,336
Supplemental disclosures of cash flow information:			
Net cash paid during the year for:			
Interest	$ 203	$ 140	$ 307
Income taxes	$ 1,385	$ 950	$ 789
Non-cash transactions during the year:			
Business Dispositions:			
Assets disposed	$ 366	$ 42	$ 5,493
Less: liabilities disposed	269	17	3,511
Net assets disposed	$ 97	$ 25	$ 1,982
Plus: equity securities received	43	—	—
Less: cash disposed	43	7	(13)
Business disposition, net of cash disposed	$ 97	$ 18	$ 1,995
Contribution of equity securities to MetLife Foundation	$ 1	$ 50	$ —
Purchase money mortgage on real estate sale	$ —	$ 2	$ 196
Real estate acquired in satisfaction of debt	$ 1	$ 7	$ 14
Transfer from funds withheld at interest to fixed maturities	$ —	$ 606	$ —

See Note 5 for non-cash reinsurance transaction

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Business

Metropolitan Life Insurance Company ("Metropolitan Life") and its subsidiaries (collectively the "Company") is a leading provider of insurance and other financial services to millions of individual and institutional customers throughout the United States. The Company offers life insurance and annuities to individuals, as well as group insurance, reinsurance and retirement & savings products and services to corporations and other institutions. Metropolitan Life is a wholly-owned subsidiary of MetLife, Inc. (the "Holding Company"). The Company offered automobile and homeowners insurance through Metropolitan Property and Casualty Insurance Company and its subsidiaries ("Met P&C"), which was sold to the Holding Company in 2003. Outside the United States, the Company has direct insurance operations in Canada and Asia.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of (i) Metropolitan Life and its subsidiaries; (ii) partnerships and joint ventures in which the Company has control; and (iii) variable interest entities ("VIEs") for which the Company is deemed to be the primary beneficiary. Closed block assets, liabilities, revenues and expenses are combined on a line-by-line basis with the assets, liabilities, revenues and expenses outside the closed block based on the nature of the particular item. See Note 6. Assets, liabilities, revenues and expenses of the general account for 2005 and 2004 include amounts related to certain separate accounts previously reported in separate account assets and liabilities. See "— Application of Recent Accounting Pronouncements." Intercompany accounts and transactions have been eliminated.

Met P&C, Metropolitan Tower Life Insurance Company ("MTL"), MetLife General Insurance Agency, Inc. and its subsidiaries, MetLife Securities, Inc. and N.L. Holding Corporation and its subsidiaries, which were sold to the Holding Company in 2003; and Newbury Insurance Company, Limited which was sold to the Holding Company and New England Pension and Annuity Company which was sold to MTL, both in 2004, are included in the accompanying consolidated financial statements until the respective dates of sale. The Company completed the sales of its wholly owned subsidiaries SSRM Holdings, Inc. ("SSRM") and P.T. Sejahtera ("MetLife Indonesia") to third parties on January 31, 2005, and September 29, 2005, respectively. The Company has reclassified the assets, liabilities and operations of SSRM and MetLife Indonesia into discontinued operations for all years presented in the consolidated financial statements. See Notes 15 and 16.

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

Minority interest related to consolidated entities included in other liabilities was $1,388 million and $1,325 million at December 31, 2005 and 2004, respectively.

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform with the 2005 presentation. Such reclassifications include $1,166 million and $7,744 million relating to the net change in payables for collateral under securities loaned and other transactions reclassified from cash flows from investing activities to cash flows from financing activities on the consolidated statements of cash flows for the years ended December 31, 2004 and 2003, respectively.

Summary of Critical Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the consolidated financial statements. The most critical estimates include those used in determining: (i) investment impairments; (ii) the fair value of investments in the absence of quoted market values; (iii) application of the consolidation rules to certain investments; (iv) the fair value of and accounting for derivatives; (v) the capitalization and amortization of deferred policy acquisition costs ("DAC"), including value of business acquired ("VOBA"); (vi) the measurement of goodwill and related impairment, if any; (vii) the liability for future policyholder benefits; (viii) accounting for reinsurance transactions; (ix) the liability for litigation and regulatory matters; and (x) accounting for employee benefit plans. In applying these policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company's businesses and operations. Actual results could differ from these estimates.

Investments

The Company's principal investments are in fixed maturities, mortgage and consumer loans, other limited partnerships, and real estate and real estate joint ventures, all of which are exposed to three primary sources of investment risk: credit, interest rate and market valuation. The financial statement risks are those associated with the recognition of impairments and income, as well as the determination of fair values. The assessment of whether impairments have occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in fair value. Management considers a wide range of factors about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations used by the Company in the impairment evaluation process include, but are not limited to: (i) the length of time and the extent to which the market value has been below cost or amortized cost; (ii) the potential for impairments of securities when the issuer is experiencing significant financial difficulties; (iii) the potential for impairments in an entire industry sector or sub-sector; (iv) the potential for impairments in certain economically depressed geographic locations; (v) the potential for impairments of securities where the issuer, series of issuers or industry has suffered a catastrophic type of loss or has exhausted natural resources; (vi) the Company's ability and intent to hold the security for a period of time sufficient to allow for the recovery of its value to an amount equal to or greater than cost or amortized cost; (vii) unfavorable changes in forecasted cash flows on asset-backed securities; and (viii) other subjective factors, including concentrations and information obtained from regulators and rating agencies. In addition, the earnings on certain investments are dependent upon market conditions, which could result in prepayments and changes in amounts to be earned due to changing interest rates or equity markets. The determination of fair values in the absence of quoted market values is based on: (i) valuation methodologies; (ii) securities the Company deems to be comparable; and (iii) assumptions deemed appropriate given the circumstances. The use of different methodologies and assumptions may have a material effect on the estimated fair value amounts. In addition, the Company enters into certain structured investment transactions, real estate joint ventures and limited partnerships for which the Company may be deemed to be the primary beneficiary and, therefore, may be required to consolidate such investments. The accounting rules for the determination of the primary beneficiary are complex and require evaluation of the contractual rights and obligations associated with each party involved in the entity, an estimate of the entity's expected losses and expected residual returns and the allocation of such estimates to each party.

Derivatives

The Company enters into freestanding derivative transactions primarily to manage the risk associated with variability in cash flows or changes in fair values related to the Company's financial assets and liabilities. The Company also uses derivative instruments to hedge its currency exposure associated with net investments in certain foreign operations. The Company also purchases investment securities, issues certain insurance policies and engages in certain reinsurance contracts that have embedded derivatives. The associated financial statement risk is the volatility in net income which can result from (i) changes in fair value of derivatives not qualifying as accounting hedges; (ii) ineffectiveness of designated hedges; and (iii) counterparty default. In addition, there is a risk that embedded derivatives requiring bifurcation are not identified and reported at fair value in the consolidated financial statements. Accounting for derivatives is complex, as evidenced by significant authoritative interpretations of the primary accounting standards which continue to evolve, as well as the significant judgments and estimates involved in determining fair value in the absence of quoted market values. These estimates are based on valuation methodologies and assumptions deemed appropriate under the circumstances. Such assumptions include estimated volatility and interest rates used in the determination of fair value where quoted market values are not available. The use of different assumptions may have a material effect on the estimated fair value amounts.

Deferred Policy Acquisition Costs and Value of Business Acquired

The Company incurs significant costs in connection with acquiring new and renewal insurance business. These costs, which vary with and are primarily related to the production of that business, are deferred. The recovery of DAC is dependent upon the future profitability of the related business. The amount of future profit is dependent principally on investment returns in excess of the amounts credited to policyholders, mortality, morbidity, persistency, interest crediting rates, expenses to administer the business, creditworthiness of reinsurance counterparties and certain economic variables, such as inflation. Of these factors, the Company anticipates that investment returns are most likely to impact the rate of amortization of such costs. The aforementioned factors enter into management's estimates of gross margins and profits, which generally are used to amortize such costs. VOBA, included in DAC reflects the estimated fair value of in-force contracts in a life insurance company acquisition and represents the portion of the purchase price that is allocated to the value of the right to receive future cash flows from the insurance and annuity contracts in force at the acquisition date. VOBA is based on actuarially determined projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns and other factors. Actual experience on the purchased business may vary from these projections. Revisions to estimates result in changes to the amounts expensed in the reporting period in which the revisions are made and could result in the impairment of the asset and a charge to income if estimated future gross margins and profits are less than amounts deferred. In addition, the Company utilizes the reversion to the mean assumption, a common industry practice, in its determination of the amortization of DAC. This practice assumes that the expectation for long-term appreciation in equity markets is not changed by minor short-term market fluctuations, but that it does change when large interim deviations have occurred.

Liability for Future Policy Benefits

The Company establishes liabilities for amounts payable under insurance policies, including traditional life insurance, traditional annuities and non-medical health insurance. Generally, amounts are payable over an extended period of time and liabilities are established based on methods and underlying assumptions in accordance with GAAP and applicable actuarial standards. Principal assumptions used in the establishment of liabilities for future policy benefits are mortality, morbidity, expenses, persistency, investment returns and inflation. Utilizing these assumptions, liabilities are established on a block of business basis. Differences between actual experience and the assumptions used in pricing these policies and in the establishment of liabilities result in variances in profit and could result in losses. The effects of changes in such estimated liabilities are included in the results of operations in the period in which the changes occur.

Reinsurance

The Company enters into reinsurance transactions as both a provider and a purchaser of reinsurance. Accounting for reinsurance requires extensive use of assumptions and estimates, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. The Company periodically reviews actual and anticipated experience compared to the aforementioned assumptions used to establish assets and liabilities relating to ceded and assumed reinsurance and evaluates the financial strength of counterparties to its reinsurance agreements using criteria similar to that evaluated in the security impairment process discussed previously. Additionally, for each of its reinsurance contracts, the Company must determine if the contract provides indemnification against loss or liability relating to insurance risk, in accordance with applicable accounting standards. The Company must review all contractual features, particularly those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims. If the Company determines that a reinsurance contract does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk, the Company records the contract using the deposit method of accounting.

Litigation

The Company is a party to a number of legal actions and regulatory investigations. Given the inherent unpredictability of these matters, it is difficult to estimate the impact on the Company's consolidated financial position. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Liabilities related to certain lawsuits, including the Company's asbestos-related liability, are especially difficult to estimate due to the limitation of available data and uncertainty regarding numerous variables used to determine amounts recorded. The data and variables that impact the assumptions used to estimate the Company's asbestos-related liability include the number of future claims, the cost to resolve claims, the disease mix and severity of disease, the jurisdiction of claims filed, tort reform efforts and the impact of any possible future adverse verdicts and their amounts. On a quarterly and annual basis the Company reviews relevant information with respect to liabilities for litigation, regulatory investigations and litigation-related contingencies to be reflected in the Company's consolidated financial statements. The review includes senior legal and financial personnel. It is possible that an adverse outcome in certain of the Company's litigation and regulatory investigations, including asbestos-related cases, or the use of different assumptions in the determination of amounts recorded could have a material effect upon the Company's consolidated net income or cash flows in particular quarterly or annual periods.

Employee Benefit Plans

The Company sponsors pension and other retirement plans in various forms covering employees who meet specified eligibility requirements. The reported expense and liability associated with these plans require an extensive use of assumptions which include the discount rate, expected return on plan assets and rate of future compensation increases as determined by the Company. Management determines these assumptions based upon currently available market and industry data, historical performance of the plan and its assets, and consultation with an independent consulting actuarial firm. These assumptions used by the Company may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. These differences may have a significant effect on the Company's consolidated financial statements and liquidity.

Significant Accounting Policies

Investments

The Company's fixed maturity and equity securities are classified as available-for-sale and are reported at their estimated fair value. Unrealized investment gains and losses on securities are recorded as a separate component of other comprehensive income or loss, net of policyholder related amounts and deferred income taxes. The cost of fixed maturity and equity securities is adjusted for impairments in value deemed to be other-than-temporary in the period in which the determination is made. These adjustments are recorded as investment losses. The assessment of whether such impairment has occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in fair value. Management considers a wide range of factors, as described in "— Summary of Critical Accounting Estimates-Investments," about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential.

The Company's review of its fixed maturities and equity securities for impairments also includes an analysis of the total gross unrealized losses by three categories of securities: (i) securities where the estimated fair value had declined and remained below cost or amortized cost by less than 20%; (ii) securities where the estimated fair value had declined and remained below cost or amortized cost by 20% or more for less than six months; and (iii) securities where the estimated fair value had declined and remained below cost or amortized cost by 20% or more for six months or greater.

Investment gains and losses on sales of securities are determined on a specific identification basis. All security transactions are recorded on a trade date basis. Amortization of premium and accretion of discount on fixed maturity securities is recorded using the effective interest method.

Mortgage and consumer loans are stated at amortized cost, net of valuation allowances. Loans are considered to be impaired when it is probable that, based upon current information and events, the Company will be unable to collect all amounts due under the contractual terms of the loan agreement. Valuation allowances are established for the excess carrying value of the loan over the present value of expected future cash flows discounted at the loan's original effective interest rate, the value of the loan's collateral or the loan's market value if the loan is being sold. The Company also establishes allowances for loan loss when a loss contingency exists for pools of loans with similar characteristics, for example, mortgage loans based on similar property types and loan to value risk factors. A loss contingency exists when the likelihood that a future event will occur is probable based on past events. Changes in valuation allowances are included in net investment gains and losses. Interest income earned on impaired loans is accrued on the principal amount of the loan based on the loan's contractual interest rate. However, interest ceases to be accrued for loans on which interest is generally more than 60 days past due and/or where the collection of interest is not considered probable. Cash receipts on impaired loans are recorded as a reduction of the recorded investment.

Real estate held-for-investment, including related improvements, is stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life of the asset (typically 20 to 55 years). Once the Company identifies a property that is expected to be sold within one year and commences a firm plan for marketing the property, the Company, if applicable, classifies the property as held-for-sale and reports the related net investment income and any resulting investment gains and losses as discontinued operations. Real estate held-for-sale is stated at the lower of depreciated cost or fair value less expected disposition costs. Real estate is not depreciated while it is classified as held-for-sale. Cost of real estate held-for-investment is adjusted for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. Impaired real estate is written down to estimated fair value with the impairment loss being included in net investment gains and losses. Impairment losses are based upon the estimated fair value of real estate, which is generally computed using the present value of expected future cash flows from the real estate discounted at a rate commensurate with the underlying risks. Real estate acquired upon foreclosure of commercial and agricultural mortgage loans is recorded at the lower of estimated fair value or the carrying value of the mortgage loan at the date of foreclosure.

Policy loans are stated at unpaid principal balances.

Short-term investments are stated at amortized cost, which approximates fair value.

Other invested assets consist principally of leveraged leases and funds withheld at interest. The leveraged leases are recorded net of non-recourse debt. The Company participates in lease transactions which are diversified by industry, asset type and geographic area. The Company regularly reviews residual values and impairs residuals to expected values as needed. Funds withheld represent amounts contractually withheld by ceding companies in accordance with reinsurance agreements. For agreements written on a modified coinsurance basis and certain agreements written on a coinsurance basis, assets supporting the reinsured policies and equal to the net statutory reserves are withheld and continue to be legally owned by the ceding companies. Other invested assets also includes derivative revaluation gains and the fair value of embedded derivatives related to funds withheld and modified coinsurance contracts. The Company recognizes interest on funds withheld in accordance with the treaty terms as investment income is earned on the assets supporting the reinsured policies. Interest on funds withheld is reported in net investment income in the consolidated financial statements.

The Company participates in structured investment transactions, primarily asset securitizations and structured notes. These transactions enhance the Company's total return on its investment portfolio principally by generating management fee income on asset securitizations and by providing equity-based returns on debt securities through structured notes and similar instruments.

The Company sponsors financial asset securitizations of high yield debt securities, investment grade bonds and structured finance securities and also is the collateral manager and a beneficial interest holder in such transactions. As the collateral manager, the Company earns management fees on the outstanding securitized asset balance, which are recorded in income as earned. When the Company transfers assets to a bankruptcy-remote special purpose entity ("SPE") and surrenders control over the transferred assets, the transaction is accounted for as a sale. Gains or losses on securitizations are determined with reference to the carrying amount of the financial assets transferred, which is allocated to the assets sold and the beneficial interests retained based on relative fair values at the date of transfer. Beneficial interests in securitizations are carried at fair value in fixed maturities. Income on these beneficial interests is recognized using the prospective method. The SPEs used to securitize assets are not consolidated by the Company because the Company has determined that it is not the primary beneficiary of these entities. Prior to the adoption of Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 46, *Consolidation of Variable Interest Entities — An Interpretation of Accounting Research Bulletin* ("ARB") *No. 51* ("FIN 46"), and its December 2003 revision ("FIN 46(r)"), such SPEs were not consolidated because they did not meet the criteria for consolidation under previous accounting guidance.

The Company purchases or receives beneficial interests in SPEs, which generally acquire financial assets, including corporate equities, debt securities and purchased options. The Company has not guaranteed the performance, liquidity or obligations of the SPEs and the Company's exposure to loss is limited to its carrying value of the beneficial interests in the SPEs. The Company uses the beneficial interests as part of its risk management strategy, including asset-liability management. These SPEs are not consolidated by the Company because the Company has determined that it is not the primary beneficiary of these entities based on the framework provided in FIN 46(r). These beneficial interests are generally structured notes, which are included in fixed maturities, and their income is recognized using the retrospective interest method or the level yield method, as appropriate. Impairments of these beneficial interests are included in net investment gains (losses).

Trading Securities

During 2005, the Company established a trading securities portfolio to support investment strategies that involve the active and frequent purchase and sale of securities. Trading securities are recorded at fair value with subsequent changes in fair value recognized in net investment income.

Derivative Financial Instruments

Derivatives are financial instruments whose values are derived from interest rates, foreign exchange rates, or other financial indices. Derivatives may be exchange traded or contracted in the over-the-counter market. The Company uses a variety of derivatives, including swaps, forwards, futures and option contracts, to manage its various risks. Additionally, the Company enters into income generation and replication derivatives as permitted by its Derivatives Use Plans approved by the applicable state insurance departments. Freestanding derivatives are carried on the Company's consolidated balance sheets either as assets within other invested assets or as liabilities within other liabilities at fair value as determined by quoted market prices or through the use of pricing models. Values can be affected by changes in interest rates, foreign exchange rates, financial indices, credit spreads, market volatility, and liquidity. Values can also be affected by changes in estimates and assumptions used in pricing models. If a derivative is not designated as an accounting hedge or its use in managing risk does not qualify for hedge accounting pursuant to Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"), as amended, changes in the fair value of the derivative are reported in net investment gains (losses).

To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge as either (i) a hedge of the fair value of a recognized asset or liability or an unrecognized firm commitment ("fair value hedge"); (ii) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"); or (iii) a hedge of a net investment in a foreign operation. In this documentation, the Company sets forth how the hedging instrument is expected to hedge the designated risks related to the hedged item and sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument's effectiveness and the method which will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and periodically throughout the life of the designated hedging relationship.

Under a fair value hedge, changes in the fair value of the hedging derivative, including amounts measured as ineffective, and changes in the fair value of the hedged item related to the designated risk being hedged, are reported within net investment gains (losses). The fair values of the hedging derivatives are exclusive of any accruals that are separately reported in the consolidated statement of income within interest income or interest expense to match the location of the hedged item.

Under a cash flow hedge, changes in the fair value of the hedging derivative measured as effective are reported within other comprehensive income (loss), a separate component of shareholder's equity, and the deferred gains or losses on the derivative are reclassified into the consolidated statement of income when the Company's earnings are affected by the variability in cash flows of the hedged item. Changes in the fair value of the hedging instrument measured as ineffectiveness are reported within net investment gains (losses). The fair values of the hedging derivatives are exclusive of any accruals that are separately reported in the consolidated statement of income within interest income or interest expense to match the location of the hedged item.

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

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

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

When hedge accounting is discontinued because it is no longer probable that the forecasted transactions will occur by the end of the specified time period or the hedged item no longer meets the definition of a firm commitment, the derivative continues to be carried on the consolidated balance sheets at its fair value, with changes in fair value recognized currently in net investment gains (losses). Any asset or liability associated with a recognized firm commitment is derecognized from the consolidated balance sheets, and recorded currently in net investment gains (losses). Deferred gains and losses of a derivative recorded in other comprehensive income (loss) pursuant to the cash flow hedge of a forecasted transaction are recognized immediately in net investment gains (losses).

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

The Company is also a party to financial instruments that contain terms which are deemed to be embedded derivatives. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated under SFAS 133. If the instrument would not be accounted for in its entirety at fair value and it is determined that the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract, and that a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative. Such embedded derivatives are carried on the consolidated balance sheets at fair value with the host contract and changes in their fair value are reported currently in net investment gains (losses). If the Company is unable to properly identify and measure an embedded derivative for separation from its host contract, the entire contract is carried on the balance sheet at fair value, with changes in fair value recognized in the current period in net investment gains (losses).

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents.

Property, Equipment, Leasehold Improvements and Computer Software

Property, equipment and leasehold improvements, which are included in other assets, are stated at cost, less accumulated depreciation and amortization. Depreciation is determined using either the straight-line or sum-of-the-years-digits method over the estimated useful lives of the assets, as appropriate. The estimated life for company occupied real estate property is generally 40 years. Estimated lives generally range from five to ten years for leasehold improvements and three to seven years for all other property and equipment. The cost basis of the property, equipment and leasehold improvements was $1,069 million and $1,054 million at December 31, 2005 and 2004, respectively. Accumulated depreciation and amortization of property, equipment and leasehold improvements was $445 million and $438 million at December 31, 2005 and 2004, respectively. Related depreciation and amortization expense was $94 million, $93 million and $99 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Computer software, which is included in other assets, is stated at cost, less accumulated amortization. Purchased software costs, as well as internal and external costs incurred to develop internal-use computer software during the application development stage, are capitalized. Such costs are amortized generally over a four-year period using the straight-line method. The cost basis of computer software was $877 million and $749 million at December 31, 2005 and 2004, respectively. Accumulated amortization of capitalized software was $584 million and $490 million at December 31, 2005 and 2004, respectively. Related amortization expense was $97 million, $126 million and $143 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Deferred Policy Acquisition Costs and Value of Business Acquired

The costs of acquiring new and renewal insurance business that vary with, and are primarily related to, the production of that business are deferred. Such costs consist principally of commissions and agency and policy issue expenses. VOBA represents the present value of estimated future profits to be generated from existing insurance contracts in-force at the date of acquisition.

DAC is amortized with interest over the expected life of the contract for participating traditional life, universal life and investment-type products. Generally, DAC and VOBA are amortized in proportion to the present value of estimated gross margins or profits from investment, mortality, expense margins and surrender charges. Interest rates used to compute the present value of estimated gross margins and profits are based on rates in effect at the inception or acquisition of the contracts.

Actual gross margins or profits can vary from management's estimates resulting in increases or decreases in the rate of amortization. Management utilizes the reversion to the mean assumption, a common industry practice, in its determination of the amortization of DAC and VOBA. This practice assumes that the expectation for long-term equity investment appreciation is not changed by minor short-term market fluctuations, but that it does change when large interim deviations have occurred. Management periodically updates these estimates and evaluates the recoverability of DAC and VOBA. When appropriate, management revises its assumptions of the estimated gross margins or profits of these contracts, and the cumulative amortization is re-estimated and adjusted by a cumulative charge or credit to current operations.

DAC and VOBA are for non-participating traditional life, non-medical health and annuity policies with life contingencies is amortized in proportion to anticipated premiums. Assumptions as to anticipated premiums are made at the date of policy issuance or acquisition and are consistently applied during the lives of the contracts. Deviations from estimated experience are included in operations when they occur. For these contracts, the amortization period is typically the estimated life of the policy.

Policy acquisition costs related to internally replaced contracts are expensed at the date of replacement.

Sales Inducements

The Company has two different types of sales inducements which are included in other assets: (i) the policyholder receives a bonus whereby the policyholder's initial account balance is increased by an amount equal to a specified percentage of the customer's deposit; and (ii) the policyholder receives a higher interest rate using a dollar cost averaging method than would have been received based on the normal general account interest rate credited. The Company defers sales inducements and amortizes them over the life of the policy using the same methodology and assumptions used to amortize DAC.

Goodwill

Goodwill is the excess of cost over the fair value of net assets acquired. The Company tests goodwill for impairment at least annually or more frequently if events or circumstances, such as adverse changes in the business climate, indicate that there may be justification for conducting an interim test. Impairment testing is performed using the fair value approach, which requires the use of estimates and judgment, at the "reporting unit" level. A reporting unit is the operating segment, or a business that is one level below the operating segment if discrete financial information is prepared and regularly reviewed by management at that level. For purposes of goodwill impairment testing, goodwill within Corporate & Other is allocated to reporting units within the Company's business segments. If the carrying value of a reporting unit's goodwill exceeds its fair value, the excess is recognized as an impairment and recorded as a charge against net income. The fair values of the reporting units are determined using a market multiple or discounted cash flow model. The critical estimates necessary in determining fair value are projected earnings, comparative market multiples and the discount rate.

Changes in goodwill are as follows:

	Years Ended December 31,		
	2005	2004	2003
		(In millions)	
Balance, beginning of year	$217	$218	$ 405
Acquisitions	1	1	3
Dispositions and other	(18)	(2)	(190)
Balance, end of year	$200	$217	$ 218

Liability for Future Policy Benefits and Policyholder Account Balances

Future policy benefit liabilities for participating traditional life insurance policies are equal to the aggregate of (i) net level premium reserves for death and endowment policy benefits (calculated based upon the non-forfeiture interest rate, ranging from 3% to 7%, and mortality rates guaranteed in calculating the cash surrender values described in such contracts); and (ii) the liability for terminal dividends, and (iii) premium deficiency reserves, which are established when the liabilities for future policy benefits plus the value of expected future gross premiums are insufficient to provide for expected future policy benefits and expenses after DAC is written off.

Future policy benefits for non-participating traditional life insurance policies are equal to the aggregate of (i) the present value of future benefit payments and related expenses less the present value of future net premiums and (ii) premium deficiency reserve. Assumptions as to mortality and persistency are based upon the Company's experience when the basis of the liability is established. Interest rates for the aggregate future policy benefit liabilities range from 5% to 7%.

Participating business represented approximately 10% and 12% of the Company's life insurance in-force, and 86% and 87% of the number of life insurance policies in-force, at December 31, 2005 and 2004, respectively. Participating policies represented approximately 35% and 34%, 37% and 37%, and 40% and 41% of gross and net life insurance premiums for the years ended December 31, 2005, 2004 and 2003, respectively. The percentages indicated are calculated excluding the business of the Reinsurance segment.

Future policy benefit liabilities for individual and group traditional fixed annuities after annuitization are equal to the present value of expected future payments and premium deficiency reserves. Interest rates used in establishing such liabilities range from 3% to 11%.

Future policy benefit liabilities for non-medical health insurance are calculated using the net level premium method and assumptions as to future morbidity, withdrawals and interest, which provide a margin for adverse deviation. Interest rates used in establishing such liabilities range from 3% to 7%.

Future policy benefit liabilities for disabled lives are estimated using the present value of benefits method and experience assumptions as to claim terminations, expenses and interest. Interest rates used in establishing such liabilities range from 3% to 8%.

Policyholder account balances relate to investment-type contracts and universal life-type policies. Investment-type contracts principally include traditional individual fixed annuities in the accumulation phase and non-variable group annuity contracts. Policyholder account balances are equal to (i) policy account values, which consist of an accumulation of gross premium payments; and (ii) credited interest, ranging from 1% to 14%, less expenses, mortality charges, and withdrawals.

The Company issues fixed and floating rate obligations under its guaranteed interest contract ("GIC") program which are denominated in either U.S. dollars or foreign currencies. During the years ended December 31, 2005, 2004 and 2003, the Company issued $4,018 million, $3,958 million and $4,349 million, respectively, in such obligations. During the years ended December 31, 2005, 2004 and 2003, there were repayments of $1,052 million, $150 million and $47 million respectively, of GICs under this program. Accordingly, the GICs outstanding, which are included in policyholder account balances in the accompanying consolidated balance sheets, were $12,149 million and $9,017 million at December 31, 2005 and 2004, respectively. Interest credited on the contracts for the years ended December 31, 2005, 2004 and 2003 was $384 million, $142 million and $58 million, respectively.

The Company establishes future policy benefit liabilities for minimum death and income benefit guarantees relating to certain annuity contracts and secondary and paid up guarantees relating to certain life policies as follows:

- Annuity guaranteed death benefit liabilities are determined by estimating the expected value of death benefits in excess of the projected account balance and recognizing the excess ratably over the accumulation period based on total expected assessments. The Company regularly evaluates estimates used and adjusts the additional liability balance, with a related charge or credit to benefit expense, if actual experience or other evidence suggests that earlier assumptions should be revised. The assumptions used in estimating the liabilities are consistent with those used for amortizing DAC, including the mean reversion assumption. The assumptions of investment performance and volatility are consistent with the historical experience of the Standard & Poor's 500 Index ("S&P"). The benefits used in calculating the liabilities are based on the average benefits payable over a range of scenarios.

- Guaranteed income benefit liabilities are determined by estimating the expected value of the income benefits in excess of the projected account balance at the date of annuitization and recognizing the excess ratably over the accumulation period based on total expected assessments. The Company regularly evaluates estimates used and adjusts the additional liability balance, with a related charge or credit to benefit expense, if actual experience or other evidence suggests that earlier assumptions should be revised. The assumptions used for calculating such guaranteed income benefit liabilities are consistent with those used for calculating the guaranteed death benefit liabilities. In addition, the calculation of guaranteed annuitization benefit liabilities incorporates a percentage of the potential annuitizations that may be elected by the contractholder.
- Liabilities for universal and variable life secondary guarantees and paid-up guarantees are determined by estimating the expected value of death benefits payable when the account balance is projected to be zero and recognizing those benefits ratably over the accumulation period based on total expected assessments. The Company regularly evaluates estimates used and adjusts the additional liability balances, with a related charge or credit to benefit expense, if actual experience or other evidence suggests that earlier assumptions should be revised. The assumptions used in estimating the secondary and paid up guarantee liabilities are consistent with those used for amortizing DAC. The assumptions of investment performance and volatility for variable products are consistent with historical S&P experience. The benefits used in calculating the liabilities are based on the average benefits payable over a range of scenarios.

The Company offers certain variable annuity products with guaranteed minimum benefit riders as follows:

- Guaranteed minimum withdrawal benefit riders ("GMWB"s) guarantee a policyholder return of the purchase payment plus a bonus amount via partial withdrawals, even if the account value is reduced to zero, provided that the policyholder's cumulative withdrawals in a contract year do not exceed a certain limit. The initial guaranteed withdrawal amount is equal to the initial benefit base as defined in the contract. When an additional purchase payment is made, the guaranteed withdrawal amount is set equal to the greater of (i) the guaranteed withdrawal amount before the purchase payment or (ii) the benefit base after the purchase payment. The benefit base increases by additional purchase payments plus a bonus amount and decreases by benefits paid and/or withdrawal amounts. After a specified period of time, the benefit base may also change as a result of an optional reset as defined in the contract. The benefit base can be reset to the account balance on the date of the reset if greater than the benefit base before the reset. The GMWB is an embedded derivative, which is measured at fair value separately from the host variable annuity product.
- Guaranteed minimum accumulation benefit riders ("GMAB"s) provide the contract holder with a minimum accumulation of their purchase payments deposited within a specific time period, adjusted proportionately for withdrawals, after a specified period of time determined at the time of issuance of the variable annuity contract. The GMAB is also an embedded derivative, which is measured at fair value separately from the host variable annuity product.
- The fair value of the GMWBs and GMABs is calculated based on actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract charges, over the lives of the contracts, incorporating expectations concerning policyholder behavior. In measuring the fair value of GMWBs and GMABs, the Company attributes a portion of the fees collected from the policyholder equal to the present value of expected future guaranteed minimum withdrawal and accumulation benefits. GMWBs and GMABs are reported in policyholder account balances and the changes in fair value are reported in net investment gains (losses). Any additional fees represent "excess" fees and are reported in universal life and investment-type product policy fees.

Other Policyholder Funds

Other policyholder funds includes policy and contract claims and unearned policy and contract fees.

Recognition of Insurance Revenue and Related Benefits

Premiums related to traditional life and annuity policies with life contingencies are recognized as revenues when due. Benefits and expenses are provided against such revenues to recognize profits over the estimated lives of the policies. When premiums are due over a significantly shorter period than the period over which benefits are provided, any excess profit is deferred and recognized into operations in a constant relationship to insurance in-force or, for annuities, the amount of expected future policy benefit payments.

Premiums related to non-medical health and disability contracts are recognized on a pro rata basis over the applicable contract term.

Deposits related to universal life-type and investment-type products are credited to policyholder account balances. Revenues from such contracts consist of amounts assessed against policyholder account balances for mortality, policy administration and surrender charges and are recorded in universal life and investment-type product policy fees in the period in which services are provided. Amounts that are charged to operations include interest credited and benefit claims incurred in excess of related policyholder account balances.

Other Revenues

Other revenues include advisory fees, broker/dealer commissions and fees, and administrative service fees. Such fees and commissions are recognized in the period in which services are performed. Other revenues also include changes in account value relating to corporate-owned life insurance ("COLI"). Under certain COLI contracts, if the Company reports certain unlikely adverse results in its consolidated financial statements, withdrawals would not be immediately available and would be subject to market value adjustment, which could result in a reduction of the account value.

Policyholder Dividends

Policyholder dividends are approved annually by Metropolitan Life and its insurance subsidiaries' boards of directors. The aggregate amount of policyholder dividends is related to actual interest, mortality, morbidity and expense experience for the year, as well as management's judgment as to the appropriate level of statutory surplus to be retained by Metropolitan Life and its insurance subsidiaries.

Federal Income Taxes

The Company joins with the Holding Company and its includable affiliates in filing a consolidated U.S. federal income tax return. The consolidating companies have executed a tax allocation agreement. Under the agreement, current federal income tax expense (benefit) is computed on a separate return basis and provides that members shall make payments (receive reimbursement) to (from) the Holding Company to the extent that their income (losses and other credits) contributes to (reduce) the consolidated federal income tax expense. The consolidating companies are reimbursed for net operating losses or other tax attributes they have generated when utilized in the consolidated return. The Company files state income tax returns on an individual corporate basis.

The future tax consequences of temporary differences between financial reporting and tax bases of assets and liabilities are measured at the balance sheet dates and are recorded as deferred income tax assets and liabilities. Valuation allowances are established when management assesses, based on available information, that it is more likely than not that deferred income tax assets will not be realized.

Reinsurance

The Company has reinsured certain of its life insurance contracts with other insurance companies under various agreements. For reinsurance contracts that transfer sufficient underwriting risk, reinsurance premiums, commissions, expense reimbursements, benefits and liabilities related to reinsured long-duration contracts are accounted for over the life of the underlying reinsured contracts using assumptions consistent with those used to account for the underlying contracts. The cost of reinsurance related to short-duration contracts is accounted for over the reinsurance contract period. Amounts due from reinsurers, for both short- and long-duration arrangements, are estimated based upon assumptions consistent with those used in establishing the liabilities related to the underlying reinsured contracts. Policy and contract liabilities are reported gross of reinsurance credits. DAC is reduced by amounts recovered under reinsurance contracts. Amounts received from reinsurers for policy administration are reported in other revenues.

The Company assumes and retrocedes financial reinsurance contracts, which represent low mortality risk reinsurance treaties. These contracts are reported as deposits and are included in other assets. The amount of revenue reported on these contracts represents fees and the cost of insurance under the terms of the reinsurance agreement and is reported in other revenues.

Separate Accounts

Separate accounts are established in conformity with insurance laws and are generally not chargeable with liabilities that arise from any other business of the Company. Separate account assets are subject to general account claims only to the extent the value of such assets exceeds the separate account liabilities. Effective with the adoption of Statement of Position 03-1, *Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts* ("SOP 03-1"), on January 1, 2004, the Company reports separately, as assets and liabilities, investments held in separate accounts and liabilities of the separate accounts if (i) such separate accounts are legally recognized; (ii) assets supporting the contract liabilities are legally insulated from the Company's general account liabilities; (iii) investments are directed by the contractholder; and (iv) all investment performance, net of contact fees and assessments, is passed through to the contractholder. The Company reports separate account assets meeting such criteria at their fair value. Investment performance (including investment income, net investment gains (losses) and changes in unrealized gains (losses)) and the corresponding amounts credited to contractholders of such separate accounts are offset within the same line in the consolidated statements of income. In connection with the adoption of SOP 03-1, separate account assets with a fair value of $1.7 billion were reclassified to general account investments with a corresponding transfer of separate account liabilities to future policy benefits and policyholder account balances. See "— Application of Recent Accounting Pronouncements."

The Company's revenues reflect fees charged to the separate accounts, including mortality charges, risk charges, policy administration fees, investment management fees and surrender charges. Separate accounts not meeting the above criteria are combined on a line-by-line basis with the Company's general account assets, liabilities, revenues and expenses.

Stock-Based Compensation

MetLife, Inc. and the Company account for stock-based compensation plans using the prospective fair value accounting method prescribed by SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), as amended by SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure* ("SFAS 148"). The fair value method requires compensation cost to be measured based on the fair value of the equity instrument at the grant or award date. MetLife, Inc. allocates substantially all of the stock option expense to the Company.

Stock-based compensation grants prior to January 1, 2003 are accounted for using the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"). Note 12 includes the pro forma disclosures required by SFAS No. 123, as amended. The intrinsic value method represents the quoted market price or fair value of the equity award at the measurement date less the amount, if any, the employee is required to pay.

Stock-based compensation is accrued over the vesting period of the grant or award.

Foreign Currency

Balance sheet accounts of foreign operations are translated at the exchange rates in effect at each year-end and income and expense accounts are translated at the average rates of exchange prevailing during the year. The local currencies of foreign operations are the functional currencies unless the local economy is highly inflationary. Translation adjustments are charged or credited directly to other comprehensive income or loss. Gains and losses from foreign currency transactions are reported as gains (losses) in the period in which they occur.

Discontinued Operations

The results of operations of a component of the Company that either has been disposed of or is classified as held-for-sale are reported in discontinued operations if the operations and cash flows of the component have been or will be eliminated from the ongoing operations of the Company as a result of the disposal transaction and the Company will not have any significant continuing involvement in the operations of the component after the disposal transaction.

Application of Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Instruments* ("SFAS 155"). SFAS 155 amends SFAS 133 and SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* ("SFAS 140"). SFAS 155 allows financial instruments that have embedded derivatives to be accounted for as a whole, eliminating the need to bifurcate the derivative from its host, if the holder elects to account for the whole instrument on a fair value basis. In addition, among other changes, SFAS 155 (i) clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS 133; (ii) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, (iii) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, and (iv) eliminates the prohibition on a qualifying special-purpose entity ("QSPE") from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial interest. SFAS 155 will be applied prospectively and is effective for all financial instruments acquired or issued for fiscal years beginning after September 15, 2006. SFAS 155 is not expected to have a material impact on the Company's consolidated financial statements. The FASB has issued additional guidance relating to derivative financial instruments as follows:

- In June 2005, the FASB cleared SFAS 133 Implementation Issue No. B38, *Embedded Derivatives: Evaluation of Net Settlement with Respect to the Settlement of a Debt Instrument through Exercise of an Embedded Put Option or Call Option* ("Issue B38") and SFAS 133 Implementation Issue No. B39, *Embedded Derivatives: Application of Paragraph 13(b) to Call Options That Are Exercisable Only by the Debtor* ("Issue B39"). Issue B38 clarified that the potential settlement of a debtor's obligation to a creditor occurring upon exercise of a put or call option meets the net settlement criteria of SFAS No. 133. Issue B39 clarified that an embedded call option, in which the underlying is an interest rate or interest rate index, that can accelerate the settlement of a debt host financial instrument should not be bifurcated and fair valued if the right to accelerate the settlement can be exercised only by the debtor (issuer/borrower) and the investor will recover substantially all of its initial net investment. Issues B38 and B39, which must be adopted as of the first day of the first fiscal quarter beginning after December 15, 2005, did not have a material impact on the Company's consolidated financial statements.

- Effective October 1, 2003, the Company adopted SFAS 133 Implementation Issue No. B36, *Embedded Derivatives: Modified Coinsurance Arrangements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments* ("Issue B36"). Issue B36 concluded that (i) a company's funds withheld payable and/or receivable under certain reinsurance arrangements; and (ii) a debt instrument that incorporates credit risk exposures that are unrelated or only partially related to the creditworthiness of the obligor include an embedded derivative feature that is not clearly and closely related to the host contract. Therefore, the embedded derivative feature is measured at fair value on the balance sheet and changes in fair value are reported in income. As a result of the adoption of Issue B36, the Company recorded a cumulative effect of a change in accounting of $26 million, net of income taxes, for the year ended December 31, 2003.

- Effective July 1, 2003, the Company adopted SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* ("SFAS 149"). SFAS 149 amended and clarified the accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Except for certain previously issued and effective guidance, SFAS 149 was effective for contracts entered into or modified after June 30, 2003. The Company's adoption of SFAS 149 did not have a significant impact on its consolidated financial statements.

Effective November 9, 2005, the Company prospectively adopted the guidance in FASB Staff Position ("FSP") FAS 140-2, *Clarification of the Application of Paragraphs 40(b) and 40(c) of FAS 140* ("FSP 140-2"). FSP 140-2 clarified certain criteria relating to derivatives and beneficial interests when considering whether an entity qualifies as a QSPE. Under FSP 140-2, the criteria must only be met at the date the QSPE issues beneficial interests or when a derivative financial instrument needs to be replaced upon the occurrence of a specified event outside the control of the transferor. FSP 140-2 did not have a material impact on the Company's consolidated financial statements.

In September 2005, the American Institute of Certified Public Accountants ("AICPA") issued SOP 05-1, *Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts* ("SOP 05-1"). SOP 05-1 provides guidance on accounting by insurance enterprises for deferred acquisition costs on internal replacements of insurance and investment contracts other than those specifically described in SFAS No. 97, *Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and For Realized Gains and Losses from the Sale of Investments.* SOP 05-1 defines an internal replacement as a modification in product benefits, features, rights, or coverages that occurs by the exchange of a contract for a new contract, or by amendment, endorsement, or rider to a contract, or by the election of a feature or coverage within a contract. Under SOP 05-1, modifications that result in a substantially unchanged contract will be accounted for as a continuation of the replaced contract. A replacement contract that is substantially changed will be accounted for as an extinguishment of the replaced contract resulting in a release of unamortized deferred acquisition costs, unearned revenue and deferred sales inducements associated with the replaced contract. The guidance in SOP 05-1 will be applied prospectively and is effective for internal replacements occurring in fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact of SOP 05-1 and does not expect that the pronouncement will have a material impact on the Company's consolidated financial statements.

In September 2005, the Emerging Issues Task Force ("EITF") reached consensus on Issue No. 05-7, *Accounting for Modifications to Conversion Options Embedded in Debt Instruments and Related Issues* ("EITF 05-7"). EITF 05-7 provides guidance on whether a modification of conversion options embedded in debt results in an extinguishment of that debt. In certain situations, companies may change the terms of an embedded conversion option as part of a debt modification. The EITF concluded that the change in the fair value of an embedded conversion option upon modification should be included in the analysis of EITF Issue No. 96-19, *Debtor's Accounting for a Modification or Exchange of Debt Instruments*, to determine whether a modification or extinguishment has occurred and that a change in the fair value of a conversion option should be recognized upon the modification as a discount (or premium) associated with the debt, and an increase (or decrease) in additional paid-in capital. EITF 05-7 will be applied prospectively and is effective for all debt modifications occurring in periods beginning after December 15, 2005. EITF 05-7 did not have a material impact on the Company's consolidated financial statements.

In September 2005, the EITF reached consensus on Issue No. 05-8, *Income Tax Consequences of Issuing Convertible Debt with a Beneficial Conversion Feature* ("EITF 05-8"). EITF 05-8 concludes that (i) the issuance of convertible debt with a beneficial conversion feature results in a basis difference that should be accounted for as a temporary difference and (ii) the establishment of the deferred tax liability for the basis difference should result in an adjustment to additional paid in capital. EITF 05-8 will be applied retrospectively for all instruments with a beneficial conversion feature accounted for in accordance with EITF Issue No. 98-5, *Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios*, and EITF Issue No. 00-27, *Application of Issue No. 98-5 to Certain Convertible Instruments*, and is effective for periods beginning after December 15, 2005. EITF 05-8 did not have a material impact on the Company's consolidated financial statements.

Effective July 1, 2005, the Company adopted SFAS No. 153, *Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29* ("SFAS 153"). SFAS 153 amended prior guidance to eliminate the exception for nonmonetary exchanges of similar productive assets and replaced it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of SFAS 153 were required to be applied prospectively for fiscal periods beginning after June 15, 2005. The adoption of SFAS 153 did not have a material impact on the Company's consolidated financial statements.

Effective July 1, 2005, the Company adopted EITF Issue No. 05-6, *Determining the Amortization Period for Leasehold Improvements* ("EITF 05-6"). EITF 05-6 provides guidance on determining the amortization period for leasehold improvements acquired in a business combination or acquired subsequent to lease inception. As required by EITF 05-6, the Company adopted this guidance on a prospective basis which had no material impact on the Company's consolidated financial statements.

In June 2005, the FASB completed its review of EITF Issue No. 03-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* ("EITF 03-1"). EITF 03-1 provides accounting guidance regarding the determination of when an impairment of debt and marketable equity securities and investments accounted for under the cost method should be considered other-than-temporary and recognized in income. EITF 03-1 also requires certain quantitative and qualitative disclosures for debt and marketable equity securities classified as available-for-sale or held-to-maturity under SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* ("SFAS 115"), that are impaired at the balance sheet date but for which an other-than-temporary impairment has not been recognized. The FASB decided not to provide additional guidance on the meaning of other-than-temporary impairment but has issued

FSP 115-1, *The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments* ("FSP 115-1"), which nullifies the accounting guidance on the determination of whether an investment is other-than-temporarily impaired as set forth in EITF 03-1. As required by FSP 115-1, the Company adopted this guidance on a prospective basis, which had no material impact on the Company's consolidated financial statements, and has provided the required disclosures.

In June 2005, the EITF reached consensus on Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* ("EITF 04-5"). EITF 04-5 provides a framework for determining whether a general partner controls and should consolidate a limited partnership or a similar entity in light of certain rights held by the limited partners. The consensus also provides additional guidance on substantive rights. EITF 04-5 was effective after June 29, 2005 for all newly formed partnerships and for any pre-existing limited partnerships that modified their partnership agreements after that date. EITF 04-5 must be adopted by January 1, 2006 for all other limited partnerships through a cumulative effect of a change in accounting principle recorded in opening equity or it may be applied retrospectively by adjusting prior period financial statements. The adoption of this provision of EITF 04-5 did not have a material impact on the Company's consolidated financial statements.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3* ("SFAS 154"). The statement requires retrospective application to prior periods' financial statements for a voluntary change in accounting principle unless it is deemed impracticable. It also requires that a change in the method of depreciation, amortization, or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate rather than a change in accounting principle. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS 154 did not have a material impact on the Company's consolidated financial statements.

In December 2004, the FASB issued SFAS 123 (revised 2004), *Share-Based Payment* ("SFAS 123(r)"), which revised SFAS 123 and supersedes APB 25. SFAS 123(r) provides additional guidance on determining whether certain financial instruments awarded in share-based payment transactions are liabilities. SFAS 123(r) also requires that the cost of all share-based transactions be measured at fair value and recognized over the period during which an employee is required to provide service in exchange for an award. The SEC issued a final ruling in April 2005 allowing a public company that is not a small business issuer to implement SFAS 123(r) at the beginning of the next fiscal year after June 15, 2005. Thus, the revised pronouncement must be adopted by the Company by January 1, 2006. As permitted under SFAS 148, *Accounting for Stock-Based Compensation — Transition and Disclosure — an amendment of FASB Statement No. 123*, the Company elected to use the prospective method of accounting for stock options granted subsequent to December 31, 2002. Options granted prior to January 1, 2003 will continue to be accounted for under the intrinsic value method until the adoption of SFAS 123(r). In addition, the pro forma impact of accounting for these options at fair value continued to be accounted for under the intrinsic value method until the last of those options vested in 2005. As all stock options currently accounted for under the intrinsic value method vested prior to the effective date, implementation of SFAS 123(r) will not have a significant impact on the Company's consolidated financial statements. See Note 12.

Effective July 1, 2004, the Company prospectively adopted FSP No. 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003* ("FSP 106-2"). FSP 106-2 provides accounting guidance to employers that sponsor postretirement health care plans that provide prescription drug benefits. The Company expects to receive subsidies on prescription drug benefits beginning in 2006 under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 based on the Company's determination that the prescription drug benefits offered under certain postretirement plans are actuarially equivalent to the benefits offered under Medicare Part D. The postretirement benefit plan assets and accumulated benefit obligation were remeasured to determine the effect of the expected subsidies on net periodic postretirement benefit cost. As a result, the accumulated postretirement benefit obligation was reduced by $213 million at July 1, 2004. See Note 11.

Effective July 1, 2004, the Company adopted EITF Issue No. 03-16, *Accounting for Investments in Limited Liability Companies* ("EITF 03-16"). EITF 03-16 provides guidance regarding whether a limited liability company should be viewed as similar to a corporation or similar to a partnership for purposes of determining whether a noncontrolling investment should be accounted for using the cost method or the equity method of accounting. EITF 03-16 did not have a material impact on the Company's consolidated financial statements.

Effective April 1, 2004, the Company adopted EITF Issue No. 03-6, *Participating Securities and the Two — Class Method under FASB Statement No. 128* ("EITF 03-6"). EITF 03-6 provides guidance on determining whether a security should be considered a participating security for purposes of computing earnings per common share and how earnings should be allocated to the participating security. EITF 03-6 did not have an impact on the Company's earnings per common share calculations or amounts.

Effective January 1, 2004, the Company adopted SOP 03-1, as interpreted by a Technical Practice Aid ("TPA"), issued by the AICPA. SOP 03-1 provides guidance on (i) the classification and valuation of long-duration contract liabilities; (ii) the accounting for sales inducements; and (iii) separate account presentation and valuation. In June 2004, the FASB released FSP No. 97-1, *Situations in Which Paragraphs 17(b) and 20 of FASB Statement No. 97, Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments, Permit or Require Accrual of an Unearned Revenue Liability* ("FSP 97-1"), which included clarification that unearned revenue liabilities should be considered in determining the necessary insurance benefit liability required under SOP 03-1. Since the Company had considered unearned revenue in determining its SOP 03-1 benefit liabilities, FSP 97-1 did not impact its consolidated financial statements. As a result of the adoption of SOP 03-1, effective January 1, 2004, the Company decreased the liability for future policyholder benefits for changes in the methodology relating to various guaranteed death and annuitization benefits and for determining liabilities for certain universal life insurance contracts by $8 million, which has been reported as a cumulative effect of a change in accounting. This amount is net of corresponding changes in DAC, including VOBA and unearned revenue liability ("offsets"), under certain variable annuity and life contracts and income taxes. Certain other contracts sold by the Company provide for a return through periodic crediting rates, surrender adjustments or termination adjustments based on the total return of a contractually referenced pool of assets owned by the Company. To the extent that such contracts are not accounted for as derivatives under the provisions of SFAS No. 133 and not already credited to the contract account balance, under SOP 03-1 the change relating to the fair value of the referenced pool of assets is recorded as a liability with the change in the liability recorded as policyholder benefits and claims. Prior to the adoption of SOP 03-1, the Company recorded the change in such liability as other comprehensive income. At adoption, this change decreased net income and increased other comprehensive income by $33 million, net of income taxes, which were recorded as cumulative effects of changes in accounting. Effective with the adoption of SOP 03-1, costs associated with enhanced or bonus crediting rates to contractholders must be deferred and amortized over the life of the related contract using assumptions consistent with the amortization of DAC. Since the Company followed a similar approach prior to adoption of SOP 03-1, the provisions of SOP 03-1 relating to sales inducements had no significant impact on the Company's consolidated financial statements. In accordance with SOP 03-1's guidance for the reporting of certain separate accounts, at adoption, the Company also reclassified $1.7 billion of separate account assets to general account investments and $1.7 billion of separate account liabilities to future policy benefits and policyholder account balances. This reclassification decreased net income and increased other comprehensive income by $27 million, net of income taxes, which were reported as cumulative effects of changes in accounting. Due to the adoption of SOP 03-1, the Company recorded a cumulative effect of a change in accounting of $52 million, net of income taxes of $27 million, for the year ended December 31, 2004.

In December 2003, FASB revised SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits — an Amendment of FASB Statements No. 87, 88 and 106* ("SFAS 132(r)"). SFAS 132(r) retains most of the disclosure requirements of SFAS 132 and requires additional disclosure about assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other postretirement plans. SFAS 132(r) was primarily effective for fiscal years ending after December 15, 2003; however, certain disclosures about foreign plans and estimated future benefit payments were effective for fiscal years ending after June 15, 2004. The Company's adoption of SFAS 132(r) did not have a significant impact on its consolidated financial statements since it only revised disclosure requirements.

During 2003, the Company adopted FIN 46 and FIN 46(r). Certain of the Company's investments in real estate joint ventures and other limited partnership interests meet the definition of a variable interest entity ("VIE") and have been consolidated, in accordance with the transition rules and effective dates, because the Company is deemed to be the primary beneficiary. A VIE is defined as (i) any entity in which the equity investments at risk in such entity do not have the characteristics of a controlling financial interest; or (ii) any entity that does not have sufficient equity at risk to finance its activities without additional subordinated support from other parties. Effective February 1, 2003, the Company adopted FIN 46 for VIEs created or acquired on or after February 1, 2003 and, effective December 31, 2003, the Company adopted FIN 46(r) with respect to interests in entities formerly considered special purpose entities ("SPEs"), including interests in asset-backed securities and collateralized debt obligations. The adoption of FIN 46 as of February 1, 2003 did not have a significant impact on the Company's consolidated financial statements. The adoption of the provisions of FIN 46(r) at December 31, 2003 did not require the Company to consolidate any additional VIEs that were not previously consolidated. In accordance with the provisions of FIN 46(r), the Company elected to defer until March 31, 2004 the consolidation of interests in VIEs for non-SPEs acquired prior to February 1, 2003 for which it is the primary beneficiary. As of March 31, 2004, the Company consolidated assets and liabilities relating to real estate joint ventures of $78 million and $11 million, respectively, and assets and liabilities relating to other limited partnerships of $29 million and less than $1 million, respectively, for VIEs for which the Company was deemed to be the primary beneficiary. There was no impact to net income from the adoption of FIN 46.

Effective January 1, 2003, the Company adopted FIN No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45"). FIN 45 requires entities to establish liabilities for certain types of guarantees and expands financial statement disclosures for others. The initial recognition and initial measurement provisions of FIN 45 were applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The adoption of FIN 45 did not have a significant impact on the Company's consolidated financial statements. See Note 10.

Effective January 1, 2003, the Company adopted SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("SFAS 146"). SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recorded and measured initially at fair value only when the liability is incurred rather than at the date of an entity's commitment to an exit plan as required by EITF Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity Including Certain Costs Incurred in a Restructuring* ("EITF 94-3"). As required by SFAS 146, the Company adopted this guidance on a prospective basis which had no material impact on the Company's consolidated financial statements.

Effective January 1, 2003, the Company adopted SFAS No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections* ("SFAS 145"). In addition to amending or rescinding other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions, SFAS 145 generally precludes companies from recording gains and losses from the extinguishment of debt as an extraordinary item. SFAS 145 also requires sale-leaseback treatment for certain modifications of a capital lease that result in the lease being classified as an operating lease. The adoption of SFAS 145 did not have a significant impact on the Company's consolidated financial statements.

2. Investments

Fixed Maturities by Sector and Equity Securities Available-for-Sale

The following tables set forth the cost or amortized cost, gross unrealized gain and loss, and estimated fair value of the Company's fixed maturities by sector and equity securities, the percentage of the total fixed maturities holdings that each sector represents and the percentage of the total equity securities at:

	December 31, 2005				
	Cost or Amortized Cost	Gross Unrealized		Estimated Fair Value	% of Total
		Gain	Loss		
		(In millions)			
U.S. corporate securities	$ 47,966	$2,506	$ 358	$ 50,114	33.9%
Residential mortgage-backed securities	30,213	315	292	30,236	20.4
Foreign corporate securities	22,873	1,625	257	24,241	16.4
U.S. Treasury/agency securities	17,858	1,333	18	19,173	13.0
Commercial mortgage-backed securities	10,793	194	102	10,885	7.4
Asset-backed securities	6,412	74	29	6,457	4.4
Foreign government securities	4,734	999	10	5,723	3.9
State and political subdivision securities	738	21	10	749	0.5
Other fixed maturity securities	203	10	33	180	0.1
Total bonds	141,790	7,077	1,109	147,758	100.0
Redeemable preferred stocks	139	1	1	139	—
Total fixed maturities	$141,929	$7,078	$1,110	$147,897	100.0%
Common stocks	$ 1,616	$ 229	$ 25	$ 1,820	82.1%
Nonredeemable preferred stocks	373	27	3	397	17.9
Total equity securities	$ 1,989	$ 256	$ 28	$ 2,217	100.0%

	December 31, 2004				
	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value	% of Total
	(In millions)				
U.S. corporate securities	$ 51,398	$3,561	$144	$ 54,815	36.5%
Residential mortgage-backed securities	28,155	573	52	28,676	19.1
Foreign corporate securities	21,545	2,381	65	23,861	15.9
U.S. Treasury/agency securities	14,938	1,271	19	16,190	10.8
Commercial mortgage-backed securities	10,395	408	30	10,773	7.2
Asset-backed securities	9,282	115	29	9,368	6.2
Foreign government securities	4,650	766	12	5,404	3.6
State and political subdivision securities	340	16	1	355	0.2
Other fixed maturity securities	519	46	33	532	0.3
Total bonds	141,222	9,137	385	149,974	99.8
Redeemable preferred stocks	274	—	19	255	0.2
Total fixed maturities	$141,496	$9,137	$404	$150,229	100.0%
Common stocks	$ 1,329	$ 238	$ 5	$ 1,562	82.1%
Nonredeemable preferred stocks	317	24	—	341	17.9
Total equity securities	$ 1,646	$ 262	$ 5	$ 1,903	100.0%

The Company held foreign currency derivatives with notional amounts of $4,946 million and $4,642 million to hedge the exchange rate risk associated with foreign bonds and loans at December 31, 2005 and 2004, respectively.

Excluding investments in U.S. Treasury securities and obligations of U.S. government corporations and agencies, the Company is not exposed to any significant concentration of credit risk in its fixed maturities portfolio.

The Company held fixed maturities at estimated fair values that were below investment grade or not rated by an independent rating agency that totaled $10,160 million and $11,199 million at December 31, 2005 and 2004, respectively. These securities had a net unrealized gain of $388 million and $876 million at December 31, 2005 and 2004, respectively. Non-income producing fixed maturities at fair value were $10 million and $84 million at December 31, 2005 and 2004, respectively. Unrealized gains (losses) associated with non-income producing fixed maturities were $1 million and $(11) million at December 31, 2005 and 2004, respectively.

The cost or amortized cost and estimated fair value of bonds at December 31, 2005 and 2004, by contractual maturity date (excluding scheduled sinking funds), are shown below:

	December 31,			
	2005		2004	
	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value
	(In millions)			
Due in one year or less	$ 4,271	$ 4,320	$ 5,490	$ 5,577
Due after one year through five years	20,419	20,899	24,322	25,487
Due after five years through ten years	29,365	30,335	28,842	31,041
Due after ten years	40,317	44,626	34,736	39,052
Subtotal	94,372	100,180	93,390	101,157
Mortgage-backed, commercial mortgage-backed and other asset-backed securities	47,418	47,578	47,832	48,817
Subtotal	141,790	147,758	141,222	149,974
Redeemable preferred stock	139	139	274	255
Total fixed maturities	$141,929	$147,897	$141,496	$150,229

Bonds not due at a single maturity date have been included in the above table in the year of final contractual maturity. Actual maturities may differ from contractual maturities due to the exercise of prepayment options.

Sales or disposals of fixed maturities and equity securities classified as available-for-sale were as follows:

	Years Ended December 31,		
	2005	2004	2003
	(In millions)		
Proceeds	$97,347	$53,639	$48,390
Gross investment gains	$ 623	$ 792	$ 446
Gross investment losses	$ (956)	$ (468)	$ (452)

Gross investment losses above exclude writedowns recorded during 2005, 2004 and 2003 for other-than-temporarily impaired available-for-sale fixed maturities and equity securities of $64 million, $93 million and $328 million, respectively.

The Company periodically disposes of fixed maturity and equity securities at a loss. Generally, such losses are insignificant in amount or in relation to the cost basis of the investment or are attributable to declines in fair value occurring in the period of disposition.

Unrealized Losses for Fixed Maturities and Equity Securities Available-for-Sale

The following tables show the estimated fair values and gross unrealized losses of the Company's fixed maturities (aggregated by sector) and equity securities in an unrealized loss position, aggregated by length of time that the securities have been in a continuous unrealized loss position at December 31, 2005 and 2004:

	December 31, 2005					
	Less than 12 Months		Equal to or Greater than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
	(In millions, except number of securities)					
U.S. corporate securities	$12,171	$275	$2,295	$ 83	$14,466	$ 358
Residential mortgage-backed securities	18,839	267	884	25	19,723	292
Foreign corporate securities	6,947	199	1,621	58	8,568	257
U.S. Treasury/agency securities	2,856	16	107	2	2,963	18
Commercial mortgage-backed securities	5,323	89	401	13	5,724	102
Asset-backed securities	2,289	21	239	8	2,528	29
Foreign government securities	429	9	161	1	590	10
State and political subdivision securities	327	10	—	—	327	10
Other fixed maturity securities	—	29	38	4	38	33
Total bonds	49,181	915	5,746	194	54,927	1,109
Redeemable preferred stocks	48	1	—	—	48	1
Total fixed maturities	$49,229	$916	$5,746	$194	$54,975	$1,110
Equity securities	$ 409	$ 24	$ 57	$ 4	$ 466	$ 28
Total number of securities in an unrealized loss position	3,607		675		4,282	

	December 31, 2004					
	Less than 12 Months		Equal to or Greater than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
	(In millions, except number of securities)					
U.S. corporate securities	$ 8,122	$ 97	$1,081	$ 47	$ 9,203	$144
Residential mortgage-backed securities	7,257	49	215	3	7,472	52
Foreign corporate securities	3,234	52	413	13	3,647	65
U.S. Treasury/agency securities	4,399	19	1	—	4,400	19
Commercial mortgage-backed securities	3,137	27	136	3	3,273	30
Asset-backed securities	3,424	22	203	7	3,627	29
Foreign government securities	490	8	39	4	529	12
State and political subdivision securities	37	—	14	1	51	1
Other fixed maturity securities	37	33	12	—	49	33
Total bonds	30,137	307	2,114	78	32,251	385
Redeemable preferred stocks	255	19	—	—	255	19
Total fixed maturities	$30,392	$326	$2,114	$ 78	$32,506	$404
Equity securities	$ 78	$ 5	$ 4	$ —	$ 82	$ 5
Total number of securities in an unrealized loss position	2,896		248		3,144	

Aging of Gross Unrealized Losses for Fixed Maturities and Equity Securities Available-for-Sale

The following tables present the cost or amortized cost, gross unrealized losses and number of securities for fixed maturities and equity securities at December 31, 2005 and 2004, where the estimated fair value had declined and remained below cost or amortized cost by less than 20%, or 20% or more for:

	December 31, 2005					
	Cost or Amortized Cost		Gross Unrealized Losses		Number of Securities	
	Less than 20%	20% or more	Less than 20%	20% or more	Less than 20%	20% or more
	(In millions, except number of securities)					
Less than six months	$43,966	$68	$ 732	$18	2,827	89
Six months or greater but less than nine months	2,666	4	82	2	268	7
Nine months or greater but less than twelve months	3,874	—	106	—	415	1
Twelve months or greater	5,980	21	193	5	668	7
Total	$56,486	$93	$1,113	$25	4,178	104

	December 31, 2004					
	Cost or Amortized Cost		Gross Unrealized Losses		Number of Securities	
	Less than 20%	20% or more	Less than 20%	20% or more	Less than 20%	20% or more
	(In millions, except number of securities)					
Less than six months	$22,449	$51	$194	$12	2,020	117
Six months or greater but less than nine months	7,039	8	94	1	593	5
Nine months or greater but less than twelve months	1,235	19	26	4	156	5
Twelve months or greater	2,176	20	63	15	241	7
Total	$32,899	$98	$377	$32	3,010	134

As of December 31, 2005, $1,113 million of unrealized losses related to securities with an unrealized loss position less than 20% of cost or amortized cost, which represented 2% of the cost or amortized cost of such securities. As of December 31, 2004, $377 million of unrealized losses related to securities with an unrealized loss position less than 20% of cost or amortized cost, which represented 1% of the cost or amortized cost of such securities.

As of December 31, 2005, $25 million of unrealized losses related to securities with an unrealized loss position greater than 20% of cost or amortized cost, which represented 27% of the cost or amortized cost of such securities. Of such unrealized losses of $25 million, $18 million have been in an unrealized loss position for a period of less than six months. As of December 31, 2004, $32 million of unrealized losses related to securities with an unrealized loss position greater than 20% of cost or amortized cost, which represented 33% of the cost or amortized cost of such securities. Of such unrealized losses of $32 million, $12 million have been in an unrealized loss position for a period of less than six months.

As described more fully in Note 1, the Company performs a regular evaluation, on a security-by-security basis, of its investment holdings in accordance with its impairment policy in order to evaluate whether such securities are other-than-temporarily impaired. The increase in the unrealized losses during 2005 is principally driven by an increase in interest rates during the year. Based upon the Company's evaluation of the securities in accordance with its impairment policy, the cause of the decline being principally attributable to the general rise in rates during the year, and the Company's intent and ability to hold the fixed income and equity securities with unrealized losses for a period of time sufficient for them to recover; the Company has concluded that the aforementioned securities are not other-than-temporarily impaired.

Securities Lending Program

The Company participates in a securities lending program whereby blocks of securities, which are included in fixed maturities, are loaned to third parties, primarily major brokerage firms. The Company requires a minimum of 102% of the fair value of the loaned securities to be separately maintained as collateral for the loans. Securities with a cost or amortized cost of $19,479 million and $23,325 million and an estimated fair value of $20,417 million and $24,625 million were on loan under the program at December 31, 2005 and 2004, respectively. Securities loaned under such transactions may be sold or repledged by the transferee. The Company was liable for cash collateral under its control of $20,975 million and $25,230 million at December 31, 2005 and 2004, respectively. Securities loaned transactions are accounted for as financing arrangements on the Company's consolidated balance sheets and consolidated statements of cash flows and the income and expenses associated with the program are reported in net investment income as investment income and investment expenses, respectively. Security collateral of $33 million and $17 million, respectively, at December 31, 2005 and 2004 on deposit from customers in connection with the securities lending transactions may not be sold or repledged and is not reflected in the consolidated financial statements.

Assets on Deposit and Held in Trust

The Company had investment assets on deposit with regulatory agencies with a fair market value of $1,473 million and $1,315 million at December 31, 2005 and 2004, respectively, consisting primarily of fixed maturity securities. Company securities held in trust to satisfy collateral requirements had an amortized cost of $1,492 million and $1,880 million at December 31, 2005 and 2004, respectively, consisting primarily of fixed maturity securities.

Mortgage and Consumer Loans

Mortgage and consumer loans were categorized as follows:

	December 31,			
	2005		2004	
	Amount	Percent	Amount	Percent
	(In millions)			
Commercial mortgage loans	$26,574	80%	$25,432	80%
Agricultural mortgage loans	6,242	19	5,654	18
Consumer loans	427	1	639	2
Total	33,243	100%	31,725	100%
Less: Valuation allowances	149		154	
Mortgage and consumer loans	$33,094		$31,571	

Mortgage loans are collateralized by properties primarily located in the United States. At December 31, 2005, approximately 20%, 9% and 7% of the properties were located in California, New York and Illinois, respectively. Generally, the Company, as the lender, only loans up to 75% of the purchase price of the underlying real estate.

Of the mortgage loans held at December 31, 2005 and 2004, $781 million and $1,480 million, respectively, of the loans granted, were in connection with Metropolitan Insurance and Annuity Company's ("MIAC"), a related party, purchase of real estate from the Company in 2001 and 2003. MIAC was merged into MTL, also a related party, in 2004. In 2005, MTL sold its 200 Park Avenue real estate property located in New York City, to a third party for $1.72 billion. Concurrent with the sale, MTL repaid the related $690 million mortgage, including accrued interest, it owed to the Company. Based on the terms of the loan agreement, the Company also received a $120 million prepayment fee from MTL, which was recognized as investment income when received.

In addition, the Company has also loaned money to certain real estate joint ventures which are recorded as mortgage loans. The carrying values of such mortgages were $379 million and $641 million at December 31, 2005 and 2004, respectively.

Changes in loan valuation allowances for mortgage and consumer loans were as follows:

	Years Ended December 31,		
	2005	2004	2003
	(In millions)		
Balance, beginning of year	$154	$126	$122
Additions	43	56	50
Deductions	(48)	(28)	(46)
Balance, end of year	$149	$154	$126

A portion of the Company's mortgage and consumer loans was impaired and consisted of the following:

	December 31,	
	2005	2004
	(In millions)	
Impaired mortgage loans with valuation allowances	$11	$178
Impaired mortgage loans without valuation allowances	86	115
Total	97	293
Less: Valuation allowances on impaired loans	2	40
Impaired loans	$95	$253

The average investment in impaired loans was $152 million, $376 million and $615 million for the years ended December 31, 2005, 2004 and 2003, respectively. Interest income on impaired loans was $6 million, $25 million and $55 million for the years ended December 31, 2005, 2004 and 2003, respectively.

The investment in restructured loans was $37 million and $121 million at December 31, 2005 and 2004, respectively. Interest income of $2 million, $9 million and $19 million was recognized on restructured loans for the years ended December 31, 2005, 2004 and 2003, respectively. Gross interest income that would have been recorded in accordance with the original terms of such loans amounted to $3 million, $11 million and $24 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Mortgage and consumer loans with scheduled payments of 60 days (90 days for agricultural mortgages) or more past due or in foreclosure had an amortized cost of $30 million and $35 million at December 31, 2005 and 2004, respectively.

Real Estate and Real Estate Joint Ventures

Real estate and real estate joint ventures consisted of the following:

	December 31, 2005	December 31, 2004
	(In millions)	
Real estate and real estate joint ventures held-for-investment	$4,205	$2,761
Impairments	(118)	(118)
Total	4,087	2,643
Real estate held-for-sale	—	694
Impairments	—	(16)
Total	—	678
Real estate and real estate joint ventures	$4,087	$3,321

Accumulated depreciation on real estate was $993 million and $1,222 million at December 31, 2005 and 2004, respectively. Related depreciation expense was $103 million, $116 million and $124 million for the years ended December 31, 2005, 2004 and 2003, respectively. These amounts include $9 million, $37 million and $51 million of depreciation expense related to discontinued operations for the years ended December 31, 2005, 2004 and 2003, respectively.

Real estate and real estate joint ventures were categorized as follows:

	December 31, 2005		December 31, 2004	
	Amount	Percent	Amount	Percent
	(In millions)			
Office	$2,529	62%	$1,800	55%
Retail	612	15	556	17
Apartments	447	11	514	15
Land	40	1	47	1
Agriculture	2	—	1	—
Other	457	11	403	12
Total	$4,087	100%	$3,321	100%

The Company's real estate holdings are primarily located in the United States. At December 31, 2005, approximately 26%, 17% and 15% of the Company's real estate holdings were located in California, Texas and New York, respectively.

Changes in the real estate and real estate joint ventures held-for-sale valuation allowance were as follows:

	Years Ended December 31,		
	2005	2004	2003
	(In millions)		
Balance, beginning of year	$ 4	$ 12	$ 11
Additions	5	13	17
Deductions	(9)	(21)	(16)
Balance, end of year	$—	$ 4	$ 12

Investment income related to impaired real estate and real estate joint ventures held-for-investment was $7 million, $15 million and $34 million for the years ended December 31, 2005, 2004 and 2003, respectively. There was no investment income (expense) related to impaired real estate and real estate joint ventures held-for-sale for the year ended December 31, 2005. Investment income (expense) related to impaired real estate and real estate joint ventures held-for-sale was ($1) million and $1 million for the years ended December 31, 2004 and 2003, respectively. The carrying value of non-income producing real estate and real estate joint ventures was $30 million and $38 million at December 31, 2005 and 2004, respectively.

The Company owned no real estate acquired in satisfaction of debt at December 31, 2005. The Company owned real estate acquired in satisfaction of debt of $1 million at December 31, 2004.

Leveraged Leases

Leveraged leases, included in other invested assets, consisted of the following:

	December 31,	
	2005	2004
	(In millions)	
Investment	$ 991	$1,059
Estimated residual values	735	480
Total	1,726	1,539
Unearned income	(645)	(424)
Leveraged leases	$1,081	$1,115

The investment amounts set forth above are generally due in monthly installments. The payment periods generally range from one to 15 years, but in certain circumstances are as long as 30 years. These receivables are generally collateralized by the related property. The Company's deferred income tax liability related to leveraged leases was $605 million and $757 million at December 31, 2005 and 2004, respectively.

Funds Withheld at Interest

Included in other invested assets at December 31, 2005 and 2004, were funds withheld at interest of $3,479 million and $2,788 million, respectively.

Net Investment Income

The components of net investment income were as follows:

	Years Ended December 31, 2005	2004	2003
		(In millions)	
Fixed maturities	$ 8,600	$ 8,085	$ 7,765
Equity securities	42	65	27
Mortgage and consumer loans	2,246	1,957	1,932
Real estate and real estate joint ventures	592	484	425
Policy loans	497	492	510
Other limited partnership interests	676	324	80
Cash, cash equivalents and short-term investments	113	64	83
Other	381	179	175
Total	13,147	11,650	10,997
Less: Investment expenses	1,397	832	730
Net investment income	$11,750	$10,818	$10,267

Net Investment Gains (Losses)

Net investment gains (losses) were as follows:

	Years Ended December 31, 2005	2004	2003
		(In millions)	
Fixed maturities	$(518)	$ 81	$(373)
Equity securities	121	150	39
Mortgage and consumer loans	31	54	(51)
Real estate and real estate joint ventures	7	5	20
Other limited partnership interests	43	53	(84)
Derivatives	415	(232)	(91)
Other	80	171	14
Total net investment gains (losses)	$ 179	$ 282	$(526)

Net Unrealized Investment Gains (Losses)

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

	Years Ended December 31,		
	2005	2004	2003
		(In millions)	
Fixed maturities	$ 5,972	$ 8,571	$ 8,094
Equity securities	225	270	353
Derivatives	(207)	(494)	(395)
Minority Interest	(171)	(103)	(61)
Other	(82)	34	6
Total	5,737	8,278	7,997
Amounts related to:			
Future policy benefit loss recognition	(1,259)	(1,953)	(1,453)
DAC and VOBA	(148)	(407)	(495)
Participating contracts	—	—	(117)
Policyholder dividend obligation	(1,492)	(2,119)	(2,130)
Total	(2,899)	(4,479)	(4,195)
Deferred income taxes	(1,029)	(1,391)	(1,397)
Total	(3,928)	(5,870)	(5,592)
Net unrealized investment gains (losses)	$ 1,809	$ 2,408	$ 2,405

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

	Years Ended December 31,		
	2005	2004	2003
		(In millions)	
Balance, beginning of year	$ 2,408	$2,405	$1,991
Unrealized investment gains (losses) during the year	(2,556)	281	994
Unrealized investment gains (losses) of subsidiaries at date of sale	15	—	269
Unrealized investment gains (losses) relating to:			
Future policy benefit gains (losses) recognition	694	(500)	(211)
DAC and VOBA	259	88	(129)
Participating contracts	—	117	12
Policyholder dividend obligation	627	11	(248)
Deferred income taxes	362	6	(273)
Balance, end of year	$ 1,809	$2,408	$2,405
Net change in unrealized investment gains (losses)	$ (599)	$ 3	$ 414

Trading Securities

Net investment income for the year ended December 31, 2005 includes $3 million of losses on securities classified as trading. The $3 million primarily relates to net losses recognized on trading securities sold during the year ended December 31, 2005. For the year ended December 31, 2005, changes in fair value on trading securities held at December 31, 2005 were less than $1 million. The Company did not hold any trading securities during the years ended December 31, 2004 and 2003.

Structured Investment Transactions

The Company invests in structured notes and similar type instruments, which generally provide equity-based returns on debt securities. The carrying value of such investments was approximately $362 million and $636 million at December 31, 2005 and 2004, respectively. The related net investment income recognized was $28 million, $44 million and $78 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Variable Interest Entities

The following table presents the total assets of and maximum exposure to loss relating to VIEs for which the Company has concluded that (i) it is the primary beneficiary and which are consolidated in the Company's consolidated financial statements at December 31, 2005; and (ii) it holds significant variable interests but it is not the primary beneficiary and which have not been consolidated:

	December 31, 2005			
	Primary Beneficiary		Not Primary Beneficiary	
	Total Assets(1)	Maximum Exposure to Loss(2)	Total Assets(1)	Maximum Exposure to Loss(2)
	(In millions)			
Asset-backed securitizations and collateralized debt obligations	$ —	$ —	$ 3,728	$ 394
Real estate joint ventures(3)	304	114	150	—
Other limited partnerships(4)	48	35	15,030	1,966
Other investments(5)	—	—	3,522	177
Total	$352	$149	$22,430	$2,537

(1) The assets of the asset-backed securitizations and collateralized debt obligations are reflected at fair value at December 31, 2005. The assets of the real estate joint ventures, other limited partnerships and other investments are reflected at the carrying amounts at which such assets would have been reflected on the Company's balance sheet had the Company consolidated the VIE from the date of its initial investment in the entity.

(2) The maximum exposure to loss of the asset-backed securitizations and collateralized debt obligations is equal to the carrying amounts of participation or retained interests. In addition, the Company provides collateral management services for certain of these structures for which it collects a management fee. The maximum exposure to loss relating to real estate joint ventures, other limited partnerships and other investments is equal to the carrying amounts plus any unfunded commitments, reduced by amounts guaranteed by other partners.

(3) Real estate joint ventures include partnerships and other ventures which engage in the acquisition, development, management and disposal of real estate investments.

(4) Other limited partnerships include partnerships established for the purpose of investing in real estate funds, public and private debt and equity securities, as well as limited partnerships established for the purpose of investing in low-income housing that qualifies for federal tax credits.

(5) Other investments include securities that are not asset-backed securitizations or collateralized debt obligations.

3. Derivative Financial Instruments

Types of Derivative Instruments

The following table provides a summary of the notional amounts and current market or fair value of derivative financial instruments held at:

	December 31, 2005			December 31, 2004		
		Current Market or Fair Value			Current Market or Fair Value	
	Notional Amount	Assets	Liabilities	Notional Amount	Assets	Liabilities
	(In millions)					
Interest rate swaps	$12,857	$294	$ 12	$12,215	$276	$ 19
Interest rate floors	6,515	80	—	2,065	24	—
Interest rate caps	24,970	224	—	7,045	12	—
Financial futures	63	1	—	417	—	5
Foreign currency swaps	9,256	74	852	7,457	149	1,274
Foreign currency forwards	2,333	26	41	888	—	57
Options	221	2	2	263	8	7
Financial forwards	2,446	13	1	326	—	—
Credit default swaps	4,789	11	9	1,879	10	5
Synthetic GICs	5,477	—	—	5,869	—	—
Other	250	9	—	450	1	1
Total	$69,177	$734	$917	$38,874	$480	$1,368

The above table does not include notional values for equity financial forwards. At December 31, 2005 and 2004, the Company owned 132,000 and no equity financial forwards, respectively. Equity financial forwards market values are included in financial forwards in the preceding table.

The following table provides a summary of the notional amounts of derivative financial instruments by maturity at December 31, 2005:

	Remaining Life				
	One Year or Less	After One Year Through Five Years	After Five Years Through Ten Years	After Ten Years	Total
			(In millions)		
Interest rate swaps	$ 3,679	$ 3,607	$ 2,429	$3,142	$12,857
Interest rate floors	—	325	6,190	—	6,515
Interest rate caps	12,900	12,070	—	—	24,970
Financial futures	63	—	—	—	63
Foreign currency swaps	216	3,812	4,350	878	9,256
Foreign currency forwards	2,333	—	—	—	2,333
Options	220	—	1	—	221
Financial forwards	446	—	—	2,000	2,446
Credit default swaps	580	3,960	249	—	4,789
Synthetic GICs	4,751	726	—	—	5,477
Other	250	—	—	—	250
Total	$25,438	$24,500	$13,219	$6,020	$69,177

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

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

Interest rate caps and floors are used by the Company primarily to protect its floating rate liabilities against rises in interest rates above a specified level, and against interest rate exposure arising from mismatches between assets and liabilities (duration mismatches), as well as to protect its minimum rate guarantee liabilities against declines in interest rates below a specified level, respectively.

In exchange-traded interest rate (Treasury and swap) transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of interest rate securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange.

Exchange-traded interest rate (Treasury and swap) futures are used primarily to hedge mismatches between the duration of assets in a portfolio and the duration of liabilities supported by those assets, to hedge against changes in value of securities the Company owns or anticipates acquiring, and to hedge against changes in interest rates on anticipated liability issuances by replicating Treasury or swap curve performance.

The value of interest rate futures is substantially impacted in interest rates and they can be used to modify or hedge existing interest rate risk.

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

In a foreign currency swap transaction, the Company agrees with another party to exchange, at specified intervals, the difference between one currency and another at a forward exchange rate calculated by reference to an agreed upon principal amount. The principal amount of each currency is exchanged at the inception and termination of the currency swap by each party.

In a foreign currency forward transaction, the Company agrees with another party to deliver a specified amount of an identified currency at a specified future date. The price is agreed upon at the time of the contract and payment for such a contract is made in a different currency at the specified future date.

The Company enters into currency option contracts that give it the right, but not the obligation, to sell the foreign currency amount in exchange for a functional currency amount within a limited time at a contracted price. The contracts may also be net settled in cash, based on differentials in the foreign exchange rate and the strike price. Currency option contracts are included in options in the preceding table.

Swaptions are used by the Company primarily to sell, or monetize, embedded call options in its fixed rate liabilities. A swaption is an option to enter into a swap with an effective date equal to the exercise date of the embedded call and a maturity date equal to the maturity date of the underlying liability. The Company receives a premium for entering into the swaption. Swaptions are included in options in the preceding table.

The Company enters into financial forwards to buy and sell securities. The price is agreed upon at the time of the contract and payment for such a contract is made at a specified future date.

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

Swap spread locks are used by the Company to hedge invested assets on an economic basis against the risk of changes in credit spreads. Swap spread locks are forward starting swaps where the Company agrees to pay a coupon based on a predetermined reference swap spread in exchange for receiving a coupon based on a floating rate. The Company has the option to cash settle with the counterparty in lieu of maintaining the swap after the effective date. Swap spread locks are included in financial forwards in the preceding table.

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

Credit default swaps are also used in replication synthetic asset transactions ("RSATs") to synthetically create investments that are either more expensive to acquire or otherwise unavailable in the cash markets.

RSATs are a combination of a derivative and usually a U.S. Treasury or Agency security. RSATs that involve the use of credit default swaps are included in such classification in the preceding table.

Total rate of return swaps ("TRRs") are swaps whereby the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of an asset or a market index and LIBOR, calculated by reference to an agreed notional principal amount. No cash is exchanged at the outset of the contract. Cash is paid and received over the life of the contract based on the terms of the swap. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by the counterparty at each due date. TRRs can be used as hedges or RSATs and are included in the other classification in the preceding table.

A synthetic GIC is a contract that simulates the performance of a traditional GIC through the use of financial instruments. Under a synthetic GIC, the policyholder owns the underlying assets. The Company guarantees a rate return on those assets for a premium.

Hedging

The table below provides a summary of the notional amount and fair value of derivatives by type of hedge designation at:

	December 31, 2005			December 31, 2004		
	Notional Amount	Fair Value Assets	Fair Value Liabilities	Notional Amount	Fair Value Assets	Fair Value Liabilities
	(In millions)					
Fair value	$ 4,419	$ 50	$104	$ 4,850	$173	$ 233
Cash flow	6,233	29	437	8,057	40	664
Foreign operations	834	2	37	535	—	47
Non-qualifying	57,691	653	339	25,432	267	424
Total	$69,177	$734	$917	$38,874	$480	$1,368

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

	Years Ended December 31, 2005	2004	2003
	(In millions)		
Qualifying hedges:			
Net investment income	$ 42	$(144)	$(61)
Interest credited to policyholder account balances	17	45	—
Non-qualifying hedges:			
Net investment gains (losses)	86	51	84
Total	$145	$ (48)	$ 23

Fair Value Hedges

The Company designates and accounts for the following as fair value hedges when they have met the requirements of SFAS 133: (i) interest rate swaps to convert fixed rate investments to floating rate investments; (ii) foreign currency swaps to hedge the foreign currency fair value exposure of foreign currency denominated investments and liabilities; and (iii) interest rate futures to hedge against changes in value of fixed rate securities.

The Company recognized net investment gains (losses) representing the ineffective portion of all fair value hedges as follows:

	Years Ended December 31,		
	2005	2004	2003
	(In millions)		
Changes in the fair value of derivatives	$(118)	$ 64	$(184)
Changes in the fair value of the items hedged	116	(49)	158
Net ineffectiveness of fair value hedging activities	$ (2)	$ 15	$ (26)

All components of each derivative's gain or loss were included in the assessment of hedge ineffectiveness. There were no instances in which the Company discontinued fair value hedge accounting due to a hedged firm commitment no longer qualifying as a fair value hedge.

Cash Flow Hedges

The Company designates and accounts for the following as cash flow hedges, when they have met the requirements of SFAS 133: (i) interest rate swaps to convert floating rate investments to fixed rate investments; (ii) interest rate swaps to convert floating rate liabilities into fixed rate liabilities; (iii) foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated investments and liabilities; (iv) interest rate futures to hedge against changes in value of securities to be acquired; (v) interest rate futures to hedge against changes in interest rates on liabilities to be issued; and (vi) financial forwards to buy and sell securities.

For the years ended December 31, 2005, 2004 and 2003, the Company recognized net investment gains (losses) of ($21) million, ($31) million, and ($67) million, respectively, which represented the ineffective portion of all cash flow hedges. All components of each derivative's gain or loss were included in the assessment of hedge ineffectiveness. In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions did not occur on the anticipated date or in the additional time period permitted by SFAS 133. The net amounts reclassified into net investment gains (losses) for the years ended December 31, 2005, 2004 and 2003 related to such discontinued cash flow hedges were losses of $42 million, $29 million and $0 million, respectively. There were no hedged forecasted transactions, other than the receipt or payment of variable interest payments.

Presented below is a roll forward of the components of other comprehensive income (loss), before income taxes, related to cash flow hedges:

	Years Ended December 31,		
	2005	2004	2003
	(In millions)		
Other comprehensive income (loss) balance at the beginning of the year	$(447)	$(385)	$ (24)
Gains (losses) deferred in other comprehensive income (loss) on the effective portion of cash flow hedges	196	(98)	(367)
Amounts reclassified to net investment gains (losses)	44	41	12
Amounts reclassified to net investment income	2	2	2
Amortization of transition adjustment	(2)	(7)	(8)
Other comprehensive income (loss) balance at the end of the year	$(207)	$(447)	$(385)

At December 31, 2005, approximately $7 million of the deferred net loss on derivatives accumulated in other comprehensive income (loss) is expected to be reclassified to earnings during the year ending December 31, 2006.

Hedges of Net Investments in Foreign Operations

The Company uses forward exchange contracts, foreign currency swaps and options to hedge portions of its net investment in foreign operations against adverse movements in exchange rates. The Company measures ineffectiveness on the forward exchange contracts based upon the change in forward rates. There was no ineffectiveness recorded in 2005, 2004 or 2003.

The Company's consolidated statements of stockholder's equity for the years ended December 31, 2005, 2004 and 2003 include losses of $27 million, $47 million and $10 million, respectively, related to foreign currency contracts used to hedge its net investments in foreign operations. At December 31, 2005 and 2004, the cumulative foreign currency translation loss recorded in Accumulated other comprehensive income ("AOCI") related to these hedges was approximately $84 million and $57 million, respectively. When substantially all of the net investments in foreign operations are sold or liquidated, the amounts in AOCI are reclassified to the consolidated statements of income, while a pro rata portion will be reclassified upon partial sale of the net investments in foreign operations.

Non-qualifying Derivatives and Derivatives for Purposes Other Than Hedging

The Company enters into the following derivatives that do not qualify for hedge accounting under SFAS 133 or for purposes other than hedging: (i) interest rate swaps, purchased caps and floors, and interest rate futures to minimize its exposure to interest rate volatility; (ii) foreign currency forwards, swaps and option contracts to minimize its exposure to adverse movements in exchange rates; (iii) swaptions to sell embedded call options in fixed rate liabilities; (iv) credit default swaps to minimize its exposure to adverse movements in credit; (v) credit default swaps to diversify its credit risk exposure in certain portfolios; (vi) interest rate futures and equity variance swaps to economically hedge liabilities embedded in certain variable annuity products; (vii) swap spread locks to hedge invested assets against the risk of changes in credit spreads; (viii) financial forwards to buy and sell securities; (ix) synthetic GICs to synthetically create traditional GICs; (x) RSATs and TRRs to synthetically create investments; and (xi) basis swaps to better match the cash flows from assets and related liabilities.

For the years ended December 31, 2005, 2004 and 2003, the Company recognized as net investment gains (losses) changes in fair value of $401 million, ($107) million and ($110) million, respectively, related to derivatives that do not qualify for hedge accounting.

Embedded Derivatives

The Company has certain embedded derivatives which are required to be separated from their host contracts and accounted for as derivatives. These host contracts include guaranteed rate of return contracts, guaranteed minimum withdrawal, accumulation, and interest benefit contracts, and modified coinsurance contracts. The fair value of the Company's embedded derivative assets was $50 million and $43 million at December 31, 2005 and 2004, respectively. The fair value of the Company's embedded derivative liabilities was $10 million and $26 million at December 31, 2005 and 2004, respectively. The amounts recorded in net investment gains (losses) during the years ended December 31, 2005, 2004 and 2003 were gains of $29 million, $34 million and $19 million, respectively.

Credit Risk

The Company may be exposed to credit related losses in the event of nonperformance by counterparties to derivative financial instruments. Generally, the current credit exposure of the Company's derivative contracts is limited to the fair value at the reporting date. The credit exposure of the Company's derivative transactions is represented by the fair value of contracts with a net positive fair value at the reporting date.

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

The Company enters into various collateral arrangements, which require both the pledging and accepting of collateral in connection with its derivative instruments. As of December 31, 2005, the Company was obligated to return cash collateral under its control of $34 million, but held no non-cash collateral. This unrestricted cash collateral is included in cash and cash equivalents and the obligation to return it is included in payables for collateral under securities loaned and other transactions in the consolidated balance sheets. The Company did not have any cash or other collateral related to derivative instruments at December 31, 2004.

As of December 31, 2005 and 2004, the Company had not pledged any collateral related to derivative instruments.

4. Insurance

Deferred Policy Acquisition Costs and Value of Business Acquired

Information regarding DAC and VOBA for the years ended December 31, 2005, 2004 and 2003 is as follows:

	Deferred Policy Acquisition Costs	Value of Business Acquired	Total
		(In millions)	
Balance at January 1, 2003	$ 8,790	$871	$ 9,661
Capitalizations	1,982	—	1,982
Acquisitions	218	—	218
Total	10,990	871	11,861
Less: Amortization related to:			
Net investment gains (losses)	10	(5)	5
Unrealized investment gains (losses)	138	(9)	129
Other expenses	1,332	49	1,381
Total amortization	1,480	35	1,515
Less: Dispositions and other	(120)	—	(120)
Balance at December 31, 2003	9,390	836	10,226
Capitalizations	1,817	—	1,817
Total	11,207	836	12,043
Less: Amortization related to:			
Net investment gains (losses)	5	1	6
Unrealized investment gains (losses)	(12)	(76)	(88)
Other expenses	1,058	81	1,139
Total amortization	1,051	6	1,057
Less: Dispositions and other	99	(23)	76
Balance at December 31, 2004	10,255	807	11,062
Capitalizations	1,619	—	1,619
Total	11,874	807	12,681
Less: Amortization related to:			
Net investment gains (losses)	13	2	15
Unrealized investment gains (losses)	(244)	(15)	(259)
Other expenses	1,304	66	1,370
Total amortization	1,073	53	1,126
Less: Dispositions and other	(120)	3	(117)
Balance at December 31, 2005	$10,681	$757	$11,438

The estimated future amortization expense for the next five years allocated to other expenses for VOBA is $65 million in 2006, $63 million in 2007, $61 million in 2008, $61 million in 2009 and $37 million in 2010.

Amortization of DAC and VOBA is related to (i) investment gains and losses and the impact of such gains and losses on the amount of the amortization; (ii) unrealized investment gains and losses to provide information regarding the amount that would have been amortized if such gains and losses had been recognized; and (iii) other expenses to provide amounts related to the gross margins or profits originating from transactions other than investment gains and losses.

Sales Inducements

Changes in deferred sales inducements, which are reported within other assets in the consolidated balance sheets, are as follows:

	Years Ended December 31,	
	2005	2004
	(In millions)	
Balance at January 1	$75	$52
Capitalization	29	29
Amortization	(9)	(6)
Balance at December 31	$95	$75

Liabilities for Unpaid Claims and Claim Expenses

The following table provides an analysis of the activity in the liability for unpaid claims and claim expenses relating to property and casualty, group accident and non-medical health policies and contracts, which are reported within future policyholder benefits in the consolidated balance sheets:

	Years Ended December 31,		
	2005	2004	2003
		(In millions)	
Balance at January 1	$ 3,847	$ 3,560	$ 4,821
Less: Reinsurance recoverables	(287)	(284)	(496)
Net balance at January 1	3,560	3,276	4,325
Incurred related to:			
Current year	2,791	2,491	3,816
Prior years	(41)	(9)	28
	2,750	2,482	3,844
Paid related to:			
Current year	(1,667)	(1,519)	(2,153)
Prior years	(742)	(679)	(1,290)
	(2,409)	(2,198)	(3,443)
Dispositions	—	—	(1,450)
Net Balance at December 31	3,901	3,560	3,276
Add: Reinsurance recoverables	290	287	284
Balance at December 31	$ 4,191	$ 3,847	$ 3,560

As a result of changes in estimates of insured events in the prior years, the claims and claim adjustment expenses decreased $41 million in 2005 due to a refinement in the estimation methodology for non-medical health long-term care claim reserves, improved loss ratio reserves for non-medical health claim reserves and improved claim management.

In 2004, the claims and claim adjustment expense decreased by $9 million due to improved loss ratios in non-medical health claim reserves and improved claims management.

In 2003, prior to the sale of Met P&C, the claims and claim adjustment expense increased by $28 million as a result of the re-evaluation of loss trends related to the automobile line of business.

Guarantees

The Company issues annuity contracts which may include contractual guarantees to the contractholder for: (i) return of no less than total deposits made to the contract less any partial withdrawals ("return of net deposits") and (ii) the highest contract value on a specified anniversary date minus any withdrawals following the contract anniversary, or total deposits made to the contract less any partial withdrawals plus a minimum return ("anniversary contract value" or "minimum return"). The Company also issues annuity contracts that apply a lower rate of funds deposited if the contractholder elects to surrender the contract for cash and a higher rate if the contractholder elects to annuitize ("two tier annuities"). These guarantees include benefits that are payable in the event of death or at annuitization.

The Company also issues universal and variable life contracts where the Company contractually guarantees to the contractholder a secondary guarantee or a guaranteed paid up benefit.

The Company had the following types of guarantees relating to annuity and universal and variable life contracts at:

Annuity Contracts

	December 31,			
	2005		2004	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
	(In millions)			
Return of Net Deposits				
Account value	$ 2,527	N/A	$ 2,039	N/A
Net amount at risk	$ 1(1)	N/A	$ 11(1)	N/A
Average attained age of contractholders	58 years	N/A	58 years	N/A
Anniversary Contract Value or Minimum Return				
Account value	$ 31,646	$ 3,847	$ 29,834	$ 2,659
Net amount at risk	$ 521(1)	$ 17(2)	$ 735(1)	$ 7(2)
Average attained age of contractholders	60 years	57 years	61 years	56 years
Two Tier Annuities				
General account value	N/A	$ 299	N/A	$ 301
Net amount at risk	N/A	$ 36(3)	N/A	$ 36(3)
Average attained age of contractholders	N/A	58 years	N/A	58 years

Universal and Variable Life Contracts

	December 31,			
	2005		2004	
	Secondary Guarantees	Paid Up Guarantees	Secondary Guarantees	Paid Up Guarantees
	(In millions)			
Account value (general and separate account)	$ 5,413	$ 1,680	$ 4,715	$ 1,659
Net amount at risk	$ 98,907(1)	$ 15,633(1)	$ 94,163(1)	$ 16,830(1)
Average attained age of policyholders	45 years	52 years	45 years	51 years

(1) The net amount at risk for guarantees of amounts in the event of death is defined as the current guaranteed minimum death benefit in excess of the current account balance at the balance sheet date.

(2) The net amount at risk for guarantees of amounts at annuitization is defined as the present value of the minimum guaranteed annuity payments available to the contractholder determined in accordance with the terms of the contract in excess of the current account balance.

(3) The net amount at risk for two tier annuities is based on the excess of the upper tier, adjusted for a profit margin, less the lower tier.

The net amount at risk is based on the direct amount at risk (excluding reinsurance).

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

Liabilities for guarantees (excluding base policy liabilities) relating to annuity and universal and variable life contracts are as follows:

	Annuity Contracts		Universal and Variable Life Contracts		
	Guaranteed Death Benefits	Guaranteed Annuitization Benefits	Secondary Guarantees	Paid Up Guarantees	Total
	(In millions)				
Balance at January 1, 2004	$ 8	$16	$ 6	$ 6	$ 36
Incurred guaranteed benefits	4	(9)	4	1	—
Paid guaranteed benefits	(6)	—	(4)	—	(10)
Balance at December 31, 2004	6	7	6	7	26
Incurred guaranteed benefits	4	—	2	5	11
Paid guaranteed benefits	(2)	—	(1)	—	(3)
Balance at December 31, 2005	$ 8	$ 7	$ 7	$12	$ 34

Account balances of contracts with insurance guarantees are invested in separate account asset classes as follows at:

	December 31, 2005	December 31, 2004
	(In millions)	
Mutual Fund Groupings		
Equity	$21,143	$18,873
Bond	2,606	2,270
Balanced	1,074	886
Money Market	206	212
Specialty	229	79
Total	$25,258	$22,320

Separate Accounts

Separate account assets and liabilities include two categories of account types: pass-through separate accounts totaling $57,406 million and $53,382 million at December 31, 2005 and 2004, respectively, for which the policyholder assumes all investment risk, and separate accounts with a minimum return or account value for which the Company contractually guarantees either a minimum return or account value to the policyholder which totaled $15,746 million and $15,125 million at December 31, 2005 and 2004, respectively. The latter category consisted primarily of Met Managed Guaranteed Interest Contracts and participating close-out contracts. The average interest rates credited on these contracts were 4.5% and 4.7% at December 31, 2005 and 2004, respectively.

Fees charged to the separate accounts by the Company (including mortality charges, policy administration fees and surrender charges) are reflected in the Company's revenues as universal life and investment-type product policy fees and totaled $1,058 million, $998 million and $899 million for the years ended December 31, 2005, 2004 and 2003, respectively.

At December 31, 2005, fixed maturities, equity securities, and cash and cash equivalents reported on the consolidated balance sheets include $0 million, $30 million and $1 million, respectively, of the Company's proportional interest in separate accounts. At December 31, 2004, fixed maturities, equity securities, and cash and cash equivalents reported on the consolidated balance sheets include $27 million, $20 million and $1 million, respectively, of the Company's proportional interest in separate accounts.

For both the years ended December 31, 2005 and 2004, there were no investment gains (losses) on transfers of assets from the general account to the separate accounts.

5. Reinsurance

The Company's life insurance operations participate in reinsurance activities in order to limit losses, minimize exposure to large risks, and provide additional capacity for future growth. The Company has historically reinsured the mortality risk on new life insurance policies primarily on an excess of retention basis or a quota share basis. Until 2005, the Company reinsured up to 90% of the mortality risk for all new individual life insurance policies that it wrote through its various franchises. This practice was initiated by the different franchises for different products starting at various points in time between 1992 and 2000. During 2005, the Company changed its retention practices for individual life insurance. Amounts reinsured in prior years remain reinsured under the original reinsurance; however, under the new retention guidelines, the Company reinsures up to 90% of the mortality risk in excess of $1 million for most new life insurance policies that it writes through its various franchises and for certain individual life policies the retention limits remained unchanged. On a case by case basis, the Company may retain up to $25 million per life on single life policies and $30 million per life on survivorship policies and reinsure 100% of amounts in excess of the Company's retention limits. The Company evaluates its reinsurance programs routinely and may increase or decrease its retention at any time. In addition, the Company reinsures a significant portion of the mortality risk on its universal life policies issued since 1983. Placement of reinsurance is done primarily on an automatic basis and also on a facultative basis for risks with specific characteristics.

In addition to reinsuring mortality risk, the Company reinsures other risks and specific coverages. The Company routinely reinsures certain classes of risks in order to limit its exposure to particular travel, avocation and lifestyle hazards. The Company has exposure to catastrophes, which could contribute to significant fluctuations in the Company's results of operations. The Company uses excess of loss and quota share reinsurance arrangements to limit its maximum loss, provide greater diversification of risk and minimize exposure to larger risks.

The Company had also protected itself through the purchase of combination risk coverage. This reinsurance coverage pooled risks from several lines of business and included individual and group life claims in excess of $2 million per policy. This combination risk coverage was commuted during 2005, resulting in a $2 million reduction in premiums and annuity considerations.

The Company reinsures its business through a diversified group of reinsurers. No single unaffiliated reinsurer has a material obligation to the Company nor is the Company's business substantially dependent upon any reinsurance contracts. The Company is contingently liable with respect to ceded reinsurance should any reinsurer be unable to meet its obligations under these agreements.

In the Reinsurance Segment, Reinsurance Group of America, Incorporated ("RGA") retains a maximum of $6 million of coverage per individual life with respect to its assumed reinsurance business.

The amounts in the consolidated statements of income are presented net of reinsurance ceded. The effects of reinsurance were as follows:

	Years Ended December 31,		
	2005	2004	2003
		(In millions)	
Direct premiums earned	$16,466	$15,347	$16,794
Reinsurance assumed	5,046	4,330	3,565
Reinsurance ceded	(2,256)	(2,240)	(2,260)
Net premiums earned	$19,256	$17,437	$18,099
Reinsurance recoveries netted against policyholder benefits and claims	$ 1,495	$ 1,626	$ 2,032

Written premiums are not materially different than earned premiums presented in the preceding table.

For the years ended December 31, 2005, 2004, and 2003, ceded and assumed include affiliated transactions of $529 million, $457 million and $436 million, respectively.

Reinsurance recoverables, included in premiums and other receivables, were $3,796 million and $3,735 million at December 31, 2005 and 2004, respectively, including $1,261 million and $1,302 million, respectively, relating to reinsurance of long-term guaranteed interest contracts and structured settlement lump sum contracts accounted for as a financing transaction. Reinsurance and ceded commissions payables, included in other liabilities, were $263 million and $100 million at December 31, 2005 and 2004, respectively.

Included in premiums and other receivables are reinsurance due from Exeter Reassurance Company, Ltd., Texas Life Insurance Company, First MetLife Investors Insurance Company, MetLife Investors USA Insurance Company ("MLI USA"), The Travelers Insurance Company, and MetLife Investors Insurance Company related parties of $1,422 million and $269 million at December 31, 2005 and 2004.

Included in future policy benefits, other policyholder funds, policyholder account balances, and other liabilities are reinsurance liabilities assumed from COVA Corporation, Metropolitan Tower Life Insurance Company, MetLife Investors Group, Inc., First MetLife Investors Insurance Company, MetLife Investors Insurance Company, Exeter Reassurance Company, Ltd. and Traveler's Insurance Company related parties of $1,228 million, $268 million, $389 million and $3,064 million at December 31, 2005. Included in future policy benefits, other policyholder funds, policyholder account balances, and other liabilities are reinsurance liabilities assumed from COVA Corporation, Metropolitan Tower Life Insurance Company, MetLife Investors Group, Inc., First MetLife Investors Insurance Company, MetLife Investors Insurance Company, Exeter Reassurance Company, Ltd. and Metropolitan Life and Annuity Company related parties of $863 million, $415 million, $256 million and $2,215 million at December 31, 2004.

Effective January 1, 2005, a subsidiary of the Company, General American Life Insurance Company ("General American") entered into a reinsurance agreement to cede an in force block of business to MLI USA, an affiliate. This agreement covered certain term and universal life policies issued by General American on and after January 1, 2000 through December 31, 2004. This agreement also covers certain term and universal life policies issued on or after January 1, 2005. Under this agreement, General American transferred $797 million of liabilities and $411 million in assets to MLI USA related to the policies in-force as of December 31, 2004. As a result of the transfer of assets, General American recognized a realized gain of $19 million, net of income taxes. General American also received and deferred 100% of a $386 million ceding commission resulting in no gain or loss on the transfer of the in-force business as of January 1, 2005. For the policies issued on or after January 1, 2005, General American ceded premiums and related fees of $192 million and ceded benefits and related costs of

$143 million for the year ended December 31, 2005. Reinsurance recoverables, included in premiums and other receivables, related to this reinsurance agreement as of December 31, 2005 were $932 million.

For the years ended December 31, 2005 and 2004, premiums, policyholder benefits and claims, and commission expenses include assumed related party transactions of $37 million, $106 million, and $137 million and $38 million, $50 million, and $5 million, respectively.

6. Closed Block

On April 7, 2000 (the "date of demutualization"), Metropolitan Life established a closed block for the benefit of holders of certain individual life insurance policies of Metropolitan Life. Assets have been allocated to the closed block in an amount that has been determined to produce cash flows which, together with anticipated revenues from the policies included in the closed block, are reasonably expected to be sufficient to support obligations and liabilities relating to these policies, including, but not limited to, provisions for the payment of claims and certain expenses and taxes, and to provide for the continuation of policyholder dividend scales in effect for 1999, if the experience underlying such dividend scales continues, and for appropriate adjustments in such scales if the experience changes. At least annually, the Company compares actual and projected experience against the experience assumed in the then-current dividend scales. Dividend scales are adjusted periodically to give effect to changes in experience.

The closed block assets, the cash flows generated by the closed block assets and the anticipated revenues from the policies in the closed block will benefit only the holders of the policies in the closed block. To the extent that, over time, cash flows from the assets allocated to the closed block and claims and other experience related to the closed block are, in the aggregate, more or less favorable than what was assumed when the closed block was established, total dividends paid to closed block policyholders in the future may be greater than or less than the total dividends that would have been paid to these policyholders if the policyholder dividend scales in effect for 1999 had been continued. Any cash flows in excess of amounts assumed will be available for distribution over time to closed block policyholders and will not be available to stockholders. If the closed block has insufficient funds to make guaranteed policy benefit payments, such payments will be made from assets outside of the closed block. The closed block will continue in effect as long as any policy in the closed block remains in-force. The expected life of the closed block is over 100 years.

The Company uses the same accounting principles to account for the participating policies included in the closed block as it used prior to the date of demutualization. However, the Company establishes a policyholder dividend obligation for earnings that will be paid to policyholders as additional dividends as described below. The excess of closed block liabilities over closed block assets at the effective date of the demutualization (adjusted to eliminate the impact of related amounts in accumulated other comprehensive income) represents the estimated maximum future earnings from the closed block expected to result from operations attributed to the closed block after income taxes. Earnings of the closed block are recognized in income over the period the policies and contracts in the closed block remain in-force. Management believes that over time the actual cumulative earnings of the closed block will approximately equal the expected cumulative earnings due to the effect of dividend changes. If, over the period the closed block remains in existence, the actual cumulative earnings of the closed block is greater than the expected cumulative earnings of the closed block, the Company will pay the excess of the actual cumulative earnings of the closed block over the expected cumulative earnings to closed block policyholders as additional policyholder dividends unless offset by future unfavorable experience of the closed block and, accordingly, will recognize only the expected cumulative earnings in income with the excess recorded as a policyholder dividend obligation. If over such period, the actual cumulative earnings of the closed block is less than the expected cumulative earnings of the closed block, the Company will recognize only the actual earnings in income. However, the Company may change policyholder dividend scales in the future, which would be intended to increase future actual earnings until the actual cumulative earnings equal the expected cumulative earnings.

For the years ended December 31, 2005 and 2004, premiums, policyholder benefits and claims, and commission expenses include ceded related party transactions of $141 million, $48 million, and $550 million and $130 million, $25 million and $20 million.

Closed block liabilities and assets designated to the closed block are as follows:

	December 31, 2005	December 31, 2004
	(In millions)	
Closed Block Liabilities		
Future policy benefits	$42,759	$42,348
Other policyholder funds	257	258
Policyholder dividends payable	693	690
Policyholder dividend obligation	1,607	2,243
Payables for collateral under securities loaned and other transactions	4,289	4,287
Other liabilities	200	199
Total closed block liabilities	49,805	50,025
Assets Designated to the Closed Block		
Investments:		
Fixed maturities available-for-sale, at fair value (amortized cost: $27,892 and $27,757, respectively)	29,270	29,766
Trading securities, at fair value (cost: $3 and $0, respectively)	3	—
Equity securities available-for-sale, at fair value (cost: $1,180 and $898, respectively)	1,341	979
Mortgage loans on real estate	7,790	8,165
Policy loans	4,148	4,067
Short-term investments	41	101
Other invested assets	477	221
Total investments	43,070	43,299
Cash and cash equivalents	512	325
Accrued investment income	506	511
Deferred income taxes	902	1,002
Premiums and other receivables	270	103
Total assets designated to the closed block	45,260	45,240
Excess of closed block liabilities over assets designated to the closed block	4,545	4,785

	December 31, 2005	December 31, 2004
	(In millions)	
Amounts included in accumulated other comprehensive income (loss):		
Net unrealized investment gains, net of deferred income tax of $554 and $752, respectively	985	1,338
Unrealized derivative gains (losses), net of deferred income tax benefit of ($17) and ($31), respectively	(31)	(55)
Allocated to policyholder dividend obligation, net of deferred income tax benefit of ($538) and ($763), respectively	(954)	(1,356)
Total amounts included in accumulated other comprehensive income (loss)	—	(73)
Maximum future earnings to be recognized from closed block assets and liabilities	$ 4,545	$ 4,712

Information regarding the policyholder dividend obligation is as follows:

	Years Ended December 31, 2005	2004	2003
		(In millions)	
Balance at beginning of year	$2,243	$2,130	$1,882
Impact on revenues, net of expenses and income taxes	(9)	124	—
Change in unrealized investment and derivative gains (losses)	(627)	(11)	248
Balance at end of year	$1,607	$2,243	$2,130

Closed block revenues and expenses were as follows:

	Years Ended December 31, 2005	2004	2003
		(In millions)	
Revenues			
Premiums	$3,062	$3,156	$3,365
Net investment income and other revenues	2,382	2,504	2,554
Net investment gains (losses)	10	(19)	(128)
Total revenues	5,454	5,641	5,791
Expenses			
Policyholder benefits and claims	3,478	3,480	3,660
Policyholder dividends	1,465	1,458	1,509
Change in policyholder dividend obligation	(9)	124	—
Other expenses	263	275	297
Total expenses	5,197	5,337	5,466
Revenues, net of expenses before income taxes	257	304	325
Income taxes	90	109	118
Revenues, net of expenses and income taxes	$ 167	$ 195	$ 207

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

	Years Ended December 31, 2005	2004	2003
	(In millions)		
Balance at end of year	$4,545	$4,712	$4,907
Balance at beginning of year	4,712	4,907	5,114
Change during year	$ (167)	$ (195)	$ (207)

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

7. Debt

At December 31, 2005 and 2004, debt outstanding is as follows:

	Interest Rates Range	Weighted Average	Maturity	December 31, 2005	2004
				(In millions)	
Surplus notes — affiliated	5.00%	5.00%	2007	$ 800	$ —
Surplus notes	7.63%-7.88%	7.76%	2015-2025	696	946
Capital notes — affiliated	7.13%	7.13%	2032-2033	500	500
Junior subordinated debentures	6.75%	6.75%	2065	399	—
Senior notes	6.75%-7.25%	6.92%	2006-2011	300	300
Fixed rate notes	4.20%-6.32%	4.96%	2006-2010	102	106
Other notes with varying interest rates	4.45%-5.89%	5.45%	2006-2012	93	133
Capital lease obligations				71	65
Total long-term debt				2,961	2,050
Total short-term debt				453	1,445
				$3,414	$3,495

Long-term Debt

On December 8, 2005, RGA issued junior subordinated debentures with a face amount of $400 million. Interest is payable semi-annually at a fixed interest rate of 6.75% until December 15, 2015. Subsequent to December 15, 2015, interest on these debentures will accrue at an annual rate of 3-month LIBOR plus a margin equal to 266.5 basis points, payable quarterly until maturity in 2065.

On December 22, 2005, the Company issued an $800 million, 5% surplus note to the Holding Company which matures on December 31, 2007.

The Company repaid a $250 million, 7% surplus note which matured on November 1, 2005.

The aggregate maturities of long-term debt as of December 31, 2005 for the next five years are $183 million in 2006, $837 million in 2007, $13 million in 2008, $8 million in 2009, $98 million in 2010 and $1,822 million thereafter.

Collateralized debt, which consists of capital lease obligations, ranks highest in priority; followed by unsecured senior debt which consist of senior notes, fixed rate notes, other notes with varying interest rates; followed by subordinated debt which consists of junior subordinated debentures; followed by surplus and capital notes. Payments of interest and principal on the Company's surplus notes may be made only with the prior approval of the insurance department of the state of domicile.

Short-term Debt

At December 31, 2005 and 2004, the Company's short-term debt consisted of commercial paper with a weighted average interest rate of 3.3% and 2.3%, respectively. The debt was outstanding for an average of 47 days and 27 days at December 31, 2005 and 2004, respectively.

Credit Facilities and Letters of Credit

The Company maintains committed and unsecured credit facilities aggregating $3.65 billion as of December 31, 2005. When drawn upon, these facilities bear interest at varying rates in accordance with the respective agreements. The facilities can be used for general corporate purposes and $3.0 billion of the facilities also serve as back-up lines of credit for the Company's commercial paper programs. The following table provides details on these facilities as of December 31, 2005:

Borrower(s)	Expiration	Capacity	Company Letters of Credit Issuances	MetLife, Inc. Letters of Credit Issuances	Drawdown	Unused Commitments
			(In millions)			
MetLife, Inc., MetLife Funding, Inc. and Metropolitan Life Insurance Company	April 2009	$1,500	$218	$156	$ —	$1,126
MetLife, Inc. and MetLife Funding, Inc	April 2010	1,500	—	—	—	1,500
Reinsurance Group of America, Incorporated	January 2006	26	—	—	26	—
Reinsurance Group of America, Incorporated	May 2007	26	—	—	26	—
Reinsurance Group of America, Incorporated	September 2010	600	320	—	50	230
Total		$3,652	$538	$156	$102	$2,856

At December 31, 2005 and 2004 the Company had outstanding $717 million and $584 million, respectively, in letters of credit from various banks, of which $538 million and $135 million, respectively were part of committed facilities. The Company's letters of credit outstanding at December 31, 2005 and 2004 all automatically renew for one year periods. Since commitments associated with letters of credit and financing arrangements may expire unused, these amounts do not necessarily reflect the Company's actual future cash funding requirements.

Other

Interest expense related to the Company's indebtedness included in other expenses was $189 million, $201 million and $265 million for the years ended December 31, 2005, 2004 and 2003, respectively.

8. Shares Subject to Mandatory Redemption and Company-Obligated Mandatorily Redeemable Securities of Subsidiary Trusts

GenAmerica Capital I. In June 1997, GenAmerica Corporation ("GenAmerica") issued $125 million of 8.525% capital securities through a wholly-owned subsidiary trust, GenAmerica Capital I. GenAmerica has fully and unconditionally guaranteed, on a subordinated basis, the obligation of the trust under the capital securities and is obligated to mandatorily redeem the securities on June 30, 2027. GenAmerica may prepay the securities any time after June 30, 2007. Capital securities outstanding were $119 million, net of unamortized discounts of $6 million, at both December 31, 2005 and 2004. Interest expense on these instruments is included in other expenses and was $11 million for each of the years ended December 31, 2005, 2004 and 2003.

RGA Capital Trust I. In December 2001, RGA, through its wholly-owned trust, RGA Capital Trust I (the "Trust"), issued 4,500,000 Preferred Income Equity Redeemable Securities ("PIERS") Units. Each PIERS unit consists of (i) a preferred security issued by the Trust, having a stated liquidation amount of $50 per unit, representing an undivided beneficial ownership interest in the assets of the Trust, which consist solely of junior subordinated debentures issued by RGA which have a principal amount at maturity of $50 and a stated maturity of March 18, 2051; and (ii) a warrant to purchase, at any time prior to December 15, 2050, 1.2508 shares of RGA stock at an exercise price of $50. The fair market value of the warrant on the issuance date was $14.87 and is detachable from the preferred security. RGA fully and unconditionally guarantees, on a subordinated basis, the obligations of the Trust under the preferred securities. The preferred securities and subordinated debentures were issued at a discount (original issue discount) to the face or liquidation value of $14.87 per security. The securities will accrete to their $50 face/liquidation value over the life of the security on a level yield basis. The weighted average effective interest rate on the preferred securities and the subordinated debentures is 8.25% per annum. Capital securities outstanding were $159 million, net of unamortized discounts of $66 million, at both December 31, 2005 and 2004.

9. Income Taxes

The provision for income taxes from continuing operations was as follows:

	Years Ended December 31,		
	2005	2004	2003
	(In millions)		
Current:			
Federal	$ 576	$820	$321
State and local	64	45	19
Foreign	21	5	2
	661	870	342
Deferred:			
Federal	433	13	274
State and local	11	(7)	27
Foreign	—	—	—
	444	6	301
Provision for income taxes	$1,105	$876	$643

Reconciliations of the income tax provision at the U.S. statutory rate to the provision for income taxes as reported for continuing operations were as follows:

	Years Ended December 31,		
	2005	2004	2003
	(In millions)		
Tax provision at U.S. statutory rate	$1,242	$1,084	$ 805
Tax effect of:			
Tax exempt investment income	(84)	(69)	(101)
State and local income taxes	33	17	42
Prior year taxes	(20)	(104)	(25)
Foreign operations net of foreign income taxes	(25)	(25)	(17)
Other, net	(41)	(27)	(61)
Provision for income taxes	$1,105	$ 876	$ 643

The Company is under continuous examination by the Internal Revenue Service ("IRS") and other tax authorities in jurisdictions in which the Company has significant business operations. The income tax years under examination vary by jurisdiction. In 2004, the Company recorded an adjustment of $91 million for the settlement of all federal income tax issues relating to the IRS's audit of the Company's tax returns for the years 1997-1999. Such settlement is reflected in the 2004 tax expense as an adjustment to prior year taxes. The Company also received $22 million in interest on such settlement and incurred an $8 million tax expense on such settlement for a total impact to net income of $105 million. The current IRS examination covers the years 2000-2002 and the Company expects it to be completed in 2006. The Company regularly assesses the likelihood of additional assessments in each taxing jurisdiction resulting from current and subsequent years' examinations. Liabilities for income taxes have been established for future income tax assessments when it is probable there will be future assessments and the amount thereof can be reasonably estimated. Once established, liabilities for uncertain tax positions are adjusted only when there is more information available or when an event occurs necessitating a change to the liabilities. The Company believes that the resolution of income tax matters for open years will not have a material effect on its consolidated financial statements although the resolution of income tax matters could impact the Company's effective tax rate for a particular future period.

Deferred income taxes represent the tax effect of the differences between the book and tax basis of assets and liabilities. Net deferred income tax assets and liabilities consisted of the following:

	December 31, 2005	December 31, 2004
	(In millions)	
Deferred income tax assets:		
Policyholder liabilities and receivables	$ 2,477	$ 2,998
Net operating losses	574	216
Capital loss carryforwards	59	108
Tax credit carryover	100	—
Litigation related	62	84
Other	42	124
	3,314	3,530
Less: Valuation allowance	9	16
	3,305	3,514
Deferred income tax liabilities:		
Investments	1,802	1,554
Deferred policy acquisition costs	3,134	3,095
Net unrealized investment gains	1,029	1,391
Other	69	145
	6,034	6,185
Net deferred income tax liability	$(2,729)	$(2,671)

Domestic net operating loss carryforwards amount to $1,614 million at December 31, 2005 and will expire beginning in 2016. Foreign net operating loss carryforwards amount to $27 million at December 31, 2005 and were generated in various foreign countries with expiration periods of five years to infinity. Capital loss carryforwards amount to $168 million at December 31, 2005 and will expire beginning in 2006. Tax credit carryforwards amount to $100 million at December 31, 2005 and will expire beginning in 2006.

The Company has recorded a valuation allowance related to tax benefits of certain foreign net operating loss carryforwards. The valuation allowance reflects management's assessment, based on available information, that it is more likely than not that the deferred income tax asset for certain foreign net operating loss carryforwards will not be realized. The tax benefit will be recognized when management believes that it is more likely than not that these deferred income tax assets are realizable. In 2005, the Company's $7 million reduction in the deferred income tax valuation allowance resulted from the sale of the subsidiary to which the foreign net operating loss carryforwards and valuation allowance resulted.

10. Contingencies, Commitments, and Guarantees

Contingencies

Litigation

The Company is a defendant in a large number of litigation matters. In some of the matters, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Modern pleading practice in the United States permits considerable variation in the assertion of monetary damages or other relief.

Jurisdictions may permit claimants not to specify the monetary damages sought or may permit claimants to state only that the amount sought is sufficient to invoke the jurisdiction of the trial court. In addition, jurisdictions may permit plaintiffs to allege monetary damages in amounts well exceeding reasonably possible verdicts in the jurisdiction for similar matters. This variability in pleadings, together with the actual experience of the Company in litigating or resolving through settlement numerous claims over an extended period of time, demonstrate to management that the monetary relief which may be specified in a lawsuit or claim bears little relevance to its merits or disposition value. Thus, unless stated below, the specific monetary relief sought is not noted.

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

On a quarterly and yearly basis, the Company reviews relevant information with respect to liabilities for litigation and contingencies to be reflected in the Company's consolidated financial statements. The review includes senior legal and financial personnel. Unless stated below, estimates of possible additional losses or ranges of loss for particular matters cannot in the ordinary course be made with a reasonable degree of certainty. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Liabilities have been established for a number of the matters noted below. It is possible that some of the matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be estimated as of December 31, 2005.

Sales Practices Claims

Over the past several years, Metropolitan Life, New England Mutual Life Insurance Company ("New England Mutual") and General American have faced numerous claims, including class action lawsuits, alleging improper marketing and sales of individual life insurance policies or annuities. These lawsuits generally are referred to as "sales practices claims."

In December 1999, a federal court approved a settlement resolving sales practices claims on behalf of a class of owners of permanent life insurance policies and annuity contracts or certificates issued pursuant to individual sales in the United States by Metropolitan Life, MIAC or MTL between January 1, 1982 and December 31, 1997.

Similar sales practices class actions against New England Mutual, with which Metropolitan Life merged in 1996, and General American, which was acquired in 2000, have been settled. In October 2000, a federal court approved a settlement resolving sales practices claims on behalf of a class of owners of permanent life insurance policies issued by New England Mutual between January 1, 1983 through August 31, 1996. A federal court has approved a settlement resolving sales practices claims on behalf of a class of owners of permanent life insurance policies issued by General American between January 1, 1982 through December 31, 1996. An appellate court has affirmed the order approving the settlement.

Certain class members have opted out of the class action settlements noted above and have brought or continued non-class action sales practices lawsuits. In addition, other sales practices lawsuits, including lawsuits or other proceedings relating to the sale of mutual funds and other products, have been brought. As of December 31, 2005, there are approximately 338 sales practices litigation matters pending against Metropolitan Life; approximately 45 sales practices litigation matters pending against New England Mutual, New

England Life Insurance Company ("NELICO"), and New England Securities Corporation (collectively, "New England") and approximately 34 sales practices litigation matters pending against General American. Metropolitan Life, New England, and General American continue to defend themselves vigorously against these litigation matters. Some individual sales practices claims have been resolved through settlement, won by dispositive motions, or, in a few instances, have gone to trial. Most of the current cases seek substantial damages, including in some cases punitive and treble damages and attorneys' fees. Additional litigation relating to the Company's marketing and sales of individual life insurance, mutual funds and other products may be commenced in the future.

The Metropolitan Life class action settlement did not resolve two putative class actions involving sales practices claims filed against Metropolitan Life in Canada, and these actions remain pending.

The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for sales practices claims against Metropolitan Life, New England and General American.

Regulatory authorities in a small number of states have had investigations or inquiries relating to Metropolitan Life's, New England's and General American's sales of individual life insurance policies or annuities or other products. Over the past several years, these and a number of investigations by other regulatory authorities were resolved for monetary payments and certain other relief. The Company may continue to resolve investigations in a similar manner.

Asbestos-Related Claims

Metropolitan Life is also a defendant in thousands of lawsuits seeking compensatory and punitive damages for personal injuries allegedly caused by exposure to asbestos or asbestos-containing products. Metropolitan Life has never engaged in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products nor has Metropolitan Life issued liability or workers' compensation insurance to companies in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products. Rather, these lawsuits principally have been based upon allegations relating to certain research, publication and other activities of one or more of Metropolitan Life's employees during the period from the 1920's through approximately the 1950's and have alleged that Metropolitan Life learned or should have learned of certain health risks posed by asbestos and, among other things, improperly publicized or failed to disclose those health risks. Metropolitan Life believes that it should not have legal liability in such cases.

Legal theories asserted against Metropolitan Life have included negligence, intentional tort claims and conspiracy claims concerning the health risks associated with asbestos. Although Metropolitan Life believes it has meritorious defenses to these claims, and has not suffered any adverse monetary judgments in respect of these claims, due to the risks and expenses of litigation, almost all past cases have been resolved by settlements. Metropolitan Life's defenses (beyond denial of certain factual allegations) to plaintiffs' claims include that: (i) Metropolitan Life owed no duty to the plaintiffs — it had no special relationship with the plaintiffs and did not manufacture, produce, distribute or sell the asbestos products that allegedly injured plaintiffs; (ii) plaintiffs cannot demonstrate justifiable detrimental reliance; and (iii) plaintiffs cannot demonstrate proximate causation. In defending asbestos cases, Metropolitan Life selects various strategies depending upon the jurisdictions in which such cases are brought and other factors which, in Metropolitan Life's judgment, best protect Metropolitan Life's interests. Strategies include seeking to settle or compromise claims, motions challenging the legal or factual basis for such claims or defending on the merits at trial. Since 2002, trial courts in California, Utah, Georgia, New York, Texas, and Ohio granted motions dismissing claims against Metropolitan Life on some or all of the above grounds. Other courts have denied motions brought by Metropolitan Life to dismiss cases without the necessity of trial. There can be no assurance that Metropolitan

Life will receive favorable decisions on motions in the future. Metropolitan Life intends to continue to exercise its best judgment regarding settlement or defense of such cases, including when trials of these cases are appropriate.

Metropolitan Life continues to study its claims experience, review external literature regarding asbestos claims experience in the United States and consider numerous variables that can affect its asbestos liability exposure, including bankruptcies of other companies involved in asbestos litigation and legislative and judicial developments, to identify trends and to assess their impact on the recorded asbestos liability.

Bankruptcies of other companies involved in asbestos litigation, as well as advertising by plaintiffs' asbestos lawyers, may be resulting in an increase in the cost of resolving claims and could result in an increase in the number of trials and possible adverse verdicts Metropolitan Life may experience. Plaintiffs are seeking additional funds from defendants, including Metropolitan Life, in light of such bankruptcies by certain other defendants. In addition, publicity regarding legislative reform efforts may result in an increase or decrease in the number of claims.

Metropolitan Life previously reported that it had received approximately 23,500 asbestos-related claims in 2004. In the context of reviewing in the third quarter of 2005 certain pleadings received in 2004, it was determined that there was a small undercount of Metropolitan Life's asbestos-related claims in 2004. Accordingly, Metropolitan Life now reports that it received approximately 23,900 asbestos-related claims in 2004. The total number of asbestos personal injury claims pending against Metropolitan Life as of the dates indicated, the number of new claims during the years ended on those dates and the total settlement payments made to resolve asbestos personal injury claims during those years are set forth in the following table:

	At or for the Years Ended December 31,		
	2005	2004	2003
	(Dollars in millions)		
Asbestos personal injury claims at year end (approximate)	100,250	108,000	111,700
Number of new claims during the year (approximate)	18,500	23,900	58,750
Settlement payments during the year(1)	$ 74.3	$ 85.5	$ 84.2

(1) Settlement payments represent payments made by Metropolitan Life during the year in connection with settlements made in that year and in prior years. Amounts do not include Metropolitan Life's attorneys' fees and expenses and do not reflect amounts received from insurance carriers.

The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for asbestos-related claims. The ability of Metropolitan Life to estimate its ultimate asbestos exposure is subject to considerable uncertainty due to numerous factors. The availability of data is limited and it is difficult to predict with any certainty numerous variables that can affect liability estimates, including the number of future claims, the cost to resolve claims, the disease mix and severity of disease, the jurisdiction of claims filed, tort reform efforts and the impact of any possible future adverse verdicts and their amounts.

The number of asbestos cases that may be brought or the aggregate amount of any liability that Metropolitan Life may ultimately incur is uncertain. Accordingly, it is reasonably possible that the Company's total exposure to asbestos claims may be greater than the liability recorded by the Company in its consolidated financial statements and that future charges to income may be necessary. While the potential future charges could be material in particular quarterly or annual periods in which they are recorded, based on information currently known by management, management does not believe any such charges are likely to have a material adverse effect on the Company's consolidated financial position.

Metropolitan Life increased its recorded liability for asbestos-related claims by $402 million from approximately $820 million to $1,225 million at December 31, 2002. This total recorded asbestos-related liability (after the self-insured retention) was within the coverage of the excess insurance policies discussed below. Metropolitan Life regularly reevaluates its exposure from asbestos litigation and has updated its liability analysis for asbestos-related claims through December 31, 2005.

During 1998, Metropolitan Life paid $878 million in premiums for excess insurance policies for asbestos-related claims. The excess insurance policies for asbestos-related claims provide for recovery of losses up to $1,500 million, which is in excess of a $400 million self-insured retention. The asbestos-related policies are also subject to annual and per-claim sublimits. Amounts are recoverable under the policies annually with respect to claims paid during the prior calendar year. Although amounts paid by Metropolitan Life in any given year that may be recoverable in the next calendar year under the policies will be reflected as a reduction in the Company's operating cash flows for the year in which they are paid, management believes that the payments will not have a material adverse effect on the Company's liquidity.

Each asbestos-related policy contains an experience fund and a reference fund that provides for payments to Metropolitan Life at the commutation date if the reference fund is greater than zero at commutation or pro rata reductions from time to time in the loss reimbursements to Metropolitan Life if the cumulative return on the reference fund is less than the return specified in the experience fund. The return in the reference fund is tied to performance of the Standard & Poor's 500 Index and the Lehman Brothers Aggregate Bond Index. A claim with respect to the prior year was made under the excess insurance policies in 2003, 2004 and 2005 for the amounts paid with respect to asbestos litigation in excess of the retention. As the performance of the indices impacts the return in the reference fund, it is possible that loss reimbursements to the Company and the recoverable with respect to later periods may be less than the amount of the recorded losses. Such foregone loss reimbursements may be recovered upon commutation depending upon future performance of the reference fund. If at some point in the future, the Company believes the liability for probable and reasonably estimable losses for asbestos-related claims should be increased, an expense would be recorded and the insurance recoverable would be adjusted subject to the terms, conditions and limits of the excess insurance policies. Portions of the change in the insurance recoverable would be recorded as a deferred gain and amortized into income over the estimated remaining settlement period of the insurance policies. The foregone loss reimbursements were approximately $8.3 million with respect to 2002 claims, $15.5 million with respect to 2003 claims and $15.1 million with respect to 2004 claims and estimated as of December 31, 2005, to be approximately $45.4 million in the aggregate, including future years.

Demutualization Actions

Several lawsuits were brought in 2000 challenging the fairness of Metropolitan Life's plan of reorganization, as amended (the "plan") and the adequacy and accuracy of Metropolitan Life's disclosure to policyholders regarding the plan. These actions named as defendants some or all of Metropolitan Life, the Holding Company, the individual directors, the New York Superintendent of Insurance (the "Superintendent") and the underwriters for MetLife, Inc.'s initial public offering, Goldman Sachs & Company and Credit Suisse First Boston. In 2003, a trial court within the commercial part of the New York State court granted the defendants' motions to dismiss two purported class actions. In 2004, the appellate court modified the trial court's order by reinstating certain claims against Metropolitan Life, the Holding Company and the individual directors. Plaintiffs in these actions have filed a consolidated amended complaint. Plaintiffs' motion to certify a litigation class is pending. Another purported class action filed in New York State court in Kings County has been consolidated with this action. The plaintiffs in the state court class actions seek compensatory relief and punitive damages. Five persons brought a proceeding under Article 78 of New York's Civil Practice Law and Rules challenging the Opinion and Decision of the Superintendent who approved the plan. In this proceeding, petitioners sought to vacate the Superintendent's Opinion and Decision and enjoin him from granting final approval of the plan. On November 10, 2005, the trial court granted respondents' motions to dismiss this proceeding. Petitioners have filed a notice of appeal. In a class action against Metropolitan Life and the Holding Company pending in the United States District Court for the Eastern District of New York, plaintiffs served a second consolidated amended complaint in 2004. In this action, plaintiffs assert violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 in connection with the plan, claiming that the Policyholder Information Booklets failed to disclose certain material facts and contained certain material misstatements. They seek rescission and compensatory damages. On June 22, 2004, the court denied the defendants' motion to dismiss the claim of violation of the Securities Exchange Act of 1934. The court had previously denied defendants' motion to dismiss the claim for violation of the Securities Act of 1933. In 2004, the court reaffirmed its earlier decision denying defendants' motion for summary judgment as premature. On July 19, 2005, this federal trial court certified a class action against Metropolitan Life and the Holding Company. Metropolitan Life and the Holding Company have filed a petition seeking permission for an interlocutory appeal from this order. On or about March 29, 2006, the United States Court of Appeals for the Second Circuit denied the petition. Metropolitan Life, the Holding Company and the individual defendants believe they have meritorious defenses to the plaintiffs' claims and are contesting vigorously all of the plaintiffs' claims in these actions.

In 2001, a lawsuit was filed in the Superior Court of Justice, Ontario, Canada on behalf of a proposed class of certain former Canadian policyholders against the Holding Company, Metropolitan Life, and Metropolitan Life Insurance Company of Canada. Plaintiffs' allegations concern the way that their policies were treated in connection with the demutualization of Metropolitan Life; they seek damages, declarations, and other non-pecuniary relief. The defendants believe they have meritorious defenses to the plaintiffs' claims and will contest vigorously all of plaintiffs' claims in this matter.

On April 30, 2004, a lawsuit was filed in New York state court in New York County against the Holding Company and Metropolitan Life on behalf of a proposed class comprised of the settlement class in the Metropolitan Life sales practices class action settlement approved in December 1999 by the United States District Court for the Western District of Pennsylvania. In their amended complaint, plaintiffs challenged the treatment of the cost of the sales practices settlement in the demutualization of Metropolitan Life and asserted claims of breach of fiduciary duty, common law fraud, and unjust enrichment. In an order dated July 13, 2005, the court granted the defendants' motion to dismiss the action and the plaintiffs have filed a notice of appeal.

Other

A putative class action lawsuit which commenced in October 2000 is pending in the United States District Court for the District of Columbia, in which plaintiffs allege that they were denied certain ad hoc pension increases awarded to retirees under the Metropolitan Life retirement plan. The ad hoc pension increases were awarded only to retirees (i.e., individuals who were entitled to an immediate retirement benefit upon their termination of employment) and not available to individuals like these plaintiffs whose employment, or whose spouses' employment, had terminated before they became eligible for an immediate retirement benefit. The plaintiffs seek to represent a class consisting of former Metropolitan Life employees, or their surviving spouses, who are receiving deferred vested annuity payments under the retirement plan and who were allegedly eligible to receive the ad hoc pension increases. In September 2005, Metropolitan Life's motion for summary judgment was granted. Plaintiffs have moved for reconsideration.

On February 21, 2006, the SEC and New England Securities Corporation ("NES"), a subsidiary of NELICO, resolved a formal investigation of NES that arose in response to NES informing the SEC that certain systems and controls relating to one NES advisory program were not operating effectively. NES previously provided restitution to the affected clients and the settlement includes additional client payments to be made by NES in the total amount of approximately $2,615,000. No penalties were imposed.

Prior to filing MetLife, Inc's June 30, 2003 Form 10-Q, MetLife, Inc. announced a $31 million after-tax charge related to New England Financial. MetLife notified the SEC about the nature of this charge prior to its announcement. The SEC opened a formal investigation of the matter and, in December 2004, NELICO received a Wells Notice in connection with the SEC investigation. The staff of the SEC has notified NELICO that no enforcement action has been recommended against NELICO.

In May 2003, the American Dental Association and three individual providers sued the Holding Company and/or its subsidiaries and Cigna in a purported class action lawsuit brought in a Florida federal district court. The plaintiffs purport to represent a nationwide class of in-network providers who allege that their claims are being wrongfully reduced by downcoding, bundling, and the improper use and programming of software. The complaint alleges federal racketeering and various state law theories of liability. The Holding Company and/or its subsidiaries are vigorously defending the matter. The district court has granted in part and denied in part the defendant's motion to dismiss. The Holding Company and/or its subsidiaries has filed another motion to dismiss. The court has issued a tag-along order, related to a medical managed care trial, which will stay the lawsuit indefinitely.

In a lawsuit commenced in June 1998, a New York state court granted in 2004 plaintiffs' motion to certify a litigation class of owners of certain participating life insurance policies and a sub-class of New York owners of such policies in an action asserting that Metropolitan Life breached their policies and violated New York's General Business Law in the manner in which it allocated investment income across lines of business during a period ending with the 2000 demutualization. Plaintiffs sought compensatory damages. In January 2006, the appellate court reversed the class certification order. On November 23, 2005, the trial court issued a Memorandum Decision granting Metropolitan Life's motion for summary judgment. Plaintiffs have filed a notice of appeal of the trial's court's decision.

Regulatory bodies have contacted the Company and have requested information relating to market timing and late trading of mutual funds and variable insurance products and, generally, the marketing of products. The Company believes that many of these inquiries are similar to those made to many financial services companies as part of industry-wide investigations by various regulatory agencies. The SEC has commenced an investigation with respect to market timing and late trading in a limited number of privately-placed variable insurance contracts that were sold through General American. As previously reported, in May 2004, General American received a Wells Notice stating that the SEC staff is considering recommending that the SEC bring a civil action alleging violations of the U.S. securities laws against General American. Under the SEC procedures, General American can avail itself of the opportunity to respond to the SEC staff before it makes a formal recommendation regarding whether any action alleging violations of the U.S. securities laws should be considered. General American has responded to the Wells Notice. The Company is fully cooperating with regard to these information requests and investigations. The Company at the present time is not aware of any systemic problems with respect to such matters that may have a material adverse effect on the Company's consolidated financial position.

On April 10, 2006, the SEC and Metropolitan Life resolved a formal investigation of Metropolitan Life relating to certain sales by a former Company sales representative to the Sheriff's Department of Fulton County, Georgia. Metropolitan Life previously provided partial restitution to the Fulton County Sheriff's office, and the settlement includes a payment to the SEC of a $250,000 fine.

The Holding Company and/or affiliates has received a number of subpoenas and other requests from the Office of the Attorney General of the State of New York seeking, among other things, information regarding and relating to compensation agreements between insurance brokers and the Holding Company and/or affiliates, whether the Holding Company and/or affiliates has provided or is aware of the provision of "fictitious" or "inflated" quotes, and information regarding tying arrangements with respect to reinsurance. Based upon an internal review, the Attorney General for the State of New York was advised that the Holding

Company and/or affiliates was not aware of any instance in which the Holding Company and/or affiliates had provided a "fictitious" or "inflated" quote. The Holding Company and/or affiliates also has received subpoenas, including sets of interrogatories, from the Office of the Attorney General of the State of Connecticut seeking information and documents including contingent commission payments to brokers and the Holding Company and/or affiliates' awareness of any "sham" bids for business. The Holding Company and/or affiliates also has received a Civil Investigative Demand from the Office of the Attorney General for the State of Massachusetts seeking information and documents concerning bids and quotes that were submitted to potential customers in Massachusetts, the identity of agents, brokers, and producers to whom were submitted such bids or quotes, and communications with a certain broker. The Holding Company and/or affiliates has received two subpoenas from the District Attorney of the County of San Diego, California. The subpoenas seek numerous documents including incentive agreements entered into with brokers. The Florida Department of Financial Services and the Florida Office of Insurance Regulation also have served subpoenas on the Holding Company and/or affiliates asking for answers to interrogatories and document requests concerning topics that include compensation paid to intermediaries. The Office of the Attorney General for the State of Florida has also served a subpoena on the Holding Company and/or affiliates seeking, among other things, copies of materials produced in response to the subpoenas discussed above. The Holding Company and/or affiliates has received a subpoena from the Office of the U.S. Attorney for the Southern District of California asking for documents regarding the insurance broker, Universal Life Resources. The Insurance Commissioner of Oklahoma has served a subpoena, including a set of interrogatories, on the Holding Company and/or affiliates seeking, among other things, documents and information concerning the compensation of insurance producers for insurance covering Oklahoma entities and persons. The Ohio Department of Insurance has requested documents regarding a broker and certain Ohio public entity groups. The Holding Company and/or affiliates continues to cooperate fully with these inquiries and is responding to the subpoenas and other requests. The Holding Company and/or affiliates are continuing to conduct an internal review of its commission payment practices.

Approximately sixteen broker-related lawsuits in which the Holding Company and/or affiliates was named as a defendant were filed. Voluntary dismissals and consolidations have reduced the number of pending actions to four. In one of these, the California Insurance Commissioner is suing in California state court Metropolitan Life, Paragon Life Insurance Company and other companies alleging that the defendants violated certain provisions of the California Insurance Code. Another of these actions is pending in a multi-district proceeding established in the federal district court in the District of New Jersey. In this proceeding, plaintiffs have filed an amended class action complaint consolidating the claims from separate actions that had been filed in or transferred to the District of New Jersey. The consolidated amended complaint alleges that the Holding Company, Metropolitan Life, several other insurance companies and several insurance brokers violated RICO, ERISA, and antitrust laws and committed other misconduct in the context of providing insurance to employee benefit plans and to persons who participate in such employee benefit plans. Plaintiffs seek to represent classes of employers that established employee benefit plans and persons who participated in such employee benefit plans. A motion for class certification has been filed. Plaintiffs in several other actions have voluntarily dismissed their claims. The Holding Company and/or affiliates intends to vigorously defend these cases.

In addition to those discussed above, regulators and others have made a number of inquiries of the insurance industry regarding industry brokerage practices and related matters and other inquiries may begin. It is reasonably possible that the Holding Company and/or affiliates will receive additional subpoenas, interrogatories, requests and lawsuits. The Holding Company and/or affiliates will fully cooperate with all regulatory inquiries and intends to vigorously defend all lawsuits.

The Holding Company has received a subpoena from the Connecticut Attorney General requesting information regarding its participation in any finite reinsurance transactions. The Holding Company and/or affiliates has also received information requests relating to finite insurance or reinsurance from other regulatory and governmental authorities. The Holding Company and/or affiliates believe it has appropriately accounted for its transactions of this type and intends to cooperate fully with these information requests. The Company believes that a number of other industry participants have received similar requests from various regulatory and governmental authorities. It is reasonably possible that Holding Company and/or affiliates may receive additional requests. The Holding Company and any such affiliates will fully cooperate with all such requests.

The NASD staff notified NES that it has made a preliminary determination to file charges of violations of the NASD's and the SEC's rules. The pending investigation was initiated after NES and certain affiliates reported to the NASD that a limited number of mutual fund transactions processed by firm representatives and at the firms' consolidated trading desk, during the period April through December 2003, had been received from customers after 4:00 p.m., Eastern time, and received the same day's net asset value. The potential charges of violations of the NASD's and the SEC's rules relate to the processing of transactions received after 4:00 p.m., the firms' maintenance of books and records, supervisory procedures and responses to the NASD's information requests. Under the NASD's procedures, the firm has submitted a response to the NASD staff. The NASD staff has not made a formal recommendation regarding whether any action alleging violations of the rules should be filed. NES continues to cooperate fully with the NASD.

In February 2006, the Company learned that the SEC commenced a formal investigation of NES in connection with the suitability of its sales of various universal life insurance policies. The Company believes that others in the insurance industry are the subject of similar investigations by the SEC. NES is cooperating fully with the SEC.

Metropolitan Life also has been named as a defendant in a number of silicosis, welding and mixed dust cases in various states. The Company intends to defend itself vigorously against these cases.

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

Summary

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

Insolvency Assessments

Most of the jurisdictions in which the Company is admitted to transact business require life insurers doing business within the jurisdiction to participate in guaranty associations, which are organized to pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed life insurers. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the lines of business in which the impaired, insolvent or failed insurer engaged. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets. Assessments levied against the Company were $1 million for the year ended December 31, 2005. There were no assessments levied against the Company for the years ended December 31, 2004 and 2003. The Company maintained a liability of $48 million, and a related asset for premium tax offsets of $34 million, at December 31, 2005 for undiscounted future assessments in respect of currently impaired, insolvent or failed insurers.

Impact of Hurricanes

On August 29, 2005, Hurricane Katrina made landfall in the states of Louisiana, Mississippi and Alabama causing catastrophic damage to these coastal regions. As of December 31, 2005, the Institutional segment recorded net losses of $14 million, net of income taxes and reinsurance recoverables related to the catastrophe.

Additional hurricane-related losses may be recorded in future periods as claims are received from insureds. Based on information currently known by management, it does not believe that additional claim losses resulting from the hurricane will have a material adverse impact on the Company's consolidated financial statements.

Commitments

Leases

In accordance with industry practice, certain of the Company's income from lease agreements with retail tenants is contingent upon the level of the tenants' sales revenues. Additionally, the Company, as lessee, has entered into various lease and sublease agreements for office space, data processing and other equipment. Future minimum rental and sublease income, and minimum gross rental payments relating to these lease agreements were as follows:

	Rental Income	Sublease Income	Rental Payments
		(In millions)	
2006	$418	$18	$174
2007	$376	$14	$152
2008	$309	$11	$122
2009	$251	$ 5	$101
2010	$199	$ 4	$ 86
Thereafter	$595	$10	$485

Commitments to Fund Partnership Investments

The Company makes commitments to fund partnership investments in the normal course of business. The amounts of these unfunded commitments were $1,956 million and $1,320 million at December 31, 2005 and 2004, respectively. The Company anticipates that these amounts will be invested in partnerships over the next five years.

Mortgage Loan Commitments

The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments were $2,603 million and $1,161 million at December 31, 2005 and 2004, respectively.

Other Commitments

On December 12, 2005, RGA repurchased 1.6 million shares of its outstanding common stock at an aggregate price of approximately $76 million under an accelerated share repurchase agreement with a major bank. The bank borrowed the stock sold to RGA from third parties and is purchasing the shares in the open market over the subsequent few months to return to the lenders. RGA will either pay or receive an amount based on the actual amount paid by the bank to purchase the shares. These repurchases resulted in an increase in the Company's ownership percentage of RGA to approximately 53% at December 31, 2005 from approximately 52% at December 31, 2004. In February 2006, the final purchase price was determined resulting in a cash settlement substantially equal to the aggregate cost. RGA recorded the initial repurchase of shares as treasury stock and recorded the amount received as an adjustment to the cost of the treasury stock.

Guarantees

In the course of its business, the Company has provided certain indemnities, guarantees and commitments to third parties pursuant to which it may be required to make payments now or in the future. In the context of acquisition, disposition, investment and other transactions, the Company has provided indemnities and guarantees, including those related to tax, environmental and other specific liabilities, and other indemnities and guarantees that are triggered by, among other things, breaches of representations, warranties or covenants provided by the Company. In addition, in the normal course of business, the Company provides indemnifications to counterparties in contracts with triggers similar to the foregoing, as well as for certain other liabilities, such as third party lawsuits. These obligations are often subject to time limitations that vary in duration, including contractual limitations and those that arise by operation of law, such as applicable statutes of limitation. In some cases, the maximum potential obligation under the indemnities and guarantees is subject to a contractual limitation ranging from less than $1 million to $1.7 billion, with a cumulative maximum of $3.1 billion, while in other cases such limitations are not specified or applicable. Since certain of these obligations are not subject to limitations, the Company does not believe that it is possible to determine the maximum potential amount due under these guarantees in the future.

In addition, the Company indemnifies its directors and officers as provided in its charters and by-laws. Also, the Company indemnifies other of its agents for liabilities incurred as a result of their representation of the Company's interests. Since these indemnities are generally not subject to limitation with respect to duration or amount, the Company does not believe that it is possible to determine the maximum potential amount due under these indemnities in the future.

In the first quarter of 2005, the Company recorded a liability of $4 million with respect to indemnities provided in connection with a certain disposition. The approximate term for this liability is 18 months. The maximum potential amount of future payments the Company could be required to pay under these indemnities is approximately $500 million. Due to the uncertainty in assessing changes to the liability over the term, the liability on the Company's consolidated balance sheets will remain until either expiration or settlement of the guarantee unless evidence clearly indicates that the estimates should be revised. The Company's recorded liabilities at December 31, 2005 for indemnities, guarantees and commitments were

$4 million. The Company had no liability at December 31, 2004 for indemnities, guarantees and commitments.

In connection with RSATs, the Company writes credit default swap obligations requiring payment of principal due in exchange for the reference credit obligation, depending on the nature or occurrence of specified credit events for the referenced entities. In the event of a specified credit event, the Company's maximum amount at risk, assuming the value of the referenced credits becomes worthless, is $444 million at December 31, 2005. The credit default swaps expire at various times during the next six years.

11. Employee Benefit Plans

Pension and Other Postretirement Benefit Plans

The Company has both qualified and non-qualified defined benefit pension plans that together cover eligible employees and sales representatives of the Company. The Company is both the sponsor and administrator of the Metropolitan Life Retirement Plan for United States Employees and the Metropolitan Life Auxiliary Plan, (collectively "the Plans"). The Plans cover eligible employees and retirees of the sponsor and its participating affiliates. Participating affiliates have no legal obligation for benefits under the Plans; however, participating affiliates are allocated a proportionate share of net expense related to the Plans. The Company's proportionate share of net expense related to the Plans was $134 million or 95%. Other defined benefit pension plans are sponsored and administered by subsidiaries of the Company and the related expense is immaterial to the Company. Retirement benefits under the plans are based upon years of credited service and final average or career average earnings history.

The Company also provides certain postemployment benefits and certain postretirement medical and life insurance benefits for retired employees through insurance contracts. The Company is both the sponsor and administrator of the Postretirement Health and Life Plan, ("the Postretirement Plan"). The Postretirement Plan covers eligible employees and retirees of the sponsor and its participating affiliates who were hired prior to 2003 (or, in certain cases, rehired during or after 2003). Participating affiliates have no legal obligation for benefits under the Postretirement Plan; however, participating affiliates are allocated a proportionate share of net expense related to the Postretirement Plan. The Company's proportionate share of net expense related to the Postretirement Plan was $60 million or 87% for the year ended December 31, 2005. Other postretirement plans are sponsored and administered by subsidiaries of the Company and the related expense is immaterial to the Company. Substantially all of the employees of the Company and its participating affiliates may, in accordance with the plans applicable to the postretirement benefits, become eligible for these benefits if they attain retirement age, with sufficient service, while working for the Company or its participating affiliates.

A December 31 measurement date is used for all of the defined benefit pension and other postretirement benefit plans.

Obligations, Funded Status and Net Periodic Benefit Costs

	December 31,			
	Pension Benefits		Other Postretirement Benefits	
	2005	2004	2005	2004
	(In millions)			
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	$5,481	$5,233	$ 1,962	$2,078
Service cost	141	128	36	31
Interest cost	315	308	120	118
Plan participants' contributions	—	—	28	25
Acquisitions and divestitures	—	(3)	1	—
Actuarial losses (gains)	90	143	168	(139)
Change in benefits	—	—	3	2
Benefits paid	(310)	(328)	(158)	(153)
Projected benefit obligation at end of year	5,717	5,481	2,160	1,962
Change in plan assets:				
Contract value of plan assets at beginning of year	5,351	4,690	1,059	1,001
Actual return on plan assets	397	410	61	95
Acquisitions and divestitures	—	(3)	—	—
Employer contribution	3	524	1	1
Benefits paid	(280)	(270)	(30)	(38)
Fair value of plan assets at end of year	5,471	5,351	1,091	1,059
Underfunded	(246)	(130)	(1,069)	(903)
Unrecognized net asset at transition	—	—	—	—
Unrecognized net actuarial losses	1,526	1,506	376	198
Unrecognized prior service cost	52	68	(123)	(164)
Prepaid (accrued) benefit cost	$1,332	$1,444	$ (816)	$ (869)
Qualified plan prepaid pension cost	$1,689	$1,777	$ —	$ —
Non-qualified plan accrued pension cost	(435)	(477)	(816)	(869)
Intangible assets	12	14	—	—
Accumulated other comprehensive loss	66	130	—	—
Prepaid (accrued) benefit cost	$1,332	$1,444	$ (816)	$ (869)

The prepaid (accrued) benefit cost for pension benefits presented in the above table consists of prepaid benefit costs of $1,691 million and $1,778 million as of December 31, 2005 and 2004, respectively, and accrued benefit costs of $359 million and $334 million as of December 31, 2005 and 2004, respectively.

The aggregate projected benefit obligation and aggregate fair value of plan assets for the pension plans were as follows:

	Qualified Plan		Non-Qualified Plan		Total	
	2005	2004	2005	2004	2005	2004
	(In millions)					
Aggregate fair value of plan assets (principally Company contracts)	$5,471	$5,351	$ —	$ —	$5,471	$5,351
Aggregate projected benefit obligation	5,209	4,957	508	524	5,717	5,481
Over (under) funded	$ 262	$ 394	$(508)	$(524)	$ (246)	$ (130)

The accumulated benefit obligation for all defined benefit pension plans was $5,308 million and $5,111 million at December 31, 2005 and 2004, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	2005	2004
	(In millions)	
Projected benefit obligation	$530	$542
Accumulated benefit obligation	$442	$476
Fair value of plan assets	$ 16	$ 14

Information for pension and other postretirement plans with a projected benefit obligation in excess of plan assets:

	December 31,			
	Pension Benefits		Other Postretirement Benefits	
	2005	2004	2005	2004
	(In millions)			
Projected benefit obligation	$530	$542	$2,160	$1,962
Fair value of plan assets	$ 16	$ 14	$1,091	$1,059

The components of net periodic benefit cost were as follows:

	Pension Benefits			Other Postretirement Benefits		
	2005	2004	2003	2005	2004	2003
	(In millions)					
Service cost	$ 141	$ 128	$ 122	$ 36	$ 31	$ 38
Interest cost	315	308	311	120	118	122
Expected return on plan assets	(443)	(425)	(331)	(78)	(77)	(71)
Amortization of prior actuarial losses	116	102	86	14	7	8
Amortization of prior service cost	16	16	16	(18)	(19)	(20)
Curtailment cost	—	—	10	—	—	3
Net periodic benefit cost	$ 145	$ 129	$ 214	$ 74	$ 60	$ 80

The Company expects to receive subsidies on prescription drug benefits beginning in 2006 under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Prescription Drug Act"). The other postretirement benefit plan accumulated benefit obligation were remeasured effective July 1, 2004 in order to determine the effect of the expected subsidies on net periodic other postretirement benefit cost. As a result, the accumulated other postretirement benefit obligation was reduced by $213 million at July 1, 2004 and net periodic other postretirement benefit cost from July 1, 2004 through December 31, 2004 was reduced by $17 million. The reduction of net periodic benefit cost was due to reductions in service cost of $3 million, interest cost of $6 million, and amortization of prior actuarial loss of $8 million.

The reduction in the accumulated postretirement benefit obligation related to the Prescription Drug Act was $298 million and $230 million as of December 31, 2005 and 2004, respectively. For the year ended December 31, 2005, the reduction of net periodic postretirement benefit cost was $45 million, which was due to reductions in service cost of $6 million, interest cost of $16 million and amortization of prior actuarial loss of $23 million. An additional $23 million reduction in the December 31, 2005 accumulated other postretirement benefit obligation is the result of an actuarial loss recognized during the year resulting from updated assumptions including a January 1, 2005 participant census and new claims cost experience and the effect of a December 31, 2005 change in the discount rate.

Assumptions

Assumptions used in determining benefit obligations were as follows:

	December 31,			
	Pension Benefits		Other Postretirement Benefits	
	2005	2004	2005	2004
Weighted average discount rate	5.80%	5.86%	5.79%	5.86%
Rate of compensation increase	4%-8%	4%-8%	N/A	N/A

Assumptions used in determining net periodic benefit cost were as follows:

	December 31,					
	Pension Benefits			Other Postretirement Benefits		
	2005	2004	2003	2005	2004	2003
Weighted average discount rate	5.85%	6.10%	6.75%	5.83%	6.74%	6.74%
Weighted average expected rate of return on plan assets	8.49%	8.49%	8.50%	7.50%	7.91%	7.77%
Rate of compensation increase	4%-8%	4%-8%	4%-8%	N/A	N/A	N/A

The discount rate is based on the yield of a hypothetical portfolio of high-quality debt instruments available on the valuation date, measured on a yield to worst basis, which would provide the necessary future cash flows to pay the aggregate projected benefit obligation when due. The expected rate of return on plan assets is based on anticipated performance of the various asset sectors in which the plan invests, weighted by target allocation percentages. Anticipated future performance is based on long-term historical returns of the plan assets by sector, adjusted for the Company's long-term expectations on the performance of the markets. While the precise expected return derived using this approach will fluctuate from year to year, the Company's policy is to hold this long-term assumption constant as long as it remains within reasonable tolerance from the derived rate. The weighted expected return on plan assets for use in that plan's valuation in 2006 is currently anticipated to be 8.25% for pension benefits and other postretirement medical benefits and 6.25% for other postretirement life benefits.

The assumed health care cost trend rates used in measuring the accumulated other postretirement benefit obligation were as follows:

	December 31, 2005	December 31, 2004
Pre-Medicare eligible claims	9.5% down to 5% in 2014	8% down to 5% in 2010
Medicare eligible claims	11.5% down to 5% in 2018	10% down to 5% in 2014

Assumed health care cost trend rates may have a significant effect on the amounts reported for health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects:

	One Percent Increase	One Percent Decrease
	(In millions)	
Effect on total of service and interest cost components	$ 15	$ (12)
Effect of accumulated postretirement benefit obligation	$182	$(153)

Plan Assets

The weighted average allocation of pension plan and other postretirement benefit plan assets is as follows:

	December 31, Pension Benefits 2005	Pension Benefits 2004	Other Postretirement Benefits 2005	Other Postretirement Benefits 2004
Asset Category				
Equity securities	47%	50%	42%	41%
Fixed maturities	37%	36%	53%	57%
Other (Real Estate and Alternative Investments)	16%	14%	5%	2%
Total	100%	100%	100%	100%

The weighted average target allocation of pension plan and other postretirement benefit plan assets for 2006 is as follows:

	Pension Benefits	Other Postretirement Benefits
Asset Category		
Equity securities	30%-65%	30%-45%
Fixed maturities	20%-70%	45%-70%
Other (Real Estate and Alternative Investments)	0%-25%	0%-10%

Target allocations of assets are determined with the objective of maximizing returns and minimizing volatility of net assets through adequate asset diversification. Adjustments are made to target allocations based on an assessment of the impact of economic factors and market conditions.

The account values of the group annuity and life insurance contracts issued by the Company were $6,471 million and $6,335 million as of December 31, 2005 and 2004, respectively. Total revenue from these contracts recognized in the consolidated statements of income was $28 million, $28 million and $90 million for the years ended December 31, 2005, 2004 and 2003, respectively, and includes policy charges, net investment income from investments backing the contracts and administrative fees. Total investment income, including realized and unrealized gains and losses, credited to the account balances were $460 million, $519 million and $776 million for the years ended December 31, 2005, 2004 and 2003, respectively. The terms of these contracts are consistent in all material respects with what the Company offers to unaffiliated parties which are similarly situated.

Cash Flows

The Company expects to contribute $186 million to its pension plans and $126 million to its other postretirement benefit plans during 2006.

Gross benefit payments for the next ten years, which reflect expected future service as appropriate, are expected to be as follows:

	Pension Benefits	Other Postretirement Benefits
	(In millions)	
2006	$ 318	$126
2007	$ 323	$132
2008	$ 334	$137
2009	$ 348	$142
2010	$ 352	$148
2011-2015	$1,968	$820

Gross subsidy payments expected to be received for the next ten years under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 are as follows:

	Other Postretirement Benefits
	(In millions)
2006	$11
2007	$12
2008	$13
2009	$13
2010	$14
2011-2015	$83

Savings and Investment Plans

The Company sponsors savings and investment plans for substantially all employees under which a portion of employee contributions are matched. The Company contributed $62 million, $55 million and $49 million for the years ended December 31, 2005, 2004 and 2003, respectively.

12. Equity

Parent's Interest in Preferred Stock of a Subsidiary

On December 16, 2003, the Holding Company contributed 2,532,600 shares of RGA's common stock to a subsidiary of the Company in exchange for 93,402 shares of Series A Cumulative Preferred Stock ("the Preferred Shares"). Holders of the Preferred Shares are entitled to receive cumulative cash dividends at the annual applicable rate of 7% times the Liquidation Preference of $1,000 per share payable quarterly, when and if declared by the Board of Directors. Holders of the Preferred Shares have no voting rights, except as required by applicable law. The Preferred Shares rank senior to the common stock.

On December 21, 2004, the Holding Company contributed the 93,402 Preferred Shares to a subsidiary of the Company. The subsidiary of the Company retired the shares and recorded a contribution of capital of $93 million from MetLife, Inc.

Dividend Restrictions

Under New York State Insurance Law, Metropolitan Life is permitted, without prior insurance regulatory clearance, to pay stockholder dividends to the Holding Company as long as the aggregate amount of all such dividends in any calendar year does not exceed the lesser of (i) 10% of its surplus to policyholders as of the immediately preceding calendar year; or (ii) its statutory net gain from operations for the immediately preceding calendar year (excluding realized capital gains). Metropolitan Life will be permitted to pay a cash dividend to the Holding Company in excess of the lesser of such two amounts only if it files notice of its intention to declare such a dividend and the amount thereof with the New York Superintendent of Insurance (the "Superintendent") and the Superintendent does not disapprove the distribution within 30 days of its filing. Under New York State Insurance Law, the Superintendent has broad discretion in determining whether the financial condition of a stock life insurance company would support the payment of such dividends to its shareholders. The New York State Department of Insurance has established informal guidelines for such determinations. The guidelines, among other things, focus on the insurer's overall financial condition and profitability under statutory accounting practices. During the years ended December 31, 2005, 2004 and 2003, Metropolitan Life paid to the Holding Company $880 million, $797 million and $698 million, respectively, in ordinary dividends, the maximum amount which could be paid to the Holding Company without prior regulatory approval, and an additional $2,320 million, $0 million and $750 million, respectively, in special dividends, as approved by the Superintendent. The maximum amount of the dividend which Metropolitan Life may pay to the Holding Company in 2006 without prior regulatory approval is $863 million.

Stockholder dividends or other distributions proposed to be paid by NELICO to its parent, Metropolitan Life, must be approved by the Massachusetts Commissioner of Insurance (the "Commissioner") if such dividends or distributions, together with other dividends or distributions made within the preceding calendar year, exceed the greater of (i) 10% of NELICO's statutory surplus as of the immediately preceding calendar year or (ii) NELICO's statutory net gain from operations for the immediately preceding calendar year. In addition, dividends cannot be paid from a source other than statutory unassigned funds surplus without prior approval of the Commissioner. Since NELICO's statutory unassigned funds surplus is less than zero, NELICO cannot pay any dividends without prior approval of the Commissioner. NELICO paid no common stockholder dividends for the years ended December 31, 2005, 2004 and 2003.

For the years ended December 31, 2005, 2004, and 2003, Metropolitan Life received dividends from subsidiaries of $77 million, $14 million and $32 million, respectively.

Stock Compensation Plans

The MetLife, Inc. 2000 Stock Incentive Plan, as amended (the "Stock Incentive Plan"), authorized the granting of awards in the form of non-qualified or incentive stock options qualifying under Section 422A of the Internal Revenue Code. Under the MetLife, Inc. 2005 Stock and Incentive Compensation Plan, as amended (the "2005 Stock Plan"), awards granted may be in the form of non-qualified stock options or incentive stock options qualifying under Section 422A of the Internal Revenue Code, Stock Appreciation Rights, Restricted Stock or Restricted Stock Units, Performance Shares or Performance Share Units, Cash-Based Awards, and Stock-Based Awards (each as defined in the 2005 Stock Plan). The Stock Incentive Plan, 2005 Stock Plan and the Long-Term Performance Compensation Plan ("LTPCP"), as described below, are hereinafter collectively referred to as the "Incentive Plans."

The aggregate number of Holding Company shares reserved for issuance under the 2005 Stock Plan is 68,000,000 plus those shares available but not utilized under the Stock Incentive Plan and those shares utilized under the Stock Incentive Plan that are recovered due to forfeiture of stock options. At the commencement of the 2005 Stock Plan, additional shares carried forward from the Stock Incentive Plan and available for issuance under the 2005 Stock Plan were 11,917,472. Each share issued under the 2005 Stock Plan in connection with a stock option or Stock Appreciation Right reduces the number of shares remaining for issuance under that plan by one, and each share issued under the 2005 Stock Plan in connection with awards other than stock options or Stock Appreciation Rights reduces the number of shares remaining for issuance under that plan by 1.179 shares.

All stock options granted have an exercise price equal to the fair market value price of the Holding Company's common stock on the date of grant, and a maximum term of ten years. Certain stock options granted under the Stock Incentive Plan and the 2005 Stock Plan become exercisable over a three year period commencing with the date of grant, while other stock options become exercisable three years after the date of grant.

MetLife, Inc. allocated 92%, 91%, and 100% of stock option expense to the Company in each of the years ended December 31, 2005, 2004 and 2003, respectively. Options outstanding attributable to the expense allocated to Company were as follows:

	Years Ended December 31,		
	2005	2004	2003
Outstanding Options	22,249,654	21,428,975	20,213,034
Exercisable Options	14,014,006	12,576,753	4,484,271

Effective January 1, 2003, MetLife, Inc. and the Company elected to prospectively apply the fair value method of accounting for stock options granted by the Holding Company subsequent to December 31, 2002. As permitted under SFAS 148, stock options granted prior to January 1, 2003 will continue to be accounted for under APB 25. Had compensation expense for grants awarded prior to January 1, 2003 been determined based on fair value at the date of grant in accordance with SFAS 123, the Company's net income would have been reduced to the following pro forma amounts:

	Years Ended December 31,		
	2005	2004	2003
		(In millions)	
Net income	$3,253	$2,239	$2,001
Add: Stock option-based employee compensation expense included in reported net income, net of income taxes	30	24	11
Deduct: Total stock option-based employee compensation determined under fair value based method for all awards, net of income taxes	(32)	(42)	(40)
Pro forma net income(1)	$3,251	$2,221	$1,972

(1) The pro forma earnings disclosures are not necessarily representative of the effects on net income in future years.

Prior to January 1, 2005, the Black-Scholes model was used to determine the fair value of options granted as recognized in the financial statements or as reported in the pro forma disclosure above. The fair value of stock options issued on or after January 1, 2005 was estimated on the date of grant using a binomial lattice model. The Company made this change because lattice models produce more accurate option values due to the ability to incorporate assumptions about employee exercise behavior resulting from changes in the price of the underlying shares. In addition, lattice models allow for changes in critical assumptions over the life of the option in comparison to closed-form models like Black-Scholes, which require single-value assumptions at the time of grant.

The expected volatility used in the binomial lattice model is based on an analysis of historical prices of the Holding Company's stock and options on the Holding Company's shares traded on the open market. The Company used a weighted-average of the implied volatility for traded call options with the longest remaining maturity nearest to the money as of each valuation date and the historical volatility, calculated using monthly share prices. The Company chose a monthly measurement interval for historical volatility as it believes this better depicts the nature of employee option exercise decisions being based on longer-term trends in the price of the Holding Company's shares rather than on daily price movements.

The risk-free rate is based on observed interest rates for instruments with maturities similar to the expected term of the employee stock options. The Black-Scholes model requires a single spot rate, therefore the weighted-average of these rates for all grants in the year indicated is presented in the table below. The binomial lattice model allows for the use of different rates for different years. The table below presents the range of imputed forward rates for US Treasury Strips that was input over the contractual term of the options.

Dividend yield is determined based on historical dividend distributions compared to the price of the underlying shares as of the valuation date, adjusted for any expected future changes in the dividend rate. For options valued using the binomial lattice model during the year ended December 31, 2005, the dividend yield as of the measurement date was held constant throughout the life of the option.

Use of the Black-Scholes model requires an input of the expected life of the options, or the average number of years before options will be exercised or expired. The Company's management estimated expected life using the historical average years to exercise or cancellation and average remaining years outstanding for vested options. Alternatively, the binomial model used by the Company incorporates the contractual term of the options and then considers expected exercise behavior and a post-vesting termination rate, or the rate at which vested options are exercised or expire prematurely due to termination of employment, to derive an expected life. Exercise behavior in the Company's binomial lattice model is expressed using an exercise multiple, which reflects the ratio of exercise price to the strike price of options granted at which employees are expected to exercise. The exercise multiple is derived from actual historical exercise activity.

The following weighted-average assumptions, with the exception of risk-free rates used in 2005 which are expressed as a range, were used in the applicable option-pricing model to determine the fair value of stock options issued for the:

	Years Ended December 31,		
	2005	2004	2003
Dividend yield	1.20%	0.70%	0.79%
Risk-free rate of return	3.33%-4.70%	3.69%	3.62%
Volatility	23.23%	34.85%	38.56%
Expected life (years)	6	6	6
Exercise multiple	1.48	N/A	N/A
Post-vesting termination rate	5.19%	N/A	N/A
Contractual term (years)	10	N/A	N/A

	Years Ended December 31,		
	2005	2004	2003
Weighted average fair value of options granted	$10.09	$13.25	$10.41

Certain levels of Company management also received awards of long-term stock-based compensation. Under the LTPCP, awards are payable in their entirety at the end of a three-year performance period. Each participant was assigned a target compensation amount at the inception of the performance period with the final compensation amount determined based on the total shareholder return on the Holding Company's stock over the three-year performance period, subject to limited further adjustment approved by the Holding Company's Board of Directors. Final awards may be paid in whole or in part with shares of the Holding Company's stock, as approved by the Holding Company's Board of Directors. Beginning in 2005, no further LTPCP target compensation amounts were set. Instead, certain members of management were awarded Performance Shares under the 2005 Stock Plan. Participants are awarded an initial target number of Performance Shares with the final number of Performance Shares payable being determined by the product of the initial target multiplied by a factor of 0.0 to 2.0. The factor applied is based on measurements of the Holding Company's performance with respect to (i) change in annual net operating earnings per share; and (ii) proportionate total shareholder return, as defined, with reference to the three-year performance period relative to other companies in the Standard and Poor's Insurance Index with reference to the same three-year period. Performance Share awards will normally vest in their entirety at the end of the three-year performance period (subject to certain contingencies) and will be payable entirely in shares of the Holding Company's stock. On April 15, 2005, 995,150 Performance Shares were awarded to members of Company management, for which the total fair value on the date of grant was approximately $38 million. For the years ended December 31, 2005, 2004 and 2003, compensation expense related to the LTPCP and Performance Shares was $65 million, $45 million, and $42 million, respectively.

For the years ended December 31, 2005, 2004 and 2003, the aggregate stock-based compensation expense related to the Incentive Plans was $112 million, $82 million and $60 million, respectively, including stock-based compensation for non-employees of $235 thousand, $468 thousand and $550 thousand, respectively.

Statutory Equity and Income

Each insurance company's state of domicile imposes minimum risk-based capital requirements that were developed by the National Association of Insurance Commissioners ("NAIC"). The formulas for determining the amount of risk-based capital specify various weighting factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio of total adjusted capital, as defined by the NAIC, to authorized control level risk-based capital, as defined by the NAIC. Companies below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. Metropolitan Life and each of its U.S. insurance subsidiaries exceeded the minimum risk-based capital requirements for all periods presented herein.

The NAIC adopted the Codification of Statutory Accounting Principles ("Codification") in 2001. Codification was intended to standardize regulatory accounting and reporting to state insurance departments. However, statutory accounting principles continue to be established by individual state laws and permitted practices. The New York State Department of Insurance has adopted Codification with certain modifications for the preparation of statutory financial statements of insurance companies domiciled in New York. Modifications by the various state insurance departments may impact the effect of Codification on the statutory capital and surplus of Metropolitan Life and its insurance subsidiaries.

Statutory accounting practices differ from GAAP primarily by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities using different actuarial assumptions, reporting surplus notes as surplus instead of debt and valuing securities on a different basis.

Statutory net income of Metropolitan Life, a New York domiciled insurer, was $2,155 million, $2,648 million and $2,169 million for the years ended December 31, 2005, 2004 and 2003, respectively. Statutory capital and surplus, as filed with the New York State Department of Insurance, was $8,639 million and $8,804 million at December 31, 2005 and 2004, respectively.

Other Comprehensive Income

The following table sets forth the reclassification adjustments required for the years ended December 31, 2005, 2004 and 2003 in other comprehensive income (loss) that are included as part of net income for the current year that have been reported as a part of other comprehensive income (loss) in the current or prior year:

	Years Ended December 31,		
	2005	2004	2003
	(In millions)		
Holding gains on investments arising during the year	$(2,222)	$ 520	$ 814
Income tax effect of holding gains	837	(182)	(335)
Reclassification adjustments:			
Recognized holding (gains) losses included in current year income	(148)	(236)	332
Amortization of premiums and accretion of discounts associated with investments	(186)	(3)	(152)
Income tax effect	126	86	(72)
Allocation of holding losses on investments relating to other policyholder amounts	1,580	(284)	(576)
Income tax effect of allocation of holding losses to other policyholder amounts	(596)	102	228
Unrealized investment gains of subsidiary at date of sale	15	—	269
Deferred income taxes on unrealized investment gains of subsidiary at date of sale	(5)	—	(94)
Net unrealized investment gains (losses)	(599)	3	414
Foreign currency translation adjustments arising during the year	(54)	79	174
Reclassification adjustment for sale of investment in foreign operation	5	—	—
Foreign currency translation adjustment	(49)	79	174
Minimum pension liability adjustment	89	(2)	(82)
Other comprehensive income (losses)	$ (559)	$ 80	$ 506

13. Other Expenses

Other expenses were comprised of the following:

	Years Ended December 31,		
	2005	2004	2003
		(In millions)	
Compensation	$ 2,235	$ 2,205	$ 2,305
Commissions	1,278	1,729	1,694
Interest and debt issue costs	245	183	313
Amortization of DAC and VOBA	1,385	1,145	1,386
Capitalization of DAC	(1,619)	(1,817)	(1,982)
Rent, net of sublease income	227	216	226
Minority interest	181	168	119
Other	1,785	1,754	1,710
Total other expenses	$ 5,717	$ 5,583	$ 5,771

14. Business Segment Information

The Company provides insurance and financial services to customers in the United States, Canada and Asia. At December 31, 2005 and 2004, the Company's business is divided into three operating segments: Institutional, Individual and Reinsurance, as well as Corporate & Other. These segments are managed separately because they either provide different products and services, require different strategies or have different technology requirements. Auto & Home, operated through Met P&C, was sold to the Holding Company in October 2003. See Note 1. The Company's international operations, consisting of the Company's Canadian branch and a joint venture in China, are reported in Corporate & Other for the years ended December 31, 2005 and 2004. For the year ended December 31, 2003, the Company's international operations were reported in a separate International segment. MetLife Indonesia was reported in Corporate & Other through the date of sale, September 29, 2005. See Note 16.

On July 1, 2005, the Holding Company completed the acquisition of The Travelers Insurance Company ("TIC"), excluding certain assets, most significantly, Primerica, from Citigroup Inc. ("Citigroup"), and substantially all of Citigroup's international insurance business (collectively, "Travelers"). In connection with the Travelers acquisition by the Holding Company, management realigned certain products and services within its segments to better conform to the way it manages and assesses the business. Accordingly, all prior period segment results have been adjusted to reflect such product reclassifications. Also, in connection with the Travelers acquisition by the Holding Company, management has utilized its economic capital model to evaluate the deployment of capital based upon the unique and specific nature of the risks inherent in the Company's existing and newly acquired businesses and has adjusted such allocations based upon this model.

Economic Capital is an internally developed risk capital model, the purpose of which is to measure the risk in the business and to provide a basis upon which capital is deployed. The Economic Capital model accounts for the unique and specific nature of the risks inherent in the Company's businesses. As a part of the economic capital process a portion of net investment income is credited to the segments based on the level of allocated equity.

Institutional offers a broad range of group insurance and retirement & savings products and services, including group life insurance, non-medical health insurance, such as short and long-term disability, long-term care, and dental insurance, and other insurance products and services. Individual offers a wide variety of protection and asset accumulation products, including life insurance, annuities and mutual funds. Through the Company's majority-owned subsidiary, RGA, Reinsurance provides reinsurance of life and annuity policies in North America and various international markets. Additionally, reinsurance of critical illness policies is provided in select international markets. Auto & Home provides personal lines property and casualty insurance, including private passenger automobile, homeowners and personal excess liability insurance in 2003. International provided life insurance, accident and health insurance, annuities and retirement & savings products to both individuals and groups in 2003.

Corporate & Other contains the excess capital not allocated to the business segments, various start-up and run-off entities, the Company's ancillary international operations in 2005 and 2004, as well as interest expense related to the majority of the Company's outstanding debt and expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of all intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings, as well as intersegment transactions. Additionally, the Company's asset management business, including amounts reported as discontinued operations, is included in the results of operations for Corporate & Other. See Note 16 for disclosures regarding discontinued operations, including real estate.

Set forth in the tables below is certain financial information with respect to the Company's segments, as well as Corporate & Other, for the years ended December 31, 2005, 2004 and 2003. The accounting policies of the segments are the same as those of the Company, except for the method of capital allocation and the accounting for gains (losses) from intercompany sales, which are eliminated in consolidation. The Company allocates capital to each segment based upon an internal capital allocation system that allows the Company to effectively manage its capital. The Company evaluates the performance of each operating segment based upon net income excluding net investment gains (losses), net of income taxes, adjustments related to net investment gains (losses), net of income taxes, the impact from the cumulative effect of changes in accounting, net of income taxes and discontinued operations, other than discontinued real estate, net of income taxes. Scheduled periodic settlement payments on derivative instruments not qualifying for hedge accounting are included in net investment gains (losses). The Company allocates certain non-recurring items, such as expenses associated with certain legal proceedings, to Corporate & Other.

Year Ended December 31, 2005	Institutional	Individual	Reinsurance	Corporate & Other(1)	Total
			(In millions)		
Premiums	$ 11,271	$ 4,113	$ 3,869	$ 3	$ 19,256
Universal life and investment-type product policy fees	753	1,193	—	2	1,948
Net investment income	5,249	5,558	606	337	11,750
Other revenues	642	92	58	28	820
Net investment gains (losses)	76	83	22	(2)	179
Policyholder benefits and claims	12,448	4,823	3,206	(32)	20,445
Interest credited to policyholder account balances	1,347	1,029	220	—	2,596
Policyholder dividends	1	1,644	—	2	1,647
Other expenses	2,199	2,173	991	354	5,717
Income from continuing operations before provision for income taxes	1,996	1,370	138	44	3,548
Income from discontinued operations, net of income taxes	162	295	—	353	810
Cumulative effect of a change in accounting, net of income taxes	—	—	—	—	—
Net income	1,491	1,176	92	494	3,253
Total assets	139,680	141,201	16,049	10,396	307,326
DAC and VOBA	1,098	7,513	2,815	12	11,438
Separate account assets	42,063	31,075	14	—	73,152
Policyholder liabilities	78,011	86,565	11,751	278	176,605
Separate account liabilities	42,063	31,075	14	—	73,152

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Year Ended December 31, 2004	Institutional	Individual	Reinsurance	Corporate & Other(1)	Total
			(In millions)		
Premiums	$ 10,037	$ 4,046	$ 3,348	$ 6	$ 17,437
Universal life and investment-type product policy fees	710	1,299	—	—	2,009
Net investment income	4,580	5,352	538	348	10,818
Other revenues	654	131	56	21	862
Net investment gains (losses)	162	85	59	(24)	282
Policyholder benefits and claims	11,172	4,836	2,694	34	18,736
Interest credited to policyholder account balances	1,014	1,131	212	—	2,357
Policyholder dividends	—	1,634	1	1	1,636
Other expenses	1,972	2,348	957	306	5,583
Income from continuing operations before provision for income taxes	1,985	964	137	10	3,096
Income from discontinued operations, net of income taxes	19	22	—	30	71
Cumulative effect of a change in accounting, net of income taxes	(59)	9	—	(2)	(52)
Net income	1,267	682	91	199	2,239
Total assets	132,832	137,756	13,850	15,550	299,988
DAC and VOBA	997	7,485	2,567	13	11,062
Separate account assets	40,462	28,045	14	(14)	68,507
Policyholder liabilities	72,934	86,175	10,464	240	169,813
Separate account liabilities	40,462	28,045	14	(14)	68,507

Year Ended December 31, 2003	Institutional	Individual	Reinsurance	Corporate & Other	International(1)	Auto & Home(2)	Total
				(In millions)			
Premiums	$ 9,063	$4,221	$2,648	$ (6)	$ 5	$2,168	$18,099
Universal life and investment-type product policy fees	658	1,262	—	—	—	—	1,920
Net investment income	4,144	5,421	431	104	48	119	10,267
Other revenues	618	240	47	38	14	23	980
Net investment gains (losses)	(289)	(303)	62	16	(8)	(4)	(526)
Policyholder benefits and claims	10,022	4,844	2,109	(4)	15	1,604	18,590
Interest credited to policyholder account balances	973	1,222	184	—	—	—	2,379
Policyholder dividends	(1)	1,698	—	(1)	3	—	1,699
Other expenses	1,853	2,425	764	140	17	572	5,771
Income from continuing operations before provision for income taxes	1,347	652	131	17	24	130	2,301
Income from discontinued operations, net of income taxes	49	51	—	274	(5)	—	369
Cumulative effect of a change in accounting, net of income taxes	(26)	—	—	—	—	—	(26)
Net income	886	482	86	424	12	111	2,001

(1) Ancillary international results are reported in Corporate & Other for the years ended December 31, 2005 and 2004.

(2) Auto & Home, operated through Met P&C, was sold to the Holding company in October 2003. See Note 1.

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

Revenues derived from any customer did not exceed 10% of consolidated revenues. Revenues from U.S. operations were $32,351 million, $30,102 million and $29,740 million for the years ended December 31, 2005, 2004 and 2003, respectively, which represented 95%, 96% and 97%, respectively, of consolidated revenues.

15. Acquisitions and Dispositions

See Note 16 for information on the dispositions of MetLife Indonesia and SSRM.

In 2003, RGA entered into a coinsurance agreement under which it assumed the traditional U.S. life reinsurance business of Allianz Life Insurance Company of North America. The transaction added approximately $278 billion of life reinsurance in-force, $246 million of premium and $11 million of income before income tax expense, excluding minority interest expense, in 2003. The effects of such transaction are included within the Reinsurance segment.

In October 2003, the Company completed its sale of MTL, MetLife General Insurance Agency, Inc., MetLife Securities, Inc. and N.L. Holding Corporation to the Holding Company. The amount received in excess of book value of $28 million was recorded as a capital contribution from the Holding Company. Total revenues of the entities sold included in the consolidated statements of income was $156 million for the year ended December 31, 2003. In October 2003, the Company also sold Metropolitan Property and Casualty Insurance Company's common stock to the Holding Company for $1,990 million. The amount received in excess of book value of $120 million was recorded as a capital contribution from the Holding Company. Total revenues of the entity sold included in the consolidated statements of income was $2,343 million for the year ended December 31, 2003. See Note 1.

16. Discontinued Operations

Real Estate

The Company actively manages its real estate portfolio with the objective of maximizing earnings through selective acquisitions and dispositions. Income related to real estate classified as held-for-sale or sold is presented in discontinued operations. These assets are carried at the lower of depreciated cost or fair value less expected disposition costs.

The following table presents the components of income from discontinued real estate operations:

	Years Ended December 31,		
	2005	2004	2003
	(In millions)		
Investment income	$ 87	$ 179	$ 308
Investment expense	(47)	(114)	(170)
Net investment gains	961	27	420
Total revenues	1,001	92	558
Interest expense	—	—	1
Provision for income taxes	359	31	204
Income from discontinued operations, net of income taxes	$ 642	$ 61	$ 353

There was no carrying value of real estate related to discontinued operations at December 31, 2005. The carrying value of real estate related to discontinued operations was $678 million at December 31, 2004.

The following table shows the discontinued real estate operations by segment:

	Years Ended December 31,		
	2005	2004	2003
	(In millions)		
Net investment income			
Institutional	$ 11	$21	$ 31
Individual	17	26	39
Corporate & Other	12	18	68
Total net investment income	$ 40	$65	$138
Net investment gains (losses)			
Institutional	$242	$ 9	$ 45
Individual	443	4	43
Corporate & Other	276	14	332
Total net investment gains (losses)	$961	$27	$420
Interest Expense			
Individual	$ —	$—	$ 1
Total interest expense	$ —	$—	$ 1

In the second quarter of 2005, the Company sold its One Madison Avenue property in Manhattan, New York for $918 million, resulting in a gain, net of income taxes, of $431 million. The gain is included in income from discontinued operations in the accompanying consolidated statements of income.

In the fourth quarter of 2003, the Company sold its Eleven Madison Avenue property in Manhattan, New York for $675 million resulting in a gain, net of income taxes, of $166 million. The gain is included in income from discontinued operations in the accompanying consolidated statements of income.

Operations

On September 29, 2005, the Company completed the sale of MetLife Indonesia to a third party resulting in a gain upon disposal of $10 million, net of income taxes. As a result of this sale, the Company recognized income from discontinued operations of $5 million, net of income taxes, for the year ended December 31, 2005. The Company reclassified the assets, liabilities and operations of MetLife Indonesia into discontinued operations for all periods presented.

The following tables present the amounts related to the operations and financial position of MetLife Indonesia that has been combined with the discontinued real estate operations in the consolidated income statements:

	Years Ended December 31,		
	2005	2004	2003
	(In millions)		
Revenues from discontinued operations	$ 5	$ 5	$ 4
Expenses from discontinued operations	10	14	9
Income from discontinued operations before provision for income taxes	(5)	(9)	(5)
Provision for income taxes	—	—	—
Loss from discontinued operations, net of income taxes	(5)	(9)	(5)
Net investment gain, net of income taxes	10	—	—
Income (loss) from discontinued operations, net of income taxes	$ 5	$ (9)	$(5)

	December 31, 2004
	(In millions)
Fixed maturities	$17
Short-term investments	1
Cash and cash equivalents	3
Deferred policy acquisition costs	9
Premiums and other receivables	1
Total assets held-for-sale	$31
Future policy benefits	$ 5
Policyholder account balances	12
Other policyholder funds	7
Other liabilities	4
Total liabilities held-for-sale	$28

On January 31, 2005, the Company completed the sale of SSRM to a third party for $328 million in cash and stock. As a result of the sale of SSRM, the Company recognized income from discontinued operations of approximately $157 million, net of income taxes, comprised of a realized gain of $165 million, net of income taxes, and an operating expense related to a lease abandonment of $8 million, net of income taxes. Under the terms of the sale agreement, MetLife will have an opportunity to receive, prior to the end of 2006, additional payments aggregating up to approximately 25% of the base purchase price, based on, among other things, certain revenue retention and growth measures. The purchase price is also subject to reduction over five years, depending on retention of certain Company-related business. Also under the terms of such agreement, the Company had the opportunity to receive additional consideration for the retention of certain customers for a specific period in 2005. In the fourth quarter of 2005, upon finalization of the computation, the Company received a payment of $12 million, net of income taxes, due to the retention of these specific customer accounts. The Company reclassified the assets, liabilities and operations of SSRM into discontinued operations for all periods presented. Additionally, the sale of SSRM resulted in the elimination of the Company's Asset Management segment. The remaining asset management business, which is insignificant, has been reclassified into Corporate & Other. The Company's discontinued operations for the year ended December 31, 2005 also includes expenses of approximately $6 million, net of income taxes, related to the sale of SSRM.

The operations of SSRM include affiliated revenues of $5 million, $59 million and $54 million for the years ended December 31, 2005, 2004 and 2003, respectively, related to asset management services provided by SSRM to the Company that have not been eliminated from discontinued operations as these transactions continue after the sale of SSRM. The following tables present the amounts related to operations and financial position of SSRM that have been combined with the discontinued real estate operations in the consolidated income statements:

	Years Ended December 31,		
	2005	2004	2003
	(In millions)		
Revenues from discontinued operations	$ 19	$328	$231
Expenses from discontinued operations	38	296	197
Income from discontinued operations before provision for income taxes	(19)	32	34
Provision for income taxes	(5)	13	13
Income (loss) from discontinued operations, net of income taxes	(14)	19	21
Net investment gain, net of income taxes	177	—	—
Income from discontinued operations, net of income taxes	$163	$ 19	$ 21

	December 31, 2004
	(In millions)
Equity securities	$ 49
Real estate and real estate joint ventures	96
Short-term investments	33
Other invested assets	20
Cash and cash equivalents	55
Premiums and other receivables	38
Other assets	88
Total assets held-for-sale	$379
Short-term debt	$ 19
Current income taxes payable	1
Deferred income taxes payable	1
Other liabilities	219
Total liabilities held-for-sale	$240

17. Fair Value Information

The estimated fair values of financial instruments have been determined by using available market information and the valuation methodologies described below. Considerable judgment is often required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented herein may not necessarily be indicative of amounts that could be realized in a current market exchange. The use of different assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

Amounts related to the Company's financial instruments were as follows:

	Notional Amount	Carrying Value	Estimated Fair Value
		(In millions)	
December 31, 2005			
Assets:			
Fixed maturities		$147,897	$147,897
Trading securities		$ 373	$ 373
Equity securities		$ 2,217	$ 2,217
Mortgage and consumer loans		$ 33,094	$ 33,710
Policy loans		$ 8,412	$ 8,412
Short-term investments		$ 883	$ 883
Cash and cash equivalents		$ 1,787	$ 1,787
Mortgage loan commitments	$2,603	$ —	$ (3)
Commitments to fund partnership investments	$1,956	$ —	$ —
Liabilities:			
Policyholder account balances		$ 62,943	$ 61,849
Short-term debt		$ 453	$ 453
Long-term debt		$ 2,961	$ 3,246
Shares subject to mandatory redemption		$ 278	$ 362
Payables for collateral under securities loaned and other transactions		$ 21,009	$ 21,009

	Notional Amount	Carrying Value	Estimated Fair Value
		(In millions)	
December 31, 2004			
Assets:			
Fixed maturities		$150,229	$150,229
Equity securities		$ 1,903	$ 1,903
Mortgage and consumer loans		$ 31,571	$ 33,006
Policy loans		$ 8,256	$ 8,256
Short-term investments		$ 1,194	$ 1,194
Cash and cash equivalents		$ 2,370	$ 2,370
Mortgage loan commitments	$1,161	$ —	$ 4
Commitments to fund partnership investments	$1,320	$ —	$ —
Liabilities:			
Policyholder account balances		$ 59,150	$ 58,180
Short-term debt		$ 1,445	$ 1,445
Long-term debt		$ 2,050	$ 2,293
Shares subject to mandatory redemption		$ 278	$ 361
Payables for collateral under securities loaned and other transactions		$ 25,230	$ 25,230

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

Fixed Maturities, Trading Securities and Equity Securities

The fair value of fixed maturities, trading securities and equity securities are based upon quotations published by applicable stock exchanges or received from other reliable sources. For securities for which the market values were not readily available, fair values were estimated using quoted market prices of comparable investments.

Mortgage and Consumer Loans, Mortgage Loan Commitments and Commitments to Fund Partnership Investments

Fair values for mortgage and consumer loans are estimated by discounting expected future cash flows, using current interest rates for similar loans with similar credit risk. For mortgage loan commitments, the estimated fair value is the net premium or discount of the commitments. Commitments to fund partnership investments have no stated interest rate and are assumed to have a fair value of zero.

Policy Loans

The carrying values for policy loans approximate fair value.

Cash and Cash Equivalents and Short-term Investments

The carrying values for cash and cash equivalents and short-term investments approximated fair values due to the short-term maturities of these instruments.

Policyholder Account Balances

The fair value of policyholder account balances which have final contractual maturities are estimated by discounting expected future cash flows based upon interest rates currently being offered for similar contracts with maturities consistent with those remaining for the agreements being valued. The fair value of policyholder account balances without final contractual maturities are assumed to equal their current net surrender.

Short-term and Long-term Debt, Payables for Collateral Under Securities Loaned and Other Transactions and Shares Subject to Mandatory Redemption

The fair values of short-term and long-term debt, and shares subject to mandatory redemption are determined by discounting expected future cash flows using risk rates currently available for debt with similar terms and remaining maturities. The carrying values of payables for collateral under securities loaned and other transactions approximate fair value.

Derivative Financial Instruments

The fair value of derivative instruments is based upon quotations obtained from dealers or other reliable sources. See Note 3 for derivative fair value disclosures.

18. Related Parties

Effective January 1, 2003, MetLife Group, Incorporated, a New York corporation and wholly owned subsidiary of the Holding Company, was formed as a personnel services company to provide personnel, as needed, to support the activities of the Company. Charges for these services were approximately $1,934 million, $1,711 million and $1,677 million in 2005, 2004 and 2003, respectively.

As of December 31, 2005 and 2004, the Company held $103 million and $144 million, respectively, of assets in the Metropolitan Money Market Pool of affiliated companies. These amounts are recorded as short-term investments on the consolidated balance sheets of the Company.

In the normal course of business, the Company transfers invested assets, primarily consisting of fixed maturity securities, to and from affiliates. The Company transferred assets with a cost or amortized cost and fair market value of $686 million and $720 million, and $367 million and $382 million, for the years ended December 31, 2005 and 2004, respectively. The realized capital gains (losses) recognized on these transfers were $34 million, $15 million and less than $1 million for the years ended December 31, 2005, 2004 and 2003, respectively. The Company purchased assets from affiliates with a fair market value of $691 million and $563 million for the years ended December 31, 2005 and 2004, respectively.

See Notes 2 and 5 for additional related party transactions.

19. Subsequent Events

During the first quarter of 2006, Metropolitan Life's Board of Directors approved a plan to merge an indirect insurance subsidiary, Paragon Life Insurance Company ("Paragon"), into Metropolitan Life effective May 1, 2006, subject to regulatory approvals. Metropolitan Life is to acquire Paragon from General American for its appraised value.

Metropolitan Life Global Funding I

$17,000,000,000 Global Note Issuance Program

This supplement (the "Second Base Prospectus Supplement") is supplemental to and must be read in conjunction with the Offering Circular dated January 19, 2006, the Base Prospectus Supplement dated May 10, 2006 and the Third Base Prospectus Supplement dated July 11, 2006 (together, the "Offering Circular") prepared by Metropolitan Life Global Funding I (the "Issuer") under the Issuer's global medium-term note program for the issuance of senior secured medium-term notes (the "Notes").

Application has been made to the Irish Financial Services Authority as competent authority for the purposes of Directive 2003/71/EC (the "Prospectus Directive") for this Second Base Prospectus Supplement to be approved.

This document constitutes a Base Prospectus Supplement for the purposes of the Prospectus Directive. References herein to this document are to this Second Base Prospectus Supplement incorporating Annex 1 hereto.

On April 28, 2006 Metropolitan Life Insurance Company and its consolidated subsidiaries ("MetLife") prepared its annual audited consolidated financial statements (including any notes thereto, the "2005 Consolidated Financial Statements"). The text of the 2005 Consolidated Financial Statements is set out in Annex 1 to the Base Prospectus Supplement dated May 10, 2006. This Second Base Prospectus Supplement contains Selected Consolidated Financial Information for MetLife and its subsidiaries, as of December 31, 2005, together with Management's Discussion and Analysis of Financial Condition and Results of Operations relating to such Selected Consolidated Financial Information and the 2005 Consolidated Financial Statements in the Base Prospectus Supplement dated May 10, 2006.

Except as disclosed in the Base Prospectus Supplement, this Second Base Prospectus Supplement and the Third Base Prospectus Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to the information included in the Offering Circular since the publication of the Offering Circular.

Each of the Issuer and MetLife accepts responsibility that, having taken all reasonable care to ensure that such is the case, the information contained in this Second Base Prospectus Supplement is, to the best of their knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

ANNEX 1

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CAPITALIZATION OF METLIFE

The terms "MetLife" or the "Company" refer to Metropolitan Life Insurance Company, a New York domiciled stock life insurance company ("Metropolitan Life"), and its subsidiaries. Metropolitan Life is a wholly-owned subsidiary of MetLife, Inc. (the "Holding Company").

The following table presents MetLife's consolidated capitalization as of December 31, 2005. As of December 31, 2005, Metropolitan Life had one billion shares of common stock, par value $0.01 per share, authorized (for total authorized capitalization of $10 million) out of which 494,466,664 were issued and outstanding. All of such issued and outstanding common shares were fully paid and nonassessable. As of December 31, 2005, the par value of all issued and outstanding common shares was $5 million. Since December 31, 2005, there has been no material change in the capitalization of Metropolitan Life.

	At December 31, 2005 (In millions)
Assets, Liabilities and Stockholder's Equity:	
Total assets	$ 307,326
Total liabilities	$ 288,859
Stockholder's Equity:	
Common stock, at par value	$ 5
Additional paid-in capital	13,808
Retained earnings	2,749
Accumulated other comprehensive income	1,905
Total stockholder's equity	$ 18,467

SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial information for the Company. The selected consolidated financial information for the years ended December 31, 2005, 2004 and 2003, and at December 31, 2005 and 2004 has been derived from MetLife's 2005 audited consolidated financial statements. The following information should be read in conjunction with and is qualified in its entirety by the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations of MetLife," and the consolidated financial statements appearing elsewhere herein. Some previously reported amounts have been reclassified to conform with the presentation at and for the year ended December 31, 2005.

	Years Ended December 31,		
	2005	2004	2003
		(In millions)	
Statements of Income Data			
Revenues:			
Premiums	$ 19,256	$ 17,437	$ 18,099
Universal life and investment-type product policy fees	1,948	2,009	1,920
Net investment income (1)	11,750	10,818	10,267
Other revenues	820	862	980
Net investment gains (losses) (1) (2) (3)	179	282	(526)
Total revenues (4) (5)	33,953	31,408	30,740
Expenses:			
Policyholder benefits and claims	20,445	18,736	18,590
Interest credited to policyholder account balances	2,596	2,357	2,379
Policyholder dividends	1,647	1,636	1,699
Other expenses (1)	5,717	5,583	5,771
Total expenses (4) (5)	30,405	28,312	28,439
Income from continuing operations before provision for income taxes	3,548	3,096	2,301
Provision for income taxes (1) (4) (5)	1,105	876	643
Income from continuing operations	2,443	2,220	1,658
Income from discontinued operations, net of income taxes (1) (4) (5)	810	71	369
Income before cumulative effect of a change in accounting	3,253	2,291	2,027
Cumulative effect of a change in accounting, net of income taxes	-	(52)	(26)
Net income	$ 3,253	$ 2,239	$ 2,001

	At December 31,	
	2005	2004
	(In millions)	
Balance Sheet Data		
Assets:		
General account assets	$ 234,174	$ 231,481
Separate account assets	73,152	68,507
Total assets (4) (5)	$ 307,326	$ 299,988
Liabilities:		
Life and health policyholder liabilities (6)	$ 176,605	$ 169,813
Short-term debt	453	1,445
Long-term debt	2,961	2,050
Other liabilities	35,688	39,181
Separate account liabilities	73,152	68,507
Total liabilities (4) (5)	288,859	280,996
Stockholder's Equity:		
Common stock, at par value (7)	5	5
Additional paid-in capital (7)	13,808	13,827
Retained earnings (7)	2,749	2,696
Accumulated other comprehensive income	1,905	2,464
Total stockholder's equity	18,467	18,992
Total liabilities and stockholder's equity	$ 307,326	$ 299,988

	At or For the Years Ended December 31, 2005		2004 (In millions)		2003	
Other Data						
Net income	$	3,253	$	2,239	$	2,001
Return on equity (8)		17.4%		12.3%		11.9%
Total assets under management	$	307,326	$	299,988	$	281,265

(1) In accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets (*"SFAS 144"), income related to real estate sold or classified as held-for-sale for transactions initiated on or after January 1, 2002 is presented as discontinued operations. The following table presents the components of income from discontinued real estate operations (see footnotes 4 and 5):

	Years Ended December 31, 2005		2004 (In millions)		2003	
Investment income	$	87	$	179	$	308
Investment expense		(47)		(114)		(170)
Net investment gains (losses)		961		27		420
Total revenues		1,001		92		558
Interest expense		-		-		1
Provision for income taxes		359		31		204
Income from discontinued operations, net of income taxes	$	642	$	61	$	353

(2) Net investment gains (losses) exclude amounts related to real estate operations reported as discontinued operations in accordance with SFAS 144.

(3) Net investment gains (losses) presented include scheduled periodic settlement payments on derivative instruments that do not qualify for hedge accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, of $86 million, $51 million and $84 million for the years ended December 31, 2005, 2004 and 2003, respectively.

(4) On September 29, 2005, the Company completed the sale of P.T. Sejahtera ("MetLife Indonesia") to a third party. In accordance with SFAS 144, the assets, liabilities and operations of MetLife Indonesia have been reclassified into discontinued operations for all years presented. The following tables present the assets, liabilities and operations of MetLife Indonesia (see footnote 1):

	Years Ended December 31, 2005		2004 (In millions)		2003	
Revenues from discontinued operations	$	5	$	5	$	4
Expenses from discontinued operations		10		14		9
Income (loss) from discontinued operations, before provision for income taxes		(5)		(9)		(5)
Provision for income taxes		-		-		-
Income (loss) from discontinued operations, net of income taxes		(5)		(9)		(5)
Net investment gains, net of income taxes		10		-		-
Income (loss) from discontinued operations, net of income taxes	$	5	$	(9)	$	(5)

	At December 31, 2004
	(In millions)
General account assets	$ 31
Total assets	$ 31
Life and health policyholder liabilites	$ 24
Other liabilities	4
Total liabilities	$ 28

(5) On January 31, 2005, the Company sold its wholly-owned subsidiary, SSRM Holdings, Inc. ("SSRM"), to a third party. In accordance with SFAS 144, the assets, liabilities and operations of SSRM have been reclassified into discontinued operations for all years presented. The following tables present the assets, liabilities and operations of SSRM (see footnote 1):

	Years Ended December 31,		
	2005	2004	2003
		(In millions)	
Revenues from discontinued operations	$ 19	$ 328	$ 231
Expenses from discontinued operations	38	296	197
Income (loss) from discontinued operations, before provision (benefit) for income taxes	(19)	32	34
Provision (benefit) for income taxes	(5)	13	13
Income (loss) from discontinued operations, net of income taxes	(14)	19	21
Net investment gains, net of income taxes	177	-	-
Income (loss) from discontinued operations, net of income taxes	$ 163	$ 19	$ 21

	At December 31, 2004
	(In millions)
General account assets	$ 379
Total assets	$ 379
Short-term debt	$ 19
Other liabilities	221
Total liabilities	$ 240

(6) Policyholder liabilities include future policy benefits and other policyholder funds. Life and health policyholder liabilities also include policyholder account balances, policyholder dividends payable and the policyholder dividend obligation.

(7) For additional information regarding these items, see Notes 1 and 12 of the Notes to the 2005 Consolidated Financial Statements included elsewhere herein.

(8) Return on equity is defined as net income divided by average total shareholder's equity.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF METLIFE

Results of Operations

Executive Summary

MetLife is a leading provider of insurance and other financial services to millions of individual and institutional customers throughout the United States. The Company offers life insurance and annuities to individuals, as well as group insurance, reinsurance and retirement & savings products and services to corporations and other institutions. The Company's international operations consisting of the Company's Canadian branch and a joint venture in China are reported in Corporate & Other. MetLife is organized into three operating segments: Institutional, Individual and Reinsurance, as well as Corporate & Other.

On July 1, 2005, the Holding Company completed the acquisition of The Travelers Insurance Company ("TIC"), excluding certain assets, most significantly, Primerica, from Citigroup Inc. ("Citigroup"), and substantially all of Citigroup's international insurance business (collectively, "Travelers"). In connection with the Travelers acquisition by the Holding Company, management realigned certain products and services within its segments to better conform to the way it manages and assesses the business. Accordingly, all prior period segment results have been adjusted to reflect such product reclassifications. Also in connection with the Travelers acquisition by the Holding Company, management has utilized its economic capital model to evaluate the deployment of capital based upon the unique and specific nature of the risks inherent in the Company's existing and newly acquired businesses and has adjusted such allocations based upon this model.

Year ended December 31, 2005 compared with the year ended December 31, 2004

The Company reported $3,253 million in net income for the year ended December 31, 2005 compared to $2,239 million in net income for the year ended December 31, 2004. The years ended December 31, 2005 and 2004 include the impact of certain transactions or events, the timing, nature and amount of which are generally unpredictable. These transactions are described in each applicable segment's discussion below. These items contributed a benefit of $133 million, net of income taxes, to the year ended December 31, 2005 and a benefit of $105 million, net of income taxes, to the comparable 2004 period. Excluding the impact of these items, net income increased by $986 million for the year ended December 31, 2005 compared to the prior 2004 period.

Net investment gains (losses) decreased by $103 million, net of income taxes for the year ended December 31, 2005 as compared to the corresponding 2004 period. This decrease is primarily due to losses on fixed maturity security sales resulting from continued portfolio repositioning in the 2005 period as well as higher gains from the sale of equity securities in the 2004 period. Significantly offsetting these reductions is an increase in gains from the mark-to-market on derivatives in 2005. The derivative gains resulted from changes in the value of the dollar versus major foreign currencies, including the euro and pound sterling, and changes in U.S. interest rates during the year ended December 31, 2005.

In 2005, the Company sold its One Madison Avenue property in Manhattan, New York, which resulted in a gain of $431 million, net of income taxes. In addition, during 2005, the Company completed the sales of SSRM and MetLife Indonesia and recognized gains of $177 million and $10 million, respectively, both net of income taxes. Accordingly, income from discontinued operations and, correspondingly, net income, increased by $739 million for the year ended December 31, 2005 compared to the 2004 period primarily as a result of the aforementioned sales.

The increase in net income during the year ended December 31, 2005 as compared to the prior year is partially due to the decrease in net income in the prior year of $52 million, net of income taxes, as a result of a cumulative effect of a change in accounting principle in 2004 recorded in accordance with Statement of Position ("SOP") 03-1, Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts ("SOP 03-1").

The remaining increase in net income of $264 million is primarily due to an increase in premiums, fees and other revenues primarily from continued sales growth across most of the Company's business segments, as well as the positive impact of the U.S. financial markets on policy fees offset by a commensurate increase in policyholder benefits and claims and interest credited to policyholder account balances. Policy fees from variable life and annuity and investment-type products are typically calculated as a percentage of the average assets in policyholder accounts. The value of these assets can fluctuate depending on equity performance. In addition, continued strong investment spreads are largely due to higher than expected net investment income from corporate joint venture income and bond and commercial mortgage prepayment fees. Partially offsetting these increases is a rise in expenses primarily due to higher corporate incentive expenses, non deferrable volume-related expenses, corporate support expenses and DAC amortization.

Industry Trends

The Company's segments continue to be influenced by a variety of trends that affect the industry.

Financial Environment. The current financial environment presents a challenge for the life insurance industry. A low general level of short-term and long-term interest rates can have a negative impact on the demand for and the profitability of spread-based products such as fixed annuities, guaranteed interest contracts and universal life insurance. In addition, continued low interest rates could put pressure on interest spreads on existing blocks of business as declining investment portfolio yields draw closer to minimum crediting rate guarantees on certain products. The compression of the yields between spread-based products and interest rates will be a concern until new money rates on corporate bonds are higher than overall life insurer investment portfolio yields. Recent volatile equity market performance has also presented challenges for life insurers, as fee revenue from variable annuities and pension products is tied to separate account balances, which reflect equity market performance. Also, variable annuity product demand often mirrors consumer demand for equity market investments.

Improving Economy. A recovery in the employment market combined with higher corporate confidence should improve demand for group insurance and retirement & savings-type products. Group insurance premium growth, for example, with respect to life and disability products, is closely tied to employers' total payroll growth. Additionally, the potential market for these products is expanded by new business creation. Bond portfolio credit losses have also benefited from an increasingly healthy economy.

Demographics. In the coming decade, a key driver shaping the actions of the life insurance industry will be the rising income protection, wealth accumulation, protection and transfer needs of the retiring Baby Boomers — the first of whom have entered their pre-retirement, peak savings years. As a result of increasing longevity, retirees will need to accumulate sufficient savings to finance retirements that may span 30 or more years. Helping the Baby Boomers accumulate assets for retirement and subsequently converting these assets into retirement income represents a transformative opportunity for the life insurance industry.

Life insurers are well positioned to address the Baby Boomers' rapidly increasing need for savings tools and for income protection. In light of recent Social Security reform and pension solvency concerns, "protection" is what sets the U.S. life insurance industry apart from other financial services providers pursuing the retiring Baby Boomer segment. The Company believes that, among the life insurers, those with strong brands, high financial strength ratings, and broad distribution, are best positioned to capitalize on the opportunity to offer income protection products to Baby Boomers.

Moreover, the life insurance industry's products and the needs they are designed to address are complex. The Company believes that individuals approaching retirement age will need to seek advice to plan for and manage their retirements and that, in the workplace, as employees take greater responsibility for their benefit options and retirement planning, they will need individually tailored advice. The challenge for the life insurance industry remains delivering tailored advice in a cost effective manner.

Competitive Pressures. The life insurance industry is becoming increasingly competitive. The product development and product life-cycles have shortened in many product segments, leading to more intense competition with respect to product features. Larger companies have the ability to invest in brand equity, product development and risk management, which are among the fundamentals for sustained profitable growth in the life insurance industry. In addition, several of the industry's products can be quite homogeneous and subject to intense price competition. Sufficient scale, financial strength and financial flexibility are becoming prerequisites for sustainable growth in the life insurance industry. Larger market participants tend to have the capacity to invest in additional distribution capability and the information technology needed to offer the superior customer service demanded by an increasingly sophisticated industry client base.

Regulatory Changes. The life insurance industry is regulated at the state level, with some products also subject to federal regulation. As life insurers introduce new and often more complex products, regulators refine capital requirements and introduce new reserving standards for the life insurance industry. Regulation recently adopted or currently under review can potentially impact the reserve and capital requirements for several of the industry's products. In addition, regulators have undertaken market and sales practices reviews of several markets or products including equity-indexed annuities, variable annuities and group products.

Discussion of Results

	Year Ended December 31,	
	2005	2004
	(In millions)	
Revenues		
Premiums	$ 19,256	$ 17,437
Universal life and investment-type product policy fees	1,948	2,009
Net investment income	11,750	10,818
Other revenues	820	862
Net investment gains (losses)	179	282
Total revenues	33,953	31,408
Expenses		
Policyholder benefits and claims	20,445	18,736
Interest credited to policyholder account balances	2,596	2,357
Policyholder dividends	1,647	1,636
Other expenses	5,717	5,583
Total expenses	30,405	28,312
Income from continuing operations before provision for income taxes	3,548	3,096
Provision for income taxes	1,105	876
Income from continuing operations	2,443	2,220
Income from discontinued operations, net of income taxes	810	71
Income before cumulative effect of a change in accounting	3,253	2,291
Cumulative effect of a change in accounting, net of income taxes	-	(52)
Net income	$ 3,253	$ 2,239

Year ended December 31, 2005 compared with the year ended December 31, 2004

Income from continuing operations increased by $223 million, or 10%, to $2,443 million for the year ended December 31, 2005 from $2,220 million in the comparable 2004 period. Income from continuing operations for the year ended December 31, 2005 and 2004 includes the impact of certain transactions or events, the timing, nature and amount of which are generally unpredictable. These transactions are described in each applicable segment's discussion below. These items contributed a benefit of $133 million, net of income taxes, to the year ended December 31, 2005 and a benefit of $105 million, net of income taxes, to the comparable 2004 period. Excluding the impact of these items, income from continuing operations increased by $195 million for the year ended December 31, 2005 compared to the comparable 2004 period. The Individual segment contributed $230 million, net of income taxes, to the increase, as a result of interest rate spreads, increased fee income related to the growth and favorable market conditions in separate account products, favorable underwriting in life products, a decrease in the closed block-related policyholder dividend obligation and lower DAC amortization. In addition, income from continuing operations increased due to lower affiliated operating costs, the impact of revisions to certain expense, premium tax and policyholder liability estimates in the current year and certain asset write-offs in the prior year. These increases in income from continuing operations were partially offset by a termination of a modified co-insurance agreement for annuity products with an affiliate which was recaptured in late 2004, the initiation of a new reinsurance agreement that occurred for the first time in 2005, lower net investment income on blocks of business which are not driven by interest rate spreads and a revision to the estimate for policyholder dividends which occurred in the prior year. The Institutional segment contributed $53 million, net of income taxes, to this increase primarily due to favorable interest spreads and higher earnings from growth in the asset base, interest on economic capital, corporate and real estate joint venture income and income from securities lending activities, partially offset by a decrease in net investment gains, an adjustment recorded on DAC associated with certain long-term care products in 2005, unfavorable underwriting and an increase in other expenses. The Reinsurance segment contributed $4 million, net of income taxes, to this increase primarily due to premium growth and higher net investment income, partially offset by unfavorable mortality as a result of higher claim levels in the U.S. and U.K. and a reduction in net investment gains. These increases in income from continuing operations were partially offset by a decrease of $92 million, net of income taxes, in Corporate & Other. The decrease in Corporate & Other is primarily due to lower income from invested assets as a result of the special dividend paid to the Holding Company during the second quarter of 2005, as well as increased corporate support expenses and higher legal related costs partially offset by lower net investment losses and the difference between the actual and the estimated tax rates allocated to the various segments.

Premiums, fees and other revenues increased by $1,716 million, or 8%, to $22,024 million for the year ended December 31, 2005 from $20,308 million for the comparable 2004 period. The Institutional segment contributed $1,265 million, or 74%, to the year over year increase. The Institutional segment increase is primarily due to sales growth and the acquisition of new business in the non-medical health & other business, as well as improved sales and favorable persistency in group life and higher structured settlement sales and pension close-outs in retirement & savings. The Reinsurance segment contributed $523 million, or 30%, to the Company's year over year increase in premiums, fees and other revenues. This growth is primarily attributable to new premiums from facultative and automatic treaties and renewal premiums on existing blocks of business, as well as favorable exchange rate movements. Corporate & Other contributed $6 million, or less than 1%, to the year over year increase, primarily due to intersegment eliminations. The increase in premiums, fees and other revenues was partially offset by a decrease in the Individual segment of $78 million, or 5%, primarily due to the termination of a modified co-insurance agreement for annuity products with an affiliate which was recaptured in late 2004 and the initiation of a new reinsurance agreement whereby the Company ceded certain universal life products to an affiliate. These decreases were partially offset by an increase in fees resulting from growth in the business and favorable market conditions in separate account products and increase in premiums from other life products.

Interest rate margins, which generally represent the margin between net investment income and interest credited to policyholder account balances, increased in the Institutional and Individual segments for the year ended December 31, 2005 compared to the prior year period. Earnings from interest rate spreads are influenced by several factors, including business growth, movement in interest rates, and certain investment and investment-related transactions, such as corporate joint venture income and bond and commercial mortgage prepayment fees, the timing and amount of which are generally unpredictable and, as a result, can fluctuate from period to period. If interest rates remain low, it could result in compression of the Company's interest rate spreads on several of its products, which provide guaranteed minimum rates of return to policyholders. This compression could adversely impact the Company's future financial results.

Underwriting results were favorable within the life products in the Individual and Institutional segments, while underwriting results were unfavorable in the Reinsurance segment and in the retirement & savings and non medical health & other products within the Institutional segment. Underwriting results are generally the difference between the portion of premium and fee income intended to cover mortality, morbidity or other insurance costs, less claims incurred, and the change in insurance-related liabilities. Underwriting results are significantly influenced by mortality, morbidity or other insurance-related experience trends and the reinsurance activity related to certain blocks of business and, as a result, can fluctuate from period to period.

Other expenses increased by $134 million, or 2%, to $5,717 million for the year ended December 31, 2005 from $5,583 million for the comparable 2004 period. The year ended December 31, 2005 includes a $28 million benefit associated with the reduction of a previously established real estate transfer tax liability related to the Company's demutualization in 2000. The year ended December 31, 2004 reflects a $49 million reduction of a premium tax liability and a $22 million reduction of a liability for interest associated with the resolution of all issues relating to the Internal Revenue Service's audit of Metropolitan Life's and its subsidiaries' tax returns for the years 1997-1999. These decreases were partially offset by a $50 million contribution of appreciated stock to the MetLife Foundation. Excluding the impact of these transactions, other expenses increased by $141 million, or 3%, from the comparable 2004 period. The Institutional segment contributed $178 million, or 126%, to the year over year increase primarily due to higher non-deferrable volume-related expenses associated with general business growth, corporate support expenses, higher expenses related to additional incentive accruals, as well as an adjustment recorded on DAC associated with certain long-term care products in 2005. Corporate & Other contributed $104 million, or 74%, to the year over year increase primarily due to higher interest expense, corporate support expenses and legal-related liabilities. The Reinsurance segment also contributed $34 million, or 24%, to the increase in other expenses primarily due to an increase in the amortization of DAC. The increase in other expenses was partially offset by a decrease of $175 million in the Individual segment primarily due to lower general spending, the impact of revisions to prior period estimates for certain expenses, premium tax and policyholder liabilities in the current year, certain asset write-offs in the prior year and lower DAC amortization.

Net investment gains (losses) decreased by $103 million, or 37%, to $179 million for the year ended December 31, 2005 from $282 million for the comparable 2004 period. This decrease is primarily due to losses on fixed maturity security sales resulting from continued portfolio repositioning in the 2005 period as well as higher gains from the sale of equity securities in the 2004 period. Significantly offsetting these reductions is an increase in gains from the mark-to-market on derivatives in 2005. The derivative gains resulted from changes in the value of the dollar versus major foreign currencies, including the euro and pound sterling, and changes in U.S. interest rates during the year ended December 31, 2005.

Income tax expense for the year ended December 31, 2005 is $1,105 million, or 31% of income from continuing operations before provision for income taxes, compared with $876 million, or 28%, for the comparable 2004 period. The 2005 effective tax rate differs from the corporate tax rate of 35% primarily due to the impact of non-taxable investment income and tax credits for investments in low income housing. In addition, the 2005 effective tax rate reflects an adjustment of a benefit of $20 million consisting primarily of a revision in the estimate of income taxes for 2004. The 2004 effective tax rate differs from the corporate tax rate of 35% primarily due to the impact of non-taxable investment income, tax credits for investments in low income housing, and the contribution of appreciated stock to the MetLife Foundation. In addition, the 2004 effective tax rate reflects an adjustment for the resolution of all issues relating to the Internal Revenue Service's audit of Metropolitan Life's and its subsidiaries' tax returns for the years 1997-1999 and an adjustment of a benefit of $9 million consisting primarily of a revision in the estimate of income taxes for 2003.

Income from discontinued operations is comprised of the operations and the gain upon disposal from the sale of MetLife Indonesia on September 29, 2005 and SSRM on January 31, 2005, as well as net investment income and net investment gains related to real estate properties that the Company has classified as available-for-sale or has sold. Income from discontinued operations, net of income taxes, increased by $739 million, or 1,041%, to $810 million for the year ended December 31, 2005 from $71 million for the comparable 2004 period. This increase is primarily due to a gain of $431 million, net of income taxes, on the sale of the One Madison Avenue property in Manhattan, New York, and the gains on the sales of SSRM and MetLife Indonesia of $177 million and $10 million, respectively, both net of income taxes, in the year ended December 31, 2005.

During the year ended December 31, 2004, the Company recorded a $52 million charge, net of income taxes, for a cumulative effect of a change in accounting principle in accordance with SOP 03-1, which provides guidance on (i) the classification and valuation of long-duration contract liabilities; (ii) the accounting for sales inducements; and (iii) separate account presentation and valuation. This charge is primarily related to those long-duration contract liabilities where the amount of the liability is indexed to the performance of a target portfolio of investment securities.

Institutional

The following table presents consolidated financial information for the Institutional segment for the years indicated:

	Year Ended December 31, 2005	Year Ended December 31, 2004
	(In millions)	
Revenues		
Premiums	$ 11,271	$ 10,037
Universal life and investment-type product policy fees	753	710
Net investment income	5,249	4,580
Other revenues	642	654
Net investment gains (losses)	76	162
Total revenues	17,991	16,143
Expenses		
Policyholder benefits and claims	12,448	11,172
Interest credited to policyholder account balances	1,347	1,014
Policyholder dividends	1	-
Other expenses	2,199	1,972
Total expenses	15,995	14,158
Income from continuing operations before provision for income taxes	1,996	1,985
Provision for income taxes	667	678
Income from continuing operations	1,329	1,307
Income from discontinued operations, net of income taxes	162	19
Income before cumulative effect of a change in accounting	1,491	1,326
Cumulative effect of a change in accounting, net of income taxes	-	(59)
Net income	$ 1,491	$ 1,267

The Company's Institutional segment offers a broad range of group insurance and retirement & savings products and services to corporations and other institutions and their respective employees. Group insurance products are offered as employer-paid benefits or as voluntary benefits where all or a portion of the premiums are paid by the employee. Retirement & savings products and services include an array of annuity and investment products, as well as bundled administrative and investment services sold to sponsors of small and mid-sized 401(k) and other defined contribution plans, guaranteed interest products and other stable value products, accumulation and income annuities, and separate account contracts for the investment of defined benefit and defined contribution plan assets.

Year ended December 31, 2005 compared with the year ended December 31, 2004 — Institutional

Income from continuing operations increased by $22 million, or 2%, to $1,329 million for the year ended December 31, 2005 from $1,307 million for the comparable 2004 period. An increase in interest margins of $124 million, net of income taxes, compared to the prior year period contributed to the increase in income from continuing operations. Management attributes this increase primarily to improvements in interest spreads for the retirement & savings and non-medical health products of $81 million and $44 million, both net of income taxes, respectively. Higher earnings from growth in the asset base, interest on economic capital, corporate and real estate joint venture income and income from securities lending activities are the primary drivers of the year over year increase. Interest margins in group life were relatively flat with a decrease of $1 million. The interest margins in the retirement & savings and the group life businesses include the impact of a reduction in interest spreads compared to the prior year period. Interest spreads are generally the percentage point difference between the yield earned on invested assets and the interest rate the Company uses to credit on certain liabilities. Therefore, given a constant value of assets and liabilities, an increase in interest rate spreads would result in higher income to the Company. Interest rate spreads for the year ended December 31, 2005 increased to 3.38% from 3.06% in the prior year period for the non-medical health & other business. Interest rate spreads for the year ended December 31, 2005 decreased to 1.81% and 2.04% from 1.83% and 2.19%, in the prior year period for the retirement & savings and group life businesses, respectively. Management generally expects these spreads to be in the range of 1.30% to 1.60%, 1.20% to 1.35%, and 1.60% to 1.80% for the non-medical health & other, retirement & savings, and the group life businesses, respectively. Earnings from interest rate spreads are influenced by several factors, including business growth, movement in interest rates, and certain investment and investment-related transactions, such as corporate joint venture income and bond and commercial mortgage prepayment fees for which the timing and amount are generally unpredictable. As a result, income from these investment transactions may fluctuate from period to period. The increase in interest margins is partially offset by a decrease of $57 million, net of income taxes, in net investment gains (losses), which is partially offset by a decrease of $10 million, net of income taxes, in policyholder benefits and claims related to net investment gains (losses). Also contributing to the decline in income from continuing operations is a $14 million charge, net of income taxes, related to an adjustment recorded on DAC associated with certain long-term care products in 2005 and a reduction of a premium tax liability of $31 million, net of income taxes, recorded in 2004. Underwriting results decreased by $7 million, net of income taxes, compared to the prior year. This decline is primarily due to less favorable results of $27 million, net of income taxes, in retirement & savings and a $24 million, net of income taxes, decrease in non-medical health & other. These unfavorable results were partially offset by an improvement of $44 million, net of income taxes, in group life's underwriting results, primarily due to favorable claim experience. Underwriting results are generally the difference between the portion of premium and fee income intended to cover mortality, morbidity or other insurance costs less claims incurred and the change in insurance-related liabilities. Underwriting results are significantly influenced by mortality, morbidity, or other insurance-related experience trends and the reinsurance activity related to certain blocks of business and, as a result, can fluctuate from period to period. In addition, increases in operating expenses which include higher incentive expenses have more than offset the remaining growth in premiums, fees and other revenues.

Total revenues, excluding net investment gains (losses), increased by $1,934 million, or 12%, to $17,915 million for the year ended December 31, 2005 from $15,981 million for the comparable 2004 period. This increase is comprised of growth in premiums, fees and other revenues of $1,265 million and higher net investment income of $669 million. The increase of $1,265 million in premiums, fees, and other revenues is largely due to an increase in non-medical health & other of $519 million, primarily due to growth in the disability, dental and accidental death and dismemberment (“AD&D”) products of $360 million. In addition, continued growth in the long-term care business contributed $138 million, of which $25 million is related to the 2004 acquisition of TIAA/CREF's long-term care business. Group life insurance premiums, fees and other revenues increased by $481 million, which management primarily attributes to improved sales and favorable persistency, as well as a significant increase in premiums from two large customers. Retirement & savings' premiums, fees and other revenues increased by $265 million, which is largely due to growth in premiums, resulting primarily from an increase of $166 million in structured settlement sales and $107 million in pension close-outs. Premiums, fees and other revenues from retirement & savings products are significantly influenced by large transactions, and as a result, can fluctuate from period to period. In addition, net investment income increased by $669 million primarily due to higher income from growth in the asset base driven by sales, particularly in guaranteed interest contracts and the structured settlement business. In addition, increases in corporate and real estate joint venture income, interest on economic capital, and income from securities lending activities across the majority of the businesses, and higher short-term interest rates contributed to the growth compared to the prior year.

Total expenses increased by $1,837 million, or 13%, to $15,995 million for the year ended December 31, 2005 from $14,158 million for the comparable 2004 period. This increase is comprised of higher policyholder benefits and claims of $1,276 million, an increase in interest credited to policyholder account balances of $333 million and an increase in other expenses of $227 million. The increase in policyholder benefits and claims of $1,276 million is attributable to a $482 million, a $449 million, and a $345 million increase in the non-medical health & other, group life, and retirement & savings businesses, respectively. These increases are predominantly attributable to the business growth referenced in the revenue discussion above. The increase in policyholder benefits and claims in the non-medical health & other business include the impact of the acquisition of TIAA/CREF of $43 million. These increases include $2 million and $18 million of policyholder benefits and claims related to Hurricane Katrina in the group life and non-medical health & other business, respectively. The increase in interest credited to policyholder account balances of $333 million is primarily the result of the impact of growth in guaranteed interest contracts within the retirement & savings business. In addition, the impact of higher short-term interest rates in the current year, also contributed to the increase. The rise in other expenses of $227 million is primarily due to higher non-deferrable volume-related expenses of $61 million, which are largely associated with business growth, an increase of $39 million in corporate support related expenses, and $43 million of incentive expenses. In addition, expenses increased as a result of the impact of a $49 million benefit recorded in the second quarter of 2004, which is related to a reduction in a premium tax liability. Expenses also increased by $22 million related to an adjustment of DAC for certain long-term care products in 2005.

Individual

The following table presents consolidated financial information for the Individual segment for the years indicated:

	Year Ended December 31, 2005	Year Ended December 31, 2004
	(In millions)	
Revenues		
Premiums	$ 4,113	$ 4,046
Universal life and investment-type product policy fees	1,193	1,299
Net investment income	5,558	5,352
Other revenues	92	131
Net investment gains (losses)	83	85
Total revenues	11,039	10,913
Expenses		
Policyholder benefits and claims	4,823	4,836
Interest credited to policyholder account balances	1,029	1,131
Policyholder dividends	1,644	1,634
Other expenses	2,173	2,348
Total expenses	9,669	9,949
Income from continuing operations before provision for income taxes	1,370	964
Provision for income taxes	489	313
Income from continuing operations	881	651
Income from discontinued operations, net of income taxes	295	22
Income before cumulative effect of a change in accounting	1,176	673
Cumulative effect of a change in accounting, net of income taxes	-	9
Net income	$ 1,176	$ 682

The Company's Individual segment offers a wide variety of protection and asset accumulation products aimed at serving the financial needs of its customers throughout their entire life cycle. Products offered by Individual include insurance products, such as traditional, universal and variable life insurance, and variable and fixed annuities. In addition, Individual sales representatives distribute disability insurance and long-term care insurance products offered through the Institutional segment, investment products such as mutual funds, as well as other products offered by the Company's other businesses.

Year ended December 31, 2005 compared with the year ended December 31, 2004 — Individual

Income from continuing operations increased by $230 million, or 35%, to $881 million for the year ended December 31, 2005 from $651 million for the comparable 2004 period. Improvements in interest rate spreads contributed $146 million, net of income taxes, to the year over year increase. These spreads are generally the percentage point difference between the yield earned on invested assets and the interest rate the Company uses to credit on certain liabilities. Therefore, given a constant value of assets and liabilities, an increase in interest rate spreads would result in higher income to the Company. Interest rate spreads are influenced by several factors, including business growth, movement in interest rates, and certain investment and investment-related transactions, such as corporate joint venture income and prepayment fees on bonds and commercial mortgages, the timing and amount of which are generally unpredictable. As a result, income from these investment transactions may fluctuate from period to period. Additionally income from continuing operations increased by $80 million, net of income taxes, primarily due to lower affiliated operating costs, the impact of revisions to certain expenses, premium tax and policyholder liability estimates in the current year and certain asset write-offs in the prior year. Favorable underwriting results in life products contributed $39 million, net of income taxes, to the increase in income from continuing operations. Underwriting results are generally the difference between the portion of premium and fee income intended to cover mortality, morbidity or other insurance costs less claims incurred and the change in insurance-related liabilities. Underwriting results are significantly influenced by mortality, morbidity, or other insurance-related experience trends and the reinsurance activity related to certain blocks of business and, as a result, can fluctuate from period to period. The decrease in the closed-block related policyholder dividend obligation of $23 million, net of income taxes and lower DAC amortization of $19 million, net of income taxes, also contributed to the increase in income from continuing operations as well as the increase in fee income from separate account products of $16 million, net of income taxes. These increases in income from continuing operations are partially offset by a termination of a modified co-insurance agreement for annuity products with an affiliate which was recaptured in late 2004 and the initiation of a new reinsurance agreement that occurred for the first time in 2005 for a total of $62 million, net of income taxes. Income from continuing operations is also offset by lower net investment income on blocks of business that are not driven by interest rate spreads of $25 million, net of income taxes, and a revision to the estimate for policyholder dividends of $6 million, net of income taxes, which occurred in the prior year.

Total revenues, excluding net investment gains (losses), increased by $128 million, or 1%, to $10,956 million for the year ended December 31, 2005 from $10,828 million for the comparable 2004 period. This increase is primarily due to higher net investment income of $206 million resulting from higher joint venture income and bond and commercial mortgage prepayment fees partially offset by a decline in bond yields. Premiums increased $67 million of which management attributes higher premiums of $69 million to the active marketing of income annuity products. Although premiums associated with the Company's closed-block of business continue to decline, as expected, by $94 million, an increase in premiums of $113 million from other life products more than offset this decline. In addition, premiums in the open block declined by $21 million due to the initiation of a new reinsurance agreement whereby the Company ceded certain term life products to an affiliate. Universal life and investment type product policy fees combined with other revenues decreased total revenues by $145 million. This decline is due to a $218 million decrease related to the initiation of a new reinsurance agreement whereby the Company ceded certain universal life products to an affiliate and a decline of $67 million due to the termination of a modified co-insurance agreement for annuity products that was recaptured in late 2004. Partially offsetting this decline was a $140 million increase in fees and other revenues resulting from a combination of growth in the business and improved overall market performance. Policy fees from variable life and annuity and investment-type products are typically calculated as a percentage of the average assets in policyholder accounts. The value of these assets can fluctuate depending on equity market performance.

Total expenses decreased by $280 million, or 3%, to $9,669 million for the year ended December 31, 2005 from $9,949 million for the comparable 2004 period. Interest credited to policyholder account balances decreased by $102 million of which $49 million of the reduction is due to the initiation of a new reinsurance agreement whereby the Company ceded certain universal life products to an affiliate and $53 million of the reduction is due to lower crediting rates partially offset by growth in policyholder account balances. Policyholder benefits decreased by $14 million. Commensurate with the increase in premiums, policyholder benefits increased by $69 million from annuity products and $113 million from other life products offset by a decrease of $94 million in the closed-block of business. Unfavorable mortality in life products also increased policyholder benefits by $44 million. More than offsetting these increases in policyholder benefits were decreases of $105 million related to a new reinsurance agreement whereby the Company ceded certain term life and universal life products to an affiliate and $41 million related to the closed-block policyholder dividend obligation which was driven by lower net investment income. Other expenses decreased by $175 million due to $126 million of lower general spending partially offset by higher corporate incentive expenses of $58 million. Also contributing to the decrease in other expenses was lower DAC amortization of $33 million resulting from management's update of assumptions used to determine estimated gross margins partially offset by growth in the business. The remaining decrease in other expenses of $74 million is due to revisions in prior period estimates for certain expenses, premium tax and policyholder liabilities while the prior period includes certain asset write-offs which increased the prior year expenses. An increase in policyholder dividends offset the decline in total expenses by $10 million due to a revision in estimates in the prior year.

Reinsurance

The following table presents consolidated financial information for the Reinsurance segment for the years indicated:

	Year Ended December 31, 2005	Year Ended December 31, 2004
	(In millions)	
Revenues		
Premiums	$ 3,869	$ 3,348
Net investment income	606	538
Other revenues	58	56
Net investment gains (losses)	22	59
Total revenues	4,555	4,001
Expenses		
Policyholder benefits and claims	3,206	2,694
Interest credited to policyholder account balances	220	212
Policyholder dividends	-	1
Other expenses	991	957
Total expenses	4,417	3,864
Income before provision for income taxes	138	137
Provision for income taxes	46	46
Net income	$ 92	$ 91

The Company's Reinsurance segment is comprised of the life reinsurance business of Reinsurance Group of America, Incorporated ("RGA"), a publicly traded company. RGA's operations in North America are its largest and include operations of its Canadian and U.S. subsidiaries. In addition to these operations, RGA has subsidiary companies, branch offices, or representative offices in Australia, Barbados, China, Hong Kong, India, Ireland, Japan, Mexico, South Africa, South Korea, Spain, Taiwan and the United Kingdom.

Year ended December 31, 2005 compared with the year ended December 31, 2004 — Reinsurance

Net income increased by $1 million, or 1%, to $92 million for the year ended December 31, 2005 from $91 million for the comparable 2004 period. This increase is attributable to a 14% increase in revenues, primarily due to new premiums from facultative and automatic treaties and renewal premiums on existing blocks of business in the U.S. and international operations, as well as an increase in net investment income due to growth in RGA's operations and invested asset base. The increase in net income is partially offset by a reduction in net investment gains of $12 million, net of income taxes and minority interest, and a higher loss ratio in the current year, primarily due to unfavorable mortality experience as a result of high claim levels in the U.S. and the U.K. during the first six months of the year. Reserve strengthening in RGA's Argentine pension business in 2005 reduced net income by $11 million, net of income taxes and minority interest. The comparable 2004 period included a negotiated claim settlement in RGA's accident and health business, reducing net income by $8 million, net of income taxes and minority interest. The Argentine pension business and the accident and health business are currently in run-off.

Total revenues, excluding net investment gains (losses), increased by $591 million, or 15%, to $4,533 million for the year ended December 31, 2005 from $3,942 million for the comparable 2004 period primarily due to a $521 million, or 16%, increase in premiums and a $68 million, or 13%, increase in net investment income. New premiums from facultative and automatic treaties and renewal premiums on existing blocks of business in the U.S. and international operations contributed to the premium growth. Premium levels are significantly influenced by large transactions and reporting practices of ceding companies and, as a result, can fluctuate from period to period. The growth in net investment income is the result of the growth in RGA's operations and invested asset base. Additionally, a component of the total revenue increase is attributable to foreign currency exchange rate movements contributing an estimated $49 million.

Total expenses increased by $553 million, or 14%, to $4,417 million for the year ended December 31, 2005 from $3,864 million for the comparable 2004 period. This increase is commensurate with growth in revenues and is primarily attributable to an increase of

$520 million in policyholder benefits and claims and interest credited to policyholder account balances, primarily associated with RGA's growth in insurance in force of approximately $270 billion, the aforementioned unfavorable mortality experience in the U.S. and U.K. during the first six months of the year, and strengthening of reserves of $33 million for the Argentine pension business. The comparable 2004 period included a negotiated claim settlement in RGA's accident and health business of $24 million and $18 million in policy benefits and claims as a result of the Indian Ocean tsunami on December 26, 2004 and claims development associated with the reinsurance of the Argentine pension business. Other expenses increased by $34 million, or 4%, primarily due to an increase in the amortization of DAC. Changes in DAC, included in other expenses, can vary from period to period primarily due to changes in the mixture of the business being reinsured. Additionally, $46 million of the total expense increase is attributable to foreign currency exchange rate movements.

Corporate & Other

The following table presents consolidated financial information for Corporate & Other for the years indicated:

	Year Ended December 31,	
	2005	2004
	(In millions)	
Revenues		
Premiums	$ 3	$ 6
Universal life and investment-type product policy fees	2	-
Net investment income	337	348
Other revenues	28	21
Net investment gains (losses)	(2)	(24)
Total revenues	368	351
Expenses		
Policyholder benefits and claims	(32)	34
Policyholder dividends	2	1
Other expenses	354	306
Total expenses	324	341
Income (loss) from continuing operations before income tax benefit	44	10
Income tax benefit	(97)	(161)
Income from continuing operations	141	171
Income from discontinued operations, net of income taxes	353	30
Income before cumulative effect of a change in accounting	494	201
Cumulative effect of a change in accounting, net of income taxes	-	(2)
Net income	$ 494	$ 199

Corporate & Other contains the excess capital not allocated to the business segments, the Company's ancillary international operations other than those of the reinsurance segment, various start-up entities, and run-off entities, as well as interest expense related to the majority of the Company's outstanding debt and expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of all intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings, as well as intersegment transactions.

Year ended December 31, 2005 compared with the year ended December 31, 2004 — Corporate & Other

Income from continuing operations decreased by $30 million, or 18%, to $141 million for the year ended December 31, 2005 from $171 million for the comparable 2004 period. The 2005 period includes a $76 million benefit, net of income taxes, for a prepayment fee received from the repayment of a mortgage loan with Metropolitan Tower Life Insurance Company ("MTL"), an affiliate, resulting from the sale of MTL's 200 Park Avenue real estate property located in New York City, a $30 million benefit, net of income taxes, associated with the reduction of a previously established liability for settlement death benefits related to the Company's sales practices class action settlement recorded in 1999, a $20 million benefit from a revision of the estimate of income taxes for 2004, and an $18 million benefit, net of income taxes, associated with the reduction of a previously established real estate transfer tax liability related to the Company's demutualization in 2000. The 2004 period includes a $105 million benefit associated with the resolution of issues relating to the Internal Revenue Service's audit of Metropolitan Life's and its subsidiaries' tax returns for the years 1997-1999. Also included in the 2004 period is an expense related to a $32 million, net of income taxes, contribution to the MetLife Foundation and a $9 million benefit from a revision of the estimate of income taxes for 2003. Excluding the impact of these items, income from continuing operations decreased by $92 million for the year ended December 31, 2005 from the comparable 2004 period. The decrease is attributable to lower income from invested assets of $80 million, net of income taxes, as a result of the special dividend paid to the Holding Company during the second quarter of 2005, an increase in corporate support expenses of $49 million, net of income taxes and higher legal related costs of $8 million, net of income taxes. This is partially offset by lower net investment losses of $14 million, net of income taxes. The remainder is principally attributable to the difference between the actual and the estimated tax rates allocated to the various segments.

Total revenues, excluding net investment gains (losses), decreased by $5 million, or 1% to $370 million for the year ended December 31, 2005 from $375 million for the comparable 2004 period. The decrease is primarily attributable to lower income from invested assets of $126 million as a result of the special dividend paid to the Holding Company during the second quarter of 2005. This decrease is partially offset by a $120 million affiliated mortgage loan prepayment fee received from MTL resulting from the sale of MTL's 200 Park Avenue real estate property. Also included as a component of total revenues are intersegment eliminations which are offset within total expenses.

Total expenses decreased by $17 million, or 5%, to $324 million for the year ended December 31, 2005 from $341 million for the comparable 2004 period. The 2005 period includes a $47 million benefit associated with a reduction of a previously established liability for settlement death benefits related to the Company's sales practices class action settlement recorded in 1999 and a $28 million benefit associated with the reduction of a previously established real estate transfer tax liability related to the Company's demutualization in 2000. The 2004 period includes a $50 million contribution to the MetLife Foundation, partially offset by a $22 million reduction of a liability associated with the resolution of all issues relating to the Internal Revenue Service's audit of Metropolitan Life's and its subsidiaries' tax returns for the years 1997-1999. Excluding the impact of these items, total expenses increased by $86 million for the year ended December 31, 2005 from the comparable 2004 period. This increase is attributable to higher corporate support expenses of $78 million, as well as an increase of $12 million from legal related costs. Also included as a component of total expenses are intersegment eliminations which are offset within total revenues.

Metropolitan Life Global Funding I

$17,000,000,000 Global Note Issuance Program

This supplement (the "Third Base Prospectus Supplement") is supplemental to and must be read in conjunction with the Offering Circular dated January 19, 2006, the Base Prospectus Supplement dated May 10, 2006 and the Second Base Prospectus Supplement dated July 11, 2006 (together, the "Offering Circular") prepared by Metropolitan Life Global Funding I (the "Issuer") under the Issuer's global medium-term note program for the issuance of senior secured medium-term notes (the "Notes").

Application has been made to the Irish Financial Services Authority as competent authority for the purposes of Directive 2003/71/EC (the "Prospectus Directive") for this Third Base Prospectus Supplement to be approved.

This document constitutes a Base Prospectus Supplement for the purposes of the Prospectus Directive. References herein to this document are to this Third Base Prospectus Supplement incorporating Annex 1 hereto.

This Third Base Prospectus Supplement contains unaudited interim condensed consolidated financial information for MetLife and its subsidiaries, as of March 31, 2006 (including any notes thereto, the "Consolidated Financial Statements"), together with Management's Discussion and Analysis of Financial Condition and Results of Operations relating to such Consolidated Financial Statements.

Except as disclosed in the Base Prospectus Supplement, the Second Base Prospectus Supplement and this Third Base Prospectus Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to the information included in the Offering Circular since the publication of the Offering Circular.

Each of the Issuer and MetLife accepts responsibility that, having taken all reasonable care to ensure that such is the case, the information contained in this Third Base Prospectus Supplement is, to the best of their knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

ANNEX 1

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CAPITALIZATION OF METLIFE

The terms “MetLife” or the “Company” refer to Metropolitan Life Insurance Company, a New York domiciled stock life insurance company (“Metropolitan Life”), and its subsidiaries. Metropolitan Life is a wholly-owned subsidiary of MetLife, Inc. (the “Holding Company”).

The following table presents MetLife’s consolidated capitalization as of March 31, 2006. As of March 31, 2006, Metropolitan Life had one billion shares of common stock, par value $0.01 per share, authorized (for total authorized capitalization of $10 million) out of which 494,466,664 were issued and outstanding. All of such issued and outstanding common shares were fully paid and nonassessable. As of March 31, 2006, the par value of all issued and outstanding common shares was $5 million. Since March 31, 2006, there has been no material change in the capitalization of Metropolitan Life.

	At March 31, 2006 (In millions)
Assets, Liabilities and Stockholder's Equity:	
Total assets	$ 323,199
Total liabilities	$ 304,945
Stockholder's Equity:	
Common stock, at par value	$ 5
Additional paid-in capital	13,814
Retained earnings	3,166
Accumulated other comprehensive income	1,269
Total stockholder's equity	$ 18,254

SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial information for the Company. The selected consolidated financial information at December 31, 2005 has been derived from MetLife's 2005 audited consolidated financial statements. The selected consolidated financial information as of and for the three months ended March 31, 2006 and 2005 has been derived from MetLife's unaudited interim condensed consolidated financial statements included elsewhere herein. The following information should be read in conjunction with and is qualified in its entirety by the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations of MetLife." Some previously reported amounts at and for the three months ended March 31, 2005 have been reclassified to conform with the presentation at and for the three months ended March 31, 2006.

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
	(In millions)	
Statements of Income Data		
Revenues:		
Premiums	$ 4,925	$ 4,708
Universal life and investment-type product policy fees	513	484
Net investment income (1)	3,030	2,813
Other revenues	212	201
Net investment gains (losses) (1) (2) (3)	(401)	23
Total revenues (4) (5)	8,279	8,229
Expenses:		
Policyholder benefits and claims	5,129	4,955
Interest credited to policyholder account balances	742	615
Policyholder dividends	413	408
Other expenses (1)	1,414	1,335
Total expenses (4) (5)	7,698	7,313
Income from continuing operations before provision for income taxes	581	916
Provision for income taxes (1) (4) (5)	161	285
Income from continuing operations	420	631
Income (loss) from discontinued operations, net of income taxes (1) (4) (5)	(3)	176
Net income	$ 417	$ 807

	At March 31, 2006	At December 31, 2005
	(In millions)	
Balance Sheet Data		
Assets:		
General account assets	$ 247,628	$ 234,174
Separate account assets	75,571	73,152
Total assets (4) (5)	$ 323,199	$ 307,326
Liabilities:		
Life and health policyholder liabilities (6)	$ 177,620	$ 176,605
Short-term debt	388	453
Long-term debt	2,912	2,961
Other liabilities	48,454	35,688
Separate account liabilities	75,571	73,152
Total liabilities (4) (5)	304,945	288,859
Stockholder's Equity:		
Common stock, at par value (7)	5	5
Additional paid-in capital (7)	13,814	13,808
Retained earnings (7)	3,166	2,749
Accumulated other comprehensive income	1,269	1,905
Total stockholder's equity	18,254	18,467
Total liabilities and stockholder's equity	$ 323,199	$ 307,326

(1) In accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets (*"SFAS 144"), income related to real estate sold or classified as held-for-sale is presented as discontinued operations. The following table presents the components of income(loss) from discontinued real estate operations (see footnotes 4 and 5):

	Three Months Ended March 31, 2006	2005
	(In millions)	
Investment income	$ 1	$ 42
Investment expense	(1)	(19)
Net investment gains (losses)	(5)	18
Total revenues	(5)	41
Provision (benefit) for income taxes	(2)	15
Income (loss) from discontinued operations, net of income taxes	$ (3)	$ 26

(2) Net investment gains (losses) exclude amounts related to real estate operations reported as discontinued operations in accordance with SFAS 144.

(3) Net investment gains (losses) presented include scheduled periodic settlement payments on derivative instruments that do not qualify for hedge accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, of $25 million and $23 million for the three months ended March 31, 2006 and 2005, respectively.

(4) On September 29, 2005, the Company completed the sale of P.T. Sejahtera ("MetLife Indonesia") to a third party. In accordance with SFAS 144, the assets, liabilities and operations of MetLife Indonesia have been reclassified into discontinued operations for all periods presented. The following tables present the operations of MetLife Indonesia for the three months ended March 31, 2005 (see footnote 1):

	Three Months Ended March 31, 2005
	(In millions)
Revenues	$ 2
Expenses	3
Income (loss) before provision for income taxes	(1)
Provision for income taxes	-
Income (loss) from discontinued operations, net of income taxes	$ (1)

(5) On January 31, 2005, the Company sold its wholly-owned subsidiary, SSRM Holdings, Inc. ("SSRM"), to a third party. In accordance with SFAS 144, the assets, liabilities and operations of SSRM have been reclassified into discontinued operations for all periods presented. The following tables present the operations of SSRM for the three months ended March 31, 2005 (see footnote 1):

	Three Months Ended March 31, 2005	
	(In millions)	
Revenues	$	19
Expenses		38
Income (loss) before provision for income taxes		(19)
Provision (benefit) for income taxes		(5)
Income (loss) from discontinued operations, net of income taxes		(14)
Net investment gains, net of income taxes		165
Income (loss) from discontinued operations, net of income taxes	$	151

(6) Policyholder liabilities include future policy benefits and other policyholder funds. Life and health policyholder liabilities also include policyholder account balances, policyholder dividends payable and the policyholder dividend obligation.

(7) For additional information regarding these items, see Note 1 of the Notes to the unaudited interim condensed consolidated financial statements included elsewhere herein.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF METLIFE

Results of Operations

Executive Summary

MetLife is a leading provider of insurance and other financial services to millions of individual and institutional customers throughout the United States. The Company offers life insurance and annuities to individuals, as well as group insurance, reinsurance and retirement & savings products and services to corporations and other institutions. The Company's international operations consisting of the Company's Canadian branch and a joint venture in China are reported in Corporate & Other. MetLife is organized into three operating segments: Institutional, Individual and Reinsurance, as well as Corporate & Other.

On July 1, 2005, the Holding Company completed the acquisition of The Travelers Insurance Company ("TIC"), excluding certain assets, most significantly, Primerica, from Citigroup Inc. ("Citigroup"), and substantially all of Citigroup's international insurance business (collectively, "Travelers"). In connection with the Travelers acquisition by the Holding Company, management realigned certain products and services within its segments to better conform to the way it manages and assesses the business. Accordingly, all prior period segment results have been adjusted to reflect such product reclassifications. Also in connection with the Travelers acquisition by the Holding Company, management has utilized its economic capital model to evaluate the deployment of capital based upon the unique and specific nature of the risks inherent in the Company's existing and newly acquired businesses and has adjusted such allocations based upon this model.

Three Months Ended March 31, 2006 compared with the Three Months Ended March 31, 2005

Net income decreased $390 million to $417 million for the three months ended March 31, 2006 from $807 for the three months ended March 31, 2005.

In 2005, the Company completed the sale of SSRM and recognized a gain of $177 million, net of income taxes, of which $165 million, net of income taxes, was recorded during the three months ended March 31, 2005. Accordingly, income from discontinued operations and, correspondingly, net income, decreased by $179 million for the three months ended March 31, 2006 compared to the 2005 period primarily as a result of the aforementioned sale.

In addition, net investment losses increased by $307 million, net of income taxes, for the three months ended March 31, 2006 as compared to the corresponding period in 2005. This increase is primarily due to losses on fixed maturity sales resulting from continued portfolio repositioning in a rising interest rate environment. Also contributing to the increase are losses from the mark-to-market on derivatives in 2006 primarily resulting from changes in U.S. interest rates.

The remainder, an increase of $96 million in net income for the three months ended March 31, 2006 compared to the 2005 period, was primarily due to an increase in premiums, fees and other revenues attributable to continued sales growth across most of the Company's business segments, as well as the positive impact of the U.S. financial markets on policy fees. Policy fees from variable life and annuity and investment-type products are typically calculated as a percentage of the average assets in policyholder accounts. The value of these assets can fluctuate depending on equity performance. In addition, contributing to the increase was higher than expected levels of corporate and real estate joint venture income as well as commercial mortgage prepayment fees. Partially offsetting these increases is a rise in expenses primarily due to higher interest expense, stock-based compensation expense, and corporate support expenses.

Industry Trends

The Company's segments continue to be influenced by a variety of trends that affect the industry.

Financial Environment. The current financial environment presents a challenge for the life insurance industry. A low general level of long-term interest rates and the relatively flat yield curve can have a negative impact on the demand for and the profitability of spread-based products such as fixed annuities, guaranteed interest contracts ("GICs") and universal life insurance. In addition, a reversion to lower short-term interest rates could put pressure on interest spreads on existing blocks of business as declining investment portfolio yields draw closer to minimum crediting rate guarantees on certain products. The compression of the yields from a flattening yield curve and low longer-term interest rates will be a concern until new money rates on corporate bonds are higher than overall life insurer investment portfolio yields. Recent volatile equity market performance has also presented challenges for life insurers, as fee revenue from variable annuities and pension products is tied to separate account balances, which reflect equity market performance. Also, variable annuity product demand often mirrors consumer demand for equity market investments.

Improving Economy. A recovery in the employment market combined with higher corporate confidence should improve demand for group insurance and retirement & savings-type products. Group insurance premium growth, with respect to life and disability products, for example, is closely tied to employers' total payroll growth. Additionally, the potential market for these products is expanded by new business creation. Bond portfolio credit losses have also benefited from an increasingly healthy economy.

Demographics. In the coming decade, a key driver shaping the actions of the life insurance industry will be the rising income protection, wealth accumulation, protection and transfer needs of the retiring Baby Boomers — the first of whom have entered their pre-retirement, peak savings years. As a result of increasing longevity, retirees will need to accumulate sufficient savings to finance retirements that may span 30 or more years. Helping the Baby Boomers to accumulate assets for retirement and subsequently to convert these assets into retirement income represents a tremendous opportunity for the life insurance industry.

Life insurers are well positioned to address the Baby Boomers' rapidly increasing need for savings tools and for income protection. In light of recent Social Security reform and pension solvency concerns, guarantees are what sets the U.S. life insurance industry apart from other financial services providers pursuing the retiring Baby Boomer segment. The Company believes that, among life insurers, those with strong brands, high financial strength ratings, and broad distribution, are best positioned to capitalize on the opportunity to offer income protection products to Baby Boomers.

Moreover, the life insurance industry's products and the needs they are designed to address are complex. The Company believes that individuals approaching retirement age will need to seek advice to plan for and manage their retirements and that, in the workplace, as employees take greater responsibility for their benefit options and retirement planning, they will need individually tailored advice. One of the challenges for the life insurance industry will be the delivering of tailored advice in a cost effective manner.

Competitive Pressures. The life insurance industry is becoming increasingly competitive. The product development and product life-cycles have shortened in many product segments, leading to more intense competition with respect to product features. Larger companies have the ability to invest in brand equity, product development, technology and risk management, which are among the fundamentals for sustained profitable growth in the life insurance industry. In addition, several of the industry's products can be quite homogeneous and subject to intense price competition. Sufficient scale, financial strength and financial flexibility are becoming prerequisites for sustainable growth in the life insurance industry. Larger market participants tend to have the capacity to invest in additional distribution capability and the information technology needed to offer the superior customer service demanded by an increasingly sophisticated industry client base.

Regulatory Changes. The life insurance industry is regulated at the state level, with some products also subject to federal regulation. As life insurers introduce new and often more complex products, regulators refine capital requirements and introduce new reserving standards for the life insurance industry. Regulation recently adopted or currently under review can potentially impact the reserve and capital requirements for several of the industry's products. In addition, regulators have undertaken market and sales practices reviews of several markets or products including equity-indexed annuities, variable annuities and group products.

Discussion of Results

The following table presents consolidated financial information for the Company for the periods indicated:

	Three Months Ended March 31,	
	2006	2005
	(In millions)	
Revenues		
Premiums	$ 4,925	$ 4,708
Universal life and investment-type product policy fees	513	484
Net investment income	3,030	2,813
Other revenues	212	201
Net investment gains (losses)	(401)	23
Total revenues	8,279	8,229
Expenses		
Policyholder benefits and claims	5,129	4,955
Interest credited to policyholder account balances	742	615
Policyholder dividends	413	408
Other expenses	1,414	1,335
Total expenses	7,698	7,313
Income from continuing operations before provision for income taxes	581	916
Provision for income taxes	161	285
Income from continuing operations	420	631
Income (loss) from discontinued operations, net of income taxes	(3)	176
Net income	$ 417	$ 807

Three Months Ended March 31, 2006 compared with the Three Months Ended March 31, 2005

Income from Continuing Operations

Income from continuing operations decreased by $211 million, or 33%, to $420 million for the three months ended March 31, 2006 from $631 million in the comparable 2005 period. The Institutional segment contributed $140 million, net of income taxes, to this decrease primarily due to net investment losses and unfavorable underwriting, partially offset by favorable interest margins. The Individual segment contributed $122 million, net of income taxes, to the decrease, as a result of net investment losses, higher expenses, lower net investment income on blocks of business that are not derived by interest rate spreads and an increase in policyholder dividends. These decreases were partially offset by a decrease in the closed block-related policyholder dividend obligation, favorable underwriting, fee income related to the growth in the business and favorable market conditions, improved interest rate spreads, lower DAC amortization, and changes in tax rates, in the Individual segment. Partially offsetting the decreases in income from continuing operations is an increase in Corporate & Other of $54 million. This increase is primarily due to lower net investment losses and higher net investment income, partially offset by increases in corporate support expenses, interest expense on debt, and the difference between the actual and the estimated tax rates allocated to the various segments.

Revenues

Premiums, fees and other revenues increased by $257 million, or 5%, to $5,650 million for the three months ended March 31, 2006 from $5,393 million from the comparable 2005 period. The Institutional segment contributed $118 million, or 46%, to the period over period increase. The Institutional segment increase is primarily due to improved sales and favorable persistency in group life, as well as sales growth in the non-medical health & other business, partially offset by a decrease in premiums from pension close-outs and structured settlement sales and an increase in master terminal funding in retirement & savings. The Reinsurance segment contributed $94 million, or 37%, to the Company's period over period increase in premiums, fees and other revenues. This growth is primarily attributable to new premiums from facultative and automatic treaties and renewal premiums on existing blocks of business. The Individual segment contributed $41 million, or 16%, to the period over period increase primarily due to higher premiums and universal life and investment type product policy fee income from variable annuity and universal life products, active marketing of income annuity products and growth in the business in other life products. The growth in other life products more than offset the decline in premiums in the Company's closed block business as this business continues to run-off.

Interest rate margins, which generally represent the difference between net investment income and interest credited to policyholder account balances, increased in the Individual segment and the non-medical health & other and retirement and savings businesses in the Institutional segment and decreased in the group life business in the Institutional segment for the three months ended March 31, 2006 as compared to the prior period. Interest rate spreads are influenced by several factors, including business growth, movement in interest rates, and certain investment and investment-related transactions, such as corporate joint venture income and bond and commercial mortgage prepayment fees, the timing and amount of which are generally unpredictable and, as a result, can fluctuate from period to period. If interest rates remain low, it could result in compression of the Company's interest rate spreads on several of its products, which provide guaranteed minimum rates of return to policyholders. This compression could adversely impact the Company's future financial results.

Net investment losses increased by $424 million to a loss of $(401) million for the three months ended March 31, 2006 from a gain of $23 million for the comparable 2005 period. Primarily due to losses on fixed maturity sales resulting from continued portfolio repositioning in a rising interest rate environment. Also contributing to the increase are losses from the mark-to-market on derivatives in 2006 primarily resulting from changes in U.S. interest rates.

Expenses

Underwriting results were favorable within the life products in the Individual segment and in the retirement & savings products in the Institutional segment, while underwriting results were unfavorable in group life and non-medical health & other products within the Institutional segment. Underwriting results are generally the difference between the portion of premium and fee income intended to cover mortality, morbidity or other insurance costs, less claims incurred, and the change in insurance-related liabilities. Underwriting results are significantly influenced by mortality, morbidity or other insurance-related experience trends and the reinsurance activity related to certain blocks of business and, as a result, can fluctuate from period to period.

Other expenses increased by $79 million, or 6%, to $1,414 million for the three months ended March 31, 2006 from $1,335 million for the comparable 2005 period. Corporate & Other contributed $27 million, or 34%, to the period over period variance primarily due to increases in corporate support expenses and higher interest expense. The Reinsurance segment also contributed $22 million, or 28%, to the increase in other expenses primarily due to an increase in interest expense, amortization of the value of business acquired and stock-based compensation expense. The Institutional segment contributed $17 million, or 22%, to the period over period increase primarily due to higher non-deferrable volume-related expenses, partially offset by a net decrease in corporate support expenses, which includes an increase in stock-based compensation. The Individual segment contributed $13 million, or 16%, to the period over period increase primarily due to stock-based compensation and the impact of revisions to policyholder liabilities in the current period, partially offset by revisions to certain commission and expense liabilities in the prior period. Offsetting the increase in the Individual segment is lower DAC amortization.

Net Income

Income tax expense for the three months ended March 31, 2006 is $161 million, or 28% of income from continuing operations before provision for income taxes, compared with $285 million, or 31%, for the comparable 2005 period. The 2006 and 2005 effective tax rates differ from the corporate tax rate of 35% primarily due to the impact of non-taxable investment income and tax credits for investments in low income housing.

Income (loss) from discontinued operations consist of net investment income and net investment gains related to real estate properties that the Company has classified as available-for-sale or has sold for the three months ended March 31, 2005, the operations and gain upon disposal from the sale of SSRM on January 31, 2005 and the operations of MetLife Indonesia which was sold on September 29, 2005. Income (loss) from discontinued operations, net of income taxes, decreased by $179 million, or 102% to ($3) million for the three months ended March 31, 2006 from $176 million for the comparable 2005 period. This decrease is primarily due to the gain of $165 million, net of income taxes, on the sale of SSRM in the three months ended March 31, 2005.

Institutional

The following table presents consolidated financial information for the Institutional segment for the periods indicated:

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
	(In millions)	
Revenues		
Premiums	$ 2,952	$ 2,844
Universal life and investment-type product policy fees	196	193
Net investment income	1,398	1,218
Other revenues	168	161
Net investment gains (losses)	(223)	22
Total revenues	4,491	4,438
Expenses		
Policyholder benefits and claims	3,241	3,110
Interest credited to policyholder account balances	425	301
Other expenses	527	510
Total expenses	4,193	3,921
Income from continuing operations before provision for income taxes	298	517
Provision for income taxes	97	176
Income from continuing operations	201	341
Income from discontinued operations, net of income taxes	-	7
Net income	$ 201	$ 348

The Company's Institutional segment offers a broad range of group insurance and retirement & savings products and services to corporations and other institutions and their respective employees. Group insurance products are offered as employer-paid benefits or as voluntary benefits where all or a portion of the premiums are paid by the employee. Retirement & savings products and services include an array of annuity and investment products, as well as bundled administrative and investment services sold to sponsors of small and mid-sized 401(k) and other defined contribution plans, guaranteed interest products and other stable value products, accumulation and income annuities, and separate account contracts for the investment of defined benefit and defined contribution plan assets.

Three Months Ended March 31, 2006 compared with the Three Months Ended March 31, 2005 — Institutional

Income from Continuing Operations

Income from continuing operations decreased by $140 million, or 41%, to $201 million for the three months ended March 31, 2006 from $341 million for the comparable 2005 period. Included in this decrease is a decline of $165 million, net of income taxes, in net investment gains (losses), as well as $5 million charge, net of income taxes, resulting from an increase in policyholder benefits and claims related to net investment gains (losses). Excluding the decline in net investment gains (losses), income from continuing operations increased by $30 million, net of income taxes, from the comparable 2005 period.

Interest margins increased by $19 million, net of income taxes, compared to the prior period. Management attributes this increase primarily to improvements in interest margins for the retirement & savings and the non-medical health & other business of $16 million and $13 million, both net of income taxes, respectively. Higher earnings from growth in the asset base and corporate and real estate joint venture income across the majority of the businesses are the primary drivers of the period over period increase. Interest margins in group life decreased by $10 million, net of income taxes. The interest margins in the retirement & savings and the group life business include the impact of a reduction in interest spreads compared to the prior year period. Interest rate spreads are generally the percentage point difference between the yield earned on invested assets and the interest rate the Company uses to credit on certain liabilities. Therefore, given a constant value of assets and liabilities, an increase in interest rate spreads would result in higher income to the Company. Interest rate spreads for the three months ended March 31, 2006 decreased to 1.50% and 1.74% from 1.65% and 2.03%, in the prior year period for the retirement &

savings and the group life business, respectively. Management generally expects these spreads to be in the range of 1.35% to 1.50%, and 1.70% to 1.90% for the retirement & savings and the group life business, respectively. Interest rate spreads for the non-medical health & other business are not a significant driver of interest margins. Interest rate spreads are influenced by several factors, including business growth, movement in interest rates, and certain investment and investment-related transactions, such as corporate joint venture income and bond and commercial mortgage prepayment fees for which the timing and amount are generally unpredictable. As a result, income from these investment transactions may fluctuate from period to period.

Partially offsetting the increase in interest margins, is a decline in underwriting results of $3 million, net of income taxes, compared to the prior period. This decline is primarily due to less favorable results of $15 million, net of income taxes, in the non-medical health & other business and a $4 million, net of income taxes, decrease in the group life business. The unfavorable results in non-medical health & other business are primarily due to reserve refinements in the long term care business ("LTC"). These unfavorable results were partially offset by an improvement of $16 million, net of income taxes, in retirement & savings' underwriting results, largely due to favorable claim experience. Underwriting results are generally the difference between the portion of premium and fee income intended to cover mortality, morbidity or other insurance costs less claims incurred and the change in insurance related liabilities. Underwriting results are significantly influenced by mortality, morbidity, or other insurance-related experience trends and the reinsurance activity related to certain blocks of business.

Also contributing to the period over period increase is an increase in premiums, fees, and other revenue, which, have more than offset increases in operating expenses.

Revenues

Total revenues, excluding net investment gains (losses), increased by $298 million, or 7%, to $4,714 million for the three months ended March 31, 2006 from $4,416 million for the comparable 2005 period. This increase is comprised of growth in premiums, fees and other revenues of $118 million and higher net investment income of $180 million.

The increase of $118 million in premiums, fees, and other revenues is largely due to an increase in group life's insurance premiums, fees and other revenues of $191 million, which management primarily attributes to improved sales and favorable persistency, as well as a significant increase in premiums from two large customers. Non-medical health & other business premiums, fees, and other revenues, contributed $121 million, primarily due to growth in the disability, dental and accidental death and dismemberment products of $75 million. In addition, continued growth in the LTC business contributed $40 million. Retirement & savings' premiums, fees and other revenues decreased by $194 million, which is largely due to a decrease in premiums, resulting primarily from declines of $198 million in pension close-outs and $44 million in structured settlements, predominately due to the impact of a decline in sales, partially offset by a $46 million increase in the master terminal funding product, which is largely due to the impact of an increase in sales. Premiums, fees and other revenues from retirement & savings products are significantly influenced by large transactions, and as a result, can fluctuate from period to period.

In addition, net investment income increased by $180 million primarily due to higher income from growth in the asset base driven by sales throughout 2005 and 2006, particularly in GICs and the structured settlement business. In addition, increases in corporate and real estate joint venture income and the impact of higher short-term interest rates contributed to the growth compared to the prior year period. These increases are partially offset by a decline in net investment income resulting from lower average yields on fixed corporate maturities, primarily due to investment turnover.

Expenses

Total expenses increased by $272 million, or 7%, to $4,193 million for the three months ended March 31, 2006 from $3,921 million for the comparable 2005 period.

This increase is comprised of higher policyholder benefits and claims of $131 million, an increase in interest credited to policyholder account balances of $124 million and an increase in other expenses of $17 million. The increase in policyholder benefits and claims is attributable to increases in both group life and non-medical health & other business of $194 million and $119 million, respectively. Offsetting these increases is a decrease in retirement & savings of $182 million. Overall, these increases are predominantly attributable to the business growth referenced in the revenue discussion above, as well as less favorable claim experience in the group life business. In addition, the increase in the non-medical health & other business includes a charge for disabled life and active life reserve refinements in LTC. Claim experience was mixed across the various businesses within the non-medical health & other business. These increases to policyholder benefits and claims are partially offset by favorable claim experience in the retirement & savings business. The increase in interest credited to policyholder account balances of $124 million is primarily the result of increases in the retirement & savings business of $99 million and the group life business of $25 million. The increase in the retirement & savings business is primarily attributable to a combination of growth in policyholder deposits, predominately as a result of growth in GICs, and an increase in short-term interest rates. The increase in the group life business is largely due to growth in the business as well as the increase in the short-tem interest rates.

The rise in other expenses of $17 million is primarily due to higher non-deferrable volume-related expenses of $28 million, which are largely associated with business growth, partially offset by a net decrease of $11 million in corporate support expenses, which is net of an $11 million increase in expense related to stock-based compensation.

Individual

The following table presents consolidated financial information for the Individual segment for the periods indicated:

	Three Months Ended March 31,	
	2006	2005
	(In millions)	
Revenues		
Premiums	$ 979	$ 962
Universal life and investment-type product policy fees	317	291
Net investment income	1,385	1,384
Other revenues	21	23
Net investment gains (losses)	(170)	84
Total revenues	2,532	2,744
Expenses		
Policyholder benefits and claims	1,073	1,105
Interest credited to policyholder account balances	254	259
Policyholder dividends	413	408
Other expenses	509	496
Total expenses	2,249	2,268
Income from continuing operations before provision for income taxes	283	476
Provision for income taxes	95	166
Income from continuing operations	188	310
Income (loss) from discontinued operations, net of income taxes	(1)	12
Net income	$ 187	$ 322

The Company's Individual segment offers a wide variety of protection and asset accumulation products aimed at serving the financial needs of its customers throughout their entire life cycle. Products offered by Individual include insurance products, such as traditional, universal and variable life insurance, and variable and fixed annuities. In addition, Individual sales representatives distribute disability insurance and long-term care insurance products offered through the Institutional segment, investment products such as mutual funds, as well as other products offered by the Company's other businesses.

Three Months Ended March 31, 2006 compared with the Three Months Ended March 31, 2005 — Individual

Income from Continuing Operations

Income from continuing operations decreased by $122 million, or 39%, to $188 million for the three months ended March 31, 2006 from $310 million for the comparable 2005 period. Included in this decrease is an increase in net investment losses of $169 million, net of income taxes. Excluding the impact of net investment losses, income from continuing operations increased by $47 million from the comparable 2005 period.

The decrease in the closed-block related policyholder dividend obligation of $30 million, net of income taxes, contributed to the increase in income from continuing operations.

Favorable underwriting results in life products contributed $9 million, net of income taxes, to the increase in income from continuing operations. Underwriting results are generally the difference between the portion of premium and fee income intended to cover mortality, morbidity or other insurance costs less claims incurred and the change in insurance-related liabilities. Underwriting results are significantly influenced by mortality, morbidity, or other insurance-related experience trends and the reinsurance activity related to certain blocks of business and as a result can fluctuate from period to period.

Fee income increased $9 million, net of income taxes, primarily related to growth in the business and favorable market conditions.

Improvements in interest rate spreads contributed $5 million, net of income taxes, to the period over period increase. Interest rate spreads are generally the percentage point difference between the yield earned on invested assets and the interest rate the Company uses to credit on certain liabilities. Therefore, given a constant value of assets and liabilities, an increase in interest rate spreads would result in higher income to the Company. Interest rate spreads are influenced by several factors, including business growth, movement in interest rates, and certain investment and investment-related transactions, such as corporate joint venture income and bond and commercial mortgage prepayment fees for which the timing and amount are generally unpredictable. As a result, income from these investment transactions may fluctuate from period to period.

Lower DAC amortization of $2 million, net of income taxes, also contributed to the increase in income from continuing operations.

The changes in tax rates between years accounted for an increase in income from continuing operations of $7 million.

These aforementioned increases in income from continuing operations are partially offset by higher expenses of $10 million, net of income taxes. These expenses include $7 million, net of income taxes, related to stock-based compensation, and $3 million, net of income taxes, due to the impact of revisions to policyholder liabilities in the current period partially offset by the revisions to certain commission and expense liabilities in the prior period.

Also offsetting the increase in income from continuing operations is an increase in policyholder dividends of $3 million, net of income taxes, due to growth in the business, and lower net investment income on blocks of business that are not driven by interest rate spreads of $2 million, net of income taxes.

Revenues

Total revenues, excluding net investment gains (losses), increased by $42 million, or 2%, to $2,702 million for the three months ended March 31, 2006 from $2,660 million for the comparable 2005 period.

Premiums increased $17 million of which management attributes higher premiums of $6 million to the active marketing of income annuity products. Although premiums associated with the Company's closed-block of business continue to decline, as expected, by $21 million, this decline was more than offset by a $32 million increase in premiums of other life products due to growth in the business.

Universal life and investment type product policy fees combined with other revenues increased by $24 million. This increase is due to a combination of growth in the business and improved overall market performance. Policy fees from variable life and annuity and investment-type products are typically calculated as a percentage of the average assets in policyholder accounts.

Net investment income increased by $1 million due in part to higher variable income and growth in the asset base offset by lower bond yields.

Expenses

Total expenses decreased by $19 million, or 1%, to $2,249 million for the three months ended March 31, 2006 from $2,268 million for the comparable 2005 period.

Policyholder benefits decreased by $32 million consisting of a $46 million decrease related to the closed block-related policyholder dividend obligation driven by higher realized losses, all in the closed block. Also decreasing policyholder benefits is $4 million primarily due to a revision to the estimates of certain claim liabilities in the life products. In addition, policyholder benefits increased commensurate with the increase in premiums of $6 million from annuity products and $32 million from other life products offset by a decline commensurate with the decline in premiums in the closed-block of $21 million.

Interest credited to policyholder account balances decreased by $5 million due to lower crediting rates partially offset by growth in policyholder account balances.

Offsetting the decrease in total expenses are higher other expenses of $13 million which includes $10 million related to stock-based compensation and $6 million related to the impact of revisions to policyholder liabilities in the current period, partially offset by revisions to certain commission and expense liabilities in the prior period. These increases in other expenses are partially offset by lower DAC amortization of $3 million resulting from net investment losses and management's update of assumptions used to determine estimated gross margins partially offset by growth in the business.

In addition, policyholder dividends also offset the decline in expenses by $5 million due to growth in the business.

Reinsurance

The following table presents consolidated financial information for the Reinsurance segment for the periods indicated:

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
	(In millions)	
Revenues		
Premiums	$ 993	$ 903
Universal life and investment-type product policy fees	-	-
Net investment income	175	150
Other revenues	15	11
Net investment gains (losses)	7	28
Total revenues	1,190	1,092
Expenses		
Policyholder benefits and claims	813	739
Interest credited to policyholder account balances	63	56
Policyholder dividends	-	-
Other expenses	275	253
Total expenses	1,151	1,048
Income before provision for income taxes	39	44
Provision for income taxes	13	15
Net income	$ 26	$ 29

The Company's Reinsurance segment is comprised of the life reinsurance business of Reinsurance Group of America, Incorporated ("RGA"), a publicly traded company. RGA's operations in North America are its largest and include operations of its Canadian and U.S. subsidiaries. In addition to these operations, RGA has subsidiary companies, branch offices, or representative offices in Australia, Barbados, China, Hong Kong, India, Ireland, Japan, Mexico, South Africa, South Korea, Spain, Taiwan and the United Kingdom.

Three Months Ended March 31, 2006 compared with the Three Months Ended March 31, 2005 — Reinsurance

Net Income

Net income decreased by $3 million, or 10%, to $26 million for the three months ended March 31, 2006 from $29 million for the comparable 2005 period.

This decrease in net income is attributable to a reduction in net investment gains of $14 million, net of income taxes, primarily as a result of a decrease in the fair value of embedded derivatives related to funds withheld and modified coinsurance contracts, and an increase in other expenses of $12 million, net of income taxes, primarily related to interest expense, the amortization of acquired business, and equity compensation expense.

This decrease in net income is partially offset by a 10% increase in premiums and related policyholder benefits and claims, adding $10 million to net income, an increase in investment income net of interest credited of $11 million, net of income taxes, and an increase of $2 million in other revenues, net of income taxes. The increases in premiums and policyholder benefits and claims are primarily due to added in force from facultative and automatic treaties and renewals of existing blocks of business in the U.S. and international operations. Investment income growth, net of interest credited, is due to growth in the invested asset base. Other revenue growth is related to an increase in surrender charges and financial reinsurance fees.

Revenues

Total revenues, excluding net investment gains (losses), increased by $119 million, or 11%, to $1,183 million for the three months ended March 31, 2006 from $1,064 million for the comparable 2005 period.

The increase in revenues is primarily associated with growth in new premiums from facultative and automatic treaties and renewal premiums on existing blocks of business in all RGA operating segments, including the U.S., which contributed $45 million; Canada, which contributed $21 million; and Asia Pacific, which contributed $21 million. Growth in RGA's Europe and South Africa operating segment accounted for the remainder of the increase. Premium levels are significantly influenced by large transactions and reporting practices of ceding companies and, as a result, can fluctuate from period to period.

Net investment income increased $25 million, primarily due to growth in the invested asset base from positive operating cash inflows, additional deposits associated with the coinsurance of annuity products, and net proceeds of RGA's $400 million junior subordinated note offering in December 2005, partially offset by a decrease in net investment income related to a realignment of economic capital. Investment yields were relatively flat as compared to the prior periods.

Other revenues increased $4 million primarily due to an increase in surrender charges on asset-intensive business and an increase in fees associated with financial reinsurance.

Additionally, included within the total revenue increase is a reduction in revenue associated with foreign currency exchange rate movements of $9 million.

Expenses

Total expenses increased by $103 million, or 10%, to $1,151 million for the three months ended March 31, 2006 from $1,048 million for the comparable 2005 period.

This increase is commensurate with the growth in revenues and is primarily attributable to an increase of $74 million in policyholder benefits and claims, primarily associated with a growth in insurance in force of approximately $280 billion and $7 million in interest credited, which is generally offset by a corresponding increase in investment income.

Other expenses were up $22 million due to a $7 million increase in interest expense associated with the aforementioned junior subordinated note offering in December 2005, $5 million in amortization expense associated with the value of business acquired, and $4 million in an increase in stock-based compensation expense. The remaining increase of $6 million is primarily compensation and overhead related expenses associated with RGA's international expansion and general growth in operations.

Additionally, included within the total expense increase is a reduction in expenses associated with foreign currency exchange rate movements of $8 million.

Corporate & Other

The following table presents consolidated financial information for Corporate & Other for the periods indicated:

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
	(In millions)	
Revenues		
Premiums	$ 1	$ (1)
Net investment income	72	61
Other revenues	8	6
Net investment gains (losses)	(15)	(111)
Total revenues	66	(45)
Expenses		
Policyholder benefits and claims	2	1
Interest credited to policyholder account balances	-	(1)
Other expenses	103	76
Total expenses	105	76
Income (loss) from continuing operations before income tax benefit	(39)	(121)
Income tax benefit	(44)	(72)
Income (loss) from continuing operations	5	(49)
Income (loss) from discontinued operations, net of income taxes	(2)	157
Net income	3	108

Corporate & Other contains the excess capital not allocated to the business segments, the Company's ancillary international operations other than those of the reinsurance segment, various start-up entities, and run-off entities, as well as interest expense related to the majority of the Company's outstanding debt and expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of all intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings, as well as intersegment transactions.

Three Months Ended March 31, 2006 compared with the Three Months Ended March 31, 2005 — Corporate & Other

Income (loss) from Continuing Operations

Income (loss) from continuing operations increased by $54 million, or 110%, to $5 million for the three months ended March 31, 2006 from a loss of $49 million for the comparable 2005 period. Included in this increase are lower net investment losses of $60 million, and higher net investment income of $10 million, both net of income taxes. Offsetting the increase in income (loss) from continuing operations are increases in corporate support expenses and higher interest expense on debt of $20 million and $3 million, respectively, both net of income taxes. The remainder is principally attributable to the difference between the actual and the estimated tax rates allocated to the various segments.

Revenues

Total revenues, excluding net investment gains (losses), increased by $15 million, or 23%, to $81 million for the three months ended March 31, 2006 from $66 million for the comparable 2005 period. This increase is primarily attributable to increases in income on fixed maturities as a result of higher yields from lengthening the duration and a higher asset base, as well as increased income from corporate joint ventures and mortgage loans on real estate. Also included as a component of total revenues are the elimination of intersegment amounts which are offset within total expenses.

Expenses

Total expenses increased by $29 million, or 38%, to $105 million for the three months ended March 31, 2006 from $76 million for the comparable 2005 period. This increase is attributable to higher corporate support expenses of $31 million as well as an increase in interest expense on debt of $5 million. Also included as a component of total expenses are intersegment eliminations which are offset within total revenues.

METROPOLITAN LIFE INSURANCE COMPANY AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of MetLife, Inc.)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 31, 2006 (UNAUDITED) AND DECEMBER 31, 2005

(In millions, except share and per share data)

	March 31, 2006	December 31, 2005
Assets		
Investments:		
Fixed maturities available-for-sale, at fair value (amortized cost: $156,016 and $141,929, respectively)	$ 158,714	$ 147,897
Trading securities, at fair value (cost: $391 and $373, respectively)	391	373
Equity securities available-for-sale, at fair value (cost: $1,962 and $1,989, respectively)	2,279	2,217
Mortgage and consumer loans	33,139	33,094
Policy loans	8,399	8,412
Real estate and real estate joint ventures held-for-investment	4,097	4,065
Real estate held-for-sale	23	22
Other limited partnership interests	3,449	3,256
Short-term investments	1,071	883
Other invested assets	5,979	5,839
Total investments	217,541	206,058
Cash and cash equivalents	2,515	1,787
Accrued investment income	2,164	2,030
Premiums and other receivables	7,299	6,678
Deferred policy acquisition costs and value of business acquired	11,718	11,438
Other assets	6,391	6,183
Separate account assets	75,571	73,152
Total assets	$ 323,199	$ 307,326
Liabilities and Stockholder's Equity		
Liabilities:		
Future policy benefits	$ 93,732	$ 94,372
Policyholder account balances	75,043	72,793
Other policyholder funds	7,115	6,918
Policyholder dividends payable	916	915
Policyholder dividend obligation	814	1,607
Short-term debt	388	453
Long-term debt	2,912	2,961
Shares subject to mandatory redemption	278	278
Current income taxes payable	345	444
Deferred income taxes payable	2,595	2,729
Payables for collateral under securities loaned and other transactions	33,210	21,009
Other liabilities	12,026	11,228
Separate account liabilities	75,571	73,152
Total liabilities	304,945	288,859
Stockholder's Equity:		
Common stock, par value $0.01 per share; 1,000,000,000 shares authorized; 494,466,664 shares issued and outstanding	5	5
Additional paid-in capital	13,814	13,808
Retained earnings	3,166	2,749
Accumulated other comprehensive income (loss)	1,269	1,905
Total stockholder's equity	18,254	18,467
Total liabilities and stockholder's equity	$ 323,199	$ 307,326

See accompanying notes to interim condensed consolidated financial statements.

METROPOLITAN LIFE INSURANCE COMPANY AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of MetLife, Inc.)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005 (UNAUDITED)

(In millions)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Revenues		
Premiums	$ 4,925	$ 4,708
Universal life and investment-type product policy fees	513	484
Net investment income	3,030	2,813
Other revenues	212	201
Net investment gains (losses)	(401)	23
Total revenues	8,279	8,229
Expenses		
Policyholder benefits and claims	5,129	4,955
Interest credited to policyholder account balances	742	615
Policyholder dividends	413	408
Other expenses	1,414	1,335
Total expenses	7,698	7,313
Income from continuing operations before provision for income taxes	581	916
Provision for income taxes	161	285
Income from continuing operations	420	631
Income (loss) from discontinued operations, net of income taxes	(3)	176
Net income	$ 417	$ 807

See accompanying notes to interim condensed consolidated financial statements.

METROPOLITAN LIFE INSURANCE COMPANY AND SUBSIDIARIES

(A Wholly-Owned Subsidiary of MetLife, Inc.)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2006 (UNAUDITED)

(In millions)

				Accumulated Other Comprehensive Income (Loss)			
	Common Stock	Additional Paid-In Capital	Retained Earnings	Net Unrealized Investment Gains (Losses)	Foreign Currency Translation Adjustment	Minimum Pension Liability Adjustment	Total
Balance at January 1, 2006	$ 5	$ 13,808	$ 2,749	$ 1,809	$ 137	$ (41)	$ 18,467
Treasury stock transactions, net - by subsidiary		6					6
Comprehensive income (loss):							
Net income			417				417
Other comprehensive income (loss):							
Unrealized gains (losses) on derivative instruments, net of income taxes				(8)			(8)
Unrealized investment gains (losses), net of related offsets and income taxes				(646)			(646)
Foreign currency translation adjustments, net of income taxes					18		18
Other comprehensive income (loss)							(636)
Comprehensive income (loss)							(219)
Balance at March 31, 2006	$ 5	$ 13,814	$ 3,166	$ 1,155	$ 155	$ (41)	$ 18,254

See accompanying notes to interim condensed consolidated financial statements.

METROPOLITAN LIFE INSURANCE COMPANY AND SUBSIDIARIES

(A Wholly-Owned Subsidiary of MetLife, Inc.)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005 (UNAUDITED)

(In millions)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Net cash provided by operating activities	$ 1,302	$ 1,450
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturities	23,328	31,680
Equity securities	347	234
Mortgage and consumer loans	1,910	1,178
Real estate and real estate joint ventures	129	126
Other limited partnership interests	214	216
Purchases of:		
Fixed maturities	(37,197)	(37,815)
Equity securities	(194)	(513)
Mortgage and consumer loans	(2,045)	(847)
Real estate and real estate joint ventures	(426)	(85)
Other limited partnership interests	(344)	(318)
Net change in short-term investments	(189)	273
Proceeds from sales of businesses, net of cash disposed of $0 and $33, respectively	-	252
Net change in policy loans	12	(47)
Net change in other invested assets	(175)	(115)
Net change in property, equipment and leasehold improvements	(28)	64
Other, net	5	4
Net cash used in investing activities	(14,653)	(5,713)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	9,954	8,445
Withdrawals	(8,005)	(6,727)
Net change in payables for collateral under securities loaned and other transactions	12,201	2,445
Net change in short-term debt	(65)	(325)
Long-term debt issued	-	1
Long-term debt repaid	(6)	(134)
Other, net	-	(7)
Net cash provided by financing activities	14,079	3,698
Change in cash and cash equivalents	728	(565)
Cash and cash equivalents, beginning of period	1,787	2,428
Cash and cash equivalents, end of period	$ 2,515	$ 1,863
Cash and cash equivalents, subsidiaries held-for-sale, beginning of period	$ -	$ 58
Cash and cash equivalents, subsidiaries held-for-sale, end of period	$ -	$ 5
Cash and cash equivalents, from continuing operations, beginning of period	$ 1,787	$ 2,370
Cash and cash equivalents, from continuing operations, end of period	$ 2,515	$ 1,858
Supplemental disclosures of cash flow information:		
Net cash paid during the period for:		
Interest	$ 27	$ 25
Income taxes	$ 36	$ 334
Non-cash transactions during the period:		
Business Dispositions:		
Assets disposed	$ -	$ 331
Less: liabilities disposed	-	236
Net assets disposed	$ -	$ 95
Plus: equity securities received	-	43
Less: cash disposed	-	33
Business disposition, net of cash disposed	$ -	$ 105

See accompanying notes to interim condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Summary of Accounting Policies

Business

Metropolitan Life Insurance Company ("Metropolitan Life") and its subsidiaries (collectively the "Company") is a leading provider of insurance and other financial services to millions of individual and institutional customers throughout the United States. The Company offers life insurance and annuities to individuals, as well as group insurance, reinsurance and retirement & savings products and services to corporations and other institutions. Metropolitan Life is a wholly-owned subsidiary of MetLife, Inc. (the "Holding Company"). Outside the United States, the Company has direct insurance operations in Canada and Asia.

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the unaudited interim condensed consolidated financial statements. The most critical estimates include those used in determining: (i) investment impairments; (ii) the fair value of investments in the absence of quoted market values; (iii) application of the consolidation rules to certain investments; (iv) the fair value of and accounting for derivatives; (v) the capitalization and amortization of deferred policy acquisition costs ("DAC") and the establishment and amortization of value of business acquired ("VOBA"); (vi) the measurement of goodwill and related impairment, if any; (vii) the liability for future policyholder benefits; (viii) accounting for reinsurance transactions; (ix) the liability for litigation and regulatory matters; and (x) accounting for employee benefit plans. In applying these policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company's businesses and operations. Actual results could differ from these estimates.

The accompanying unaudited interim condensed consolidated financial statements include the accounts of (i) Metropolitan Life and its subsidiaries; (ii) partnerships and joint ventures in which the Company has control; and (iii) variable interest entities ("VIEs") for which the Company is deemed to be the primary beneficiary. Closed block assets, liabilities, revenues and expenses are combined on a line-by-line basis with the assets, liabilities, revenues and expenses outside the closed block based on the nature of the particular item. See Note 4. Intercompany accounts and transactions have been eliminated.

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

Minority interest related to consolidated entities included in other liabilities was $1,479 million and $1,388 million at March 31, 2006 and December 31, 2005, respectively.

Certain amounts in the prior year periods' unaudited interim condensed consolidated financial statements have been reclassified to conform with the 2006 presentation. Such reclassifications include $2,445 million relating to the net change in payables for collateral under securities loaned and other transactions was reclassified from cash flows from investing activities to cash flows from financing activities on the interim condensed consolidated statements of cash flows for the three months ended March 31, 2005.

The accompanying unaudited interim condensed consolidated financial statements reflect all adjustments (including normal recurring adjustments) necessary to present fairly the consolidated financial position of the Company at March 31, 2006, its consolidated results of operations for the three months ended March 31, 2006 and 2005, its consolidated cash flows for the three months ended March 31, 2006 and 2005 and its consolidated statement of stockholder's equity for the three months ended March 31, 2006, in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2005 condensed balance sheet data was derived from the audited financial statements which include all disclosures required by GAAP. Therefore, these unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2005.

Federal Income Taxes

Federal income taxes for interim periods have been computed using an actual effective income tax rate.

Stock-Based Compensation

Stock-based compensation recognized in the Company's interim condensed consolidated results of operations is allocated from the Holding Company. The accounting policies described herein represent those that the Holding Company applies in determining such allocated expense.

Stock-based compensation grants prior to January 1, 2003 were accounted for using the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25 ("APB 25"), *Accounting for Stock Issued to Employees*, and related interpretations. Compensation expense, if any, was recorded based upon the excess of the quoted market price at grant date over the amount the employee was required to pay to acquire the stock. Under the provisions of APB 25, there was no compensation expense resulting from the issuance of stock options as the exercise price was equivalent to the fair market value at the date of grant. Compensation expense was recognized under the Long Term Performance Compensation Plan ("LTPCP"), as described more fully in Note 7.

Stock-based awards granted after December 31, 2002 but prior to January 1, 2006 were accounted for on a prospective basis using the fair value accounting method prescribed by Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standard ("SFAS") No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), as amended by SFAS No. 148, *Accounting for Stock-Based Compensation -- Transition and Disclosure* ("SFAS 148"). The fair value method of SFAS 123 required compensation expense to be measured based on the fair value of the equity instrument at the grant or award date. Stock-based compensation was accrued over the vesting period of the grant or award, including grants or awards to retirement-eligible employees. As required by SFAS 148, the Company discloses the pro forma impact as if the stock options granted prior to January 1, 2003 had been accounted for using the fair value provisions of SFAS 123 rather than the intrinsic value method prescribed by APB 25. See Note 7.

Effective January 1, 2006, the Holding Company adopted, using the modified prospective transition method, SFAS No. 123 (revised 2004*), Share-Based Payment* ("SFAS 123(r)"), which replaces SFAS 123 and supersedes APB 25. The adoption of SFAS 123(r) did not have a significant impact on the Company's financial position or results of operations. SFAS 123(r) requires that the cost of all stock-based transactions be measured at fair value and recognized over the period during which a grantee is required to provide goods or services in exchange for the award. Although the terms of the Holding Company's stock-based plans do not accelerate vesting upon retirement, or the attainment of retirement eligibility, the requisite service period subsequent to attaining such eligibility is considered nonsubstantive. Accordingly, the Company recognizes compensation expense related to stock-based awards over the shorter of the requisite service period or the period to attainment of retirement eligibility. SFAS 123(r) also requires an estimation of future forfeitures of stock-based awards to be incorporated into the determination of compensation expense when recognizing expense over the requisite service period.

Adoption of New Accounting Pronouncements

As described previously, effective January 1, 2006, the Holding Company adopted SFAS 123(r) - including supplemental application guidance issued by the Securities and Exchange Commission in Staff Accounting Bulletin No. 107, *Share-Based Payment* ("SAB 107") – using the modified prospective transition method. In accordance with the modified prospective transition method, results for prior periods have not been restated. SFAS 123(r) requires that the cost of all stock-based transactions be measured at fair value and recognized over the period during which a grantee is required to provide goods or services in exchange for the award. The Holding Company had previously adopted the fair value method of accounting for stock-based awards as prescribed by SFAS 123 on a prospective basis effective January 1, 2003, and prior to January 1, 2003, accounted for its stock-based awards to employees under the intrinsic value method prescribed by APB 25. The Holding Company did not modify the substantive terms of any existing awards prior to adoption of SFAS 123(r).

Under the modified prospective transition method, compensation expense recognized in the three months ended March 31, 2006 includes: (a) compensation expense for all stock-based awards granted prior to, but not yet vested as of January 1, 2006 based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, and (b) compensation expense for all stock-based awards granted beginning January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123(r).

The adoption of SFAS 123(r) did not have a significant impact on the Company's financial position or results of operations as all stock-based awards accounted for under the intrinsic value method prescribed by APB 25 had vested prior to the adoption date and the Company, in conjunction with the Holding Company, had adopted the fair value recognition provisions of SFAS 123 on January 1, 2003. As required by SFAS 148, and carried forward in the provisions of SFAS 123(r), the Company discloses the pro forma impact as if stock-based awards accounted for under APB 25 had been accounted for under the fair value method in Note 7.

SFAS 123 allowed forfeitures of stock-based awards to be recognized as a reduction of compensation expense in the period in which the forfeitures occurred. Upon adoption of SFAS 123(r), the Holding Company changed its policy and now incorporates an estimate of future forfeitures into the determination of compensation expense when recognizing expense over the requisite service period. The impact of this change in accounting policy was not significant to the Company's financial position or results of operations.

Additionally, for awards granted after adoption, the Holding Company changed its policy from recognizing expense for stock-based awards over the requisite service period to recognizing such expense over the shorter of the requisite service period or the period to attainment of retirement eligibility.

The Company has adopted guidance relating to derivative financial instruments as follows:

- Effective January 1, 2006, the Company adopted prospectively SFAS No. 155, *Accounting for Certain Hybrid Instruments* ("SFAS 155"). SFAS 155 amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging* ("SFAS 133") and SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* ("SFAS 140"). SFAS 155 allows financial instruments that have embedded derivatives to be accounted for as a whole, eliminating the need to bifurcate the derivative from its host, if the holder elects to account for the whole instrument on a fair value basis. In addition, among other changes, SFAS 155 (i) clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS 133; (ii) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation; (iii) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and (iv) eliminates the prohibition on a qualifying special-purpose entity ("QSPE") from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial interest. The adoption of SFAS 155 did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

- Effective January 1, 2006, the Company adopted prospectively SFAS 133 Implementation Issue No. B38, *Embedded Derivatives: Evaluation of Net Settlement with Respect to the Settlement of a Debt Instrument through Exercise of an Embedded Put Option or Call Option* ("Issue B38") and SFAS 133 Implementation Issue No. B39, *Embedded Derivatives: Application of Paragraph 13(b) to Call Options That Are Exercisable Only by the Debtor* ("Issue B39"). Issue B38 clarifies that the potential settlement of a debtor's obligation to a creditor occurring upon exercise of a put or call option meets the net settlement criteria of SFAS No. 133. Issue B39 clarifies that an embedded call option, in which the underlying is an interest rate or interest rate index, that can accelerate the settlement of a debt host financial instrument should not be bifurcated and fair valued if the right to accelerate the settlement can be exercised only by the debtor (issuer/borrower) and the investor will recover substantially all of its initial net investment. The adoption of Issues B38 and B39 did not have a material impact on the

Company's unaudited interim condensed consolidated financial statements.

Effective January 1, 2006, the Company adopted prospectively Emerging Issues Task Force ("EITF") Issue No. 05-7, *Accounting for Modifications to Conversion Options Embedded in Debt Instruments and Related Issues* ("EITF 05-7"). EITF 05-7 provides guidance on whether a modification of conversion options embedded in debt results in an extinguishment of that debt. In certain situations, companies may change the terms of an embedded conversion option as part of a debt modification. The EITF concluded that the change in the fair value of an embedded conversion option upon modification should be included in the analysis of EITF Issue No. 96-19, *Debtor's Accounting for a Modification or Exchange of Debt Instruments,* to determine whether a modification or extinguishment has occurred and that a change in the fair value of a conversion option should be recognized upon the modification as a discount (or premium) associated with the debt, and an increase (or decrease) in additional paid-in capital. The adoption of EITF 05-7 did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

Effective January 1, 2006, the Company adopted EITF Issue No. 05-8, *Income Tax Consequences of Issuing Convertible Debt with a Beneficial Conversion Feature* ("EITF 05-8"). EITF 05-8 concludes that (i) the issuance of convertible debt with a beneficial conversion feature results in a basis difference that should be accounted for as a temporary difference and (ii) the establishment of the deferred tax liability for the basis difference should result in an adjustment to additional paid-in capital. EITF 05-8 was applied retrospectively for all instruments with a beneficial conversion feature accounted for in accordance with EITF Issue No. 98-5, *Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios,* and EITF Issue No. 00-27, *Application of Issue No. 98-5 to Certain Convertible Instruments*. The adoption of EITF 05-8 did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

Effective January 1, 2006, the Company adopted SFAS No. 154, *Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3* ("SFAS 154"). The statement requires retrospective application to prior periods' financial statements for a voluntary change in accounting principle unless it is deemed impracticable. It also requires that a change in the method of depreciation, amortization, or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate rather than a change in accounting principle. The adoption of SFAS 154 did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

In June 2005, the EITF reached consensus on Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* ("EITF 04-5"). EITF 04-5 provides a framework for determining whether a general partner controls and should consolidate a limited partnership or a similar entity in light of certain rights held by the limited partners. The consensus also provides additional guidance on substantive rights. EITF 04-5 was effective after June 29, 2005 for all newly formed partnerships and for any pre-existing limited partnerships that modified their partnership agreements after that date. For all other limited partnerships, EITF 04-5 required adoption by January 1, 2006 through a cumulative effect of a change in accounting principle recorded in opening equity or applied retrospectively by adjusting prior period financial statements. The adoption of the provisions of EITF 04-5 did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

Effective November 9, 2005, the Company prospectively adopted the guidance in FASB Staff Position ("FSP") FAS 140-2, *Clarification of the Application of Paragraphs 40(b) and 40(c) of FAS 140* ("FSP 140-2"). FSP 140-2 clarified certain criteria relating to derivatives and beneficial interests when considering whether an entity qualifies as a QSPE. Under FSP 140-2, the criteria must only be met at the date the QSPE issues beneficial interests or when a derivative financial instrument needs to be replaced upon the occurrence of a specified event outside the control of the transferor. The adoption of FSP 140-2 did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

Effective July 1, 2005, the Company adopted SFAS No. 153, *Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29* ("SFAS 153"). SFAS 153 amended prior guidance to eliminate the exception for nonmonetary exchanges of similar productive assets and replaced it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of SFAS 153 were required to be applied prospectively for fiscal periods beginning after June 15, 2005. The adoption of SFAS 153 did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

Effective July 1, 2005, the Company adopted EITF Issue No. 05-6, *Determining the Amortization Period for Leasehold*

Improvements ("EITF 05-6"). EITF 05-6 provides guidance on determining the amortization period for leasehold improvements acquired in a business combination or acquired subsequent to lease inception. As required by EITF 05-6, the Company adopted this guidance on a prospective basis which had no material impact on the Company's unaudited interim condensed consolidated financial statements.

In June 2005, the FASB completed its review of EITF Issue No. 03-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* ("EITF 03-1"). EITF 03-1 provides accounting guidance regarding the determination of when an impairment of debt and marketable equity securities and investments accounted for under the cost method should be considered other-than-temporary and recognized in income. EITF 03-1 also requires certain quantitative and qualitative disclosures for debt and marketable equity securities classified as available-for-sale or held-to-maturity under SFAS 115, that are impaired at the balance sheet date but for which an other-than-temporary impairment has not been recognized. The FASB decided not to provide additional guidance on the meaning of other-than-temporary impairment but has issued FSP 115-1, *The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments* ("FSP 115-1"), which nullifies the accounting guidance on the determination of whether an investment is other-than-temporarily impaired as set forth in EITF 03-1. As required by FSP 115-1, the Company adopted this guidance on a prospective basis, which had no material impact on the Company's unaudited interim condensed consolidated financial statements, and has provided the required disclosures.

Future Adoption of New Accounting Pronouncements

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets – an amendment of FASB Statement No. 140* ("SFAS 156")**.** SFAS 156 amends the guidance in SFAS 140. Among other requirements, SFAS 156 requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in certain situations. SFAS 156 will be applied prospectively and is effective for fiscal years beginning after September 15, 2006. SFAS 156 is not expected to have a material impact on the Company's consolidated financial statements.

In September 2005, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 05-1, *Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts* ("SOP 05-1"). SOP 05-1 provides guidance on accounting by insurance enterprises for deferred acquisition costs on internal replacements of insurance and investment contracts other than those specifically described in SFAS No. 97, *Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments.* SOP 05-1 defines an internal replacement as a modification in product benefits, features, rights, or coverages that occurs by the exchange of a contract for a new contract, or by amendment, endorsement, or rider to a contract, or by the election of a feature or coverage within a contract. Under SOP 05-1, modifications that result in a substantially unchanged contract will be accounted for as a continuation of the replaced contract. A replacement contract that is substantially changed will be accounted for as an extinguishment of the replaced contract resulting in a release of unamortized deferred acquisition costs, unearned revenue and deferred sales inducements associated with the replaced contract. The guidance in SOP 05-1 will be applied prospectively and is effective for internal replacements occurring in fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact of SOP 05-1 and does not expect that the pronouncement will have a material impact on the Company's consolidated financial statements.

2. Investments

Fixed Maturities and Equity Securities Available-for-Sale

The following tables set forth the cost or amortized cost, gross unrealized gain and loss, and estimated fair value of the Company's fixed maturities and equity securities, the percentage of the total fixed maturities holdings that each sector represents and the percentage of the total equity securities at:

	March 31, 2006				
	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value	% of Total
			(In millions)		
U.S. corporate securities	$ 49,788	$ 1,688	$ 775	$ 50,701	31.9 %
Residential mortgage-backed securities	35,414	222	557	35,079	22.1
Foreign corporate securities	23,109	1,273	443	23,939	15.1
U.S. Treasury/agency securities	19,898	849	293	20,454	12.9
Commercial mortgage-backed securities	13,291	139	234	13,196	8.3
Asset-backed securities	8,596	59	60	8,595	5.4
Foreign government securities	4,770	886	17	5,639	3.6
State and political subdivision securities	792	12	23	781	0.5
Other fixed maturity securities	217	9	35	191	0.1
Total bonds	155,875	5,137	2,437	158,575	99.9
Redeemable preferred stock	141	2	4	139	0.1
Total fixed maturities	$ 156,016	$ 5,139	$ 2,441	$ 158,714	100.0 %
Common stock	$ 1,611	$ 317	$ 19	$ 1,909	83.8 %
Non-redeemable preferred stock	351	23	4	370	16.2
Total equity securities	$ 1,962	$ 340	$ 23	$ 2,279	100.0 %

	December 31, 2005				
	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value	% of Total
			(In millions)		
U.S. corporate securities	$ 47,966	$ 2,506	$ 358	$ 50,114	33.9 %
Residential mortgage-backed securities	30,213	315	292	30,236	20.4
Foreign corporate securities	22,873	1,625	257	24,241	16.4
U.S. Treasury/agency securities	17,858	1,333	18	19,173	13.0
Commercial mortgage-backed securities	10,793	194	102	10,885	7.4
Asset-backed securities	6,412	74	29	6,457	4.4
Foreign government securities	4,734	999	10	5,723	3.9
State and political subdivision securities	738	21	10	749	0.5
Other fixed maturity securities	203	10	33	180	0.1
Total bonds	141,790	7,077	1,109	147,758	100.0
Redeemable preferred stock	139	1	1	139	-
Total fixed maturities	$ 141,929	$ 7,078	$ 1,110	$ 147,897	100.0 %
Common stock	$ 1,616	$ 229	$ 25	$ 1,820	82.1 %
Non-redeemable preferred stock	373	27	3	397	17.9
Total equity securities	$ 1,989	$ 256	$ 28	$ 2,217	100.0 %

Unrealized Losses for Fixed Maturities and Equity Securities Available-for-Sale

The following tables show the estimated fair values and gross unrealized losses of the Company's fixed maturities (aggregated by sector) and equity securities in an unrealized loss position, aggregated by length of time that the securities have been in a continuous unrealized loss position at March 31, 2006 and December 31, 2005:

	March 31, 2006					
	Less than 12 months		Equal to or Greater than 12 months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
	(In millions, except number of securities)					
U.S. corporate securities	$ 19,254	$ 655	$ 2,941	$ 120	$ 22,195	$ 775
Residential mortgage-backed securities	25,975	487	1,797	70	27,772	557
Foreign corporate securities	9,427	359	1,668	84	11,095	443
U.S. Treasury/agency securities	12,335	288	143	5	12,478	293
Commercial mortgage-backed securities	9,033	215	468	19	9,501	234
Asset-backed securities	4,460	51	253	9	4,713	60
Foreign government securities	709	14	92	3	801	17
State and political subdivision securities	569	23	3	-	572	23
Other fixed maturity securities	2	33	39	2	41	35
Total bonds	81,764	2,125	7,404	312	89,168	2,437
Redeemable preferred stock	47	4	-	-	47	4
Total fixed maturities	$ 81,811	$ 2,129	$ 7,404	$ 312	$ 89,215	$ 2,441
Equity securities	$ 321	$ 16	$ 89	$ 7	$ 410	$ 23
Total number of securities in an unrealized loss position	5,948		889		6,837	

	December 31, 2005					
	Less than 12 months		Equal to or Greater than 12 months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
	(In millions, except number of securities)					
U.S. corporate securities	$ 12,171	$ 275	$ 2,295	$ 83	$ 14,466	$ 358
Residential mortgage-backed securities	18,839	267	884	25	19,723	292
Foreign corporate securities	6,947	199	1,621	58	8,568	257
U.S. Treasury/agency securities	2,856	16	107	2	2,963	18
Commercial mortgage-backed securities	5,323	89	401	13	5,724	102
Asset-backed securities	2,289	21	239	8	2,528	29
Foreign government securities	429	9	161	1	590	10
State and political subdivision securities	327	10	-	-	327	10
Other fixed maturity securities	-	29	38	4	38	33
Total bonds	49,181	915	5,746	194	54,927	1,109
Redeemable preferred stock	48	1	-	-	48	1
Total fixed maturities	$ 49,229	$ 916	$ 5,746	$ 194	$ 54,975	$ 1,110
Equity securities	$ 409	$ 24	$ 57	$ 4	$ 466	$ 28
Total number of securities in an unrealized loss position	3,607		675		4,282	

Aging of Gross Unrealized Losses for Fixed Maturities and Equity Securities Available-for-Sale

The following tables present the cost or amortized cost, gross unrealized losses and number of securities for fixed maturities and equity securities at March 31, 2006 and December 31, 2005, where the estimated fair value had declined and remained below cost or amortized cost by less than 20%, or 20% or more for:

	March 31, 2006					
	Cost or Amortized Cost		Gross Unrealized Losses		Number of Securities	
	Less than 20%	20% or more	Less than 20%	20% or more	Less than 20%	20% or more
	(In millions, except number of securities)					
Less than six months	$ 59,973	$ 32	$ 1,176	$ 8	4,120	78
Six months or greater but less than nine months	22,010	-	863	-	1,449	1
Nine months or greater but less than twelve months	2,259	3	96	2	296	4
Twelve months or greater	7,809	3	318	1	883	6
Total	$ 92,051	$ 38	$ 2,453	$ 11	6,748	89

	December 31, 2005					
	Cost or Amortized Cost		Gross Unrealized Losses		Number of Securities	
	Less than 20%	20% or more	Less than 20%	20% or more	Less than 20%	20% or more
	(In millions, except number of securities)					
Less than six months	$ 43,966	$ 68	$ 732	$ 18	2,827	89
Six months or greater but less than nine months	2,666	4	82	2	268	7
Nine months or greater but less than twelve months	3,874	-	106	-	415	1
Twelve months or greater	5,980	21	193	5	668	7
Total	$ 56,486	$ 93	$ 1,113	$ 25	4,178	104

As of March 31, 2006 and December 31, 2005, the Company had $2,464 million and $1,138 million, respectively, of gross unrealized losses related to its fixed maturities and equity securities. These securities are concentrated, calculated as a percentage of gross unrealized loss, as follows:

	March 31, 2006	December 31, 2005
Sector:		
U.S. corporates	31 %	31 %
Residential mortgage-backed	23	26
Foreign corporates	18	23
Other	28	20
Total	100 %	100 %
Industry:		
Mortgage-backed	30 %	35 %
Industrial	19	23
Governmental	13	3
Utilities	8	8
Finance	8	7
Other	22	24
Total	100 %	100 %

As of March 31, 2006, $2,453 million of unrealized losses related to securities with an unrealized loss position less than 20% of cost or amortized cost, which represented 3% of the cost or amortized cost of such securities. As of December 31, 2005, $1,113 million of unrealized losses related to securities with an unrealized loss position less than 20% of cost or amortized cost, which represented 2% of the cost or amortized cost of such securities.

As of March 31, 2006, $11 million of unrealized losses related to securities with an unrealized loss position of 20% or more of cost or amortized cost, which represented 29% of the cost or amortized cost of such securities. Of such unrealized losses of $11 million, $8 million have been in an unrealized loss position for a period of less than six months. As of December 31, 2005, $25 million of unrealized losses related to securities with an unrealized loss position of 20% or more of cost or amortized cost, which represented 27% of the cost or amortized cost of such securities. Of such unrealized losses of $25 million, $18 million had in an unrealized loss position for a period of less than six months.

The Company held nine fixed maturities and equity securities with a gross unrealized loss at March 31, 2006, each greater than $10 million. These securities represented approximately 11% or $259 million in the aggregate of the gross unrealized loss on fixed maturities and equity securities.

The Company performs a regular evaluation, on a security-by-security basis, of its investment holdings in accordance with its impairment policy in order to evaluate whether such securities are other-than-temporarily impaired. The increase in the unrealized losses during the three months ended March 31, 2006 is principally driven by an increase in interest rates. Based upon the Company's evaluation of the securities in accordance with its impairment policy, the cause of the decline being principally attributable to the general rise in rates during the period, and the Company's intent and ability to hold the fixed income and equity securities with unrealized losses for a period of time sufficient for them to recover; the Company has concluded that the aforementioned securities are not other-than-temporarily impaired.

This information should be read in conjunction with the significant accounting policies and estimates related to investments and the Company's evaluation of investments for impairment as disclosed in Note 1 of Notes to Consolidated Financial Statements for the year ended December 31, 2005.

Net Investment Income

The components of net investment income were as follows:

	Three Months Ended March 31,	
	2006	2005
	(In millions)	
Fixed maturities	$ 2,272	$ 2,102
Equity securities	10	10
Mortgage and consumer loans	546	523
Policy loans	120	125
Real estate and real estate joint ventures	206	115
Other limited partnership interests	161	105
Cash, cash equivalents and short-term investments	28	26
Other invested assets	126	76
Total	3,469	3,082
Less: Investment expense	439	269
Net investment income	$ 3,030	$ 2,813

For the three months ended March 31, 2006 and 2005, affiliated investment income of $5 million and $4 million, respectively, related to fixed maturities and $13 million and $25 million, respectively, related to mortgage and consumer loans, are included in the table above.

Net Investment Gains (Losses)

Net investment gains (losses) were as follows:

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
	(In millions)	
Fixed maturities	$ (219)	$ (72)
Equity securities	24	93
Mortgage and consumer loans	(4)	(5)
Real estate and real estate joint ventures	14	-
Other limited partnership interests	(6)	2
Derivatives	(209)	2
Other invested assets	(1)	3
Net investment gains (losses)	$ (401)	$ 23

For the three months ended March 31, 2006 and 2005, affiliated investment losses of $5 million and $2 million, respectively, related to Other invested assets are included in the table above.

The Company periodically disposes of fixed maturity and equity securities at a loss. Generally, such losses are insignificant in amount or in relation to the cost basis of the investment or are attributable to declines in fair value occurring in the period of disposition.

Trading Securities

During 2005, the Company established a trading securities portfolio to support investment strategies that involve the active and frequent purchase and sale of securities and the execution of repurchase agreements. Trading securities and repurchase agreement liabilities are recorded at fair value with subsequent changes in fair value recognized in net investment income related to fixed maturities.

At March 31, 2006 and December 31, 2005, trading securities are $391 million and $373 million, respectively. Repurchase agreements associated with the trading securities portfolio, which are included within other liabilities, are approximately $273 million and $271 million, respectively, at March 31, 2006 and December 31, 2005.

Total net investment income (loss) on securities classified as trading and repurchase agreement liabilities, which are included in other liabilities, for the three months ended March 31, 2006 and 2005, total $7 million and $1 million, respectively. Of that amount, interest and dividends earned on trading securities in addition to the net realized and unrealized gains (losses) recognized on the trading securities and the related repurchase agreement liabilities for the three months ended March 31, 2006 and 2005, totaled $1 million and $2 million, respectively. Changes in the fair value of such trading securities and repurchase agreement liabilities held at March 31, 2006 and 2005 total $6 million and ($1) million for the three months ended March 31, 2006 and 2005, respectively.

3. Derivative Financial Instruments

Types of Derivative Instruments

The following table provides a summary of the notional amounts and current market or fair value of derivative financial instruments held at:

	March 31, 2006			December 31, 2005		
	Notional Amount	Current Market or Fair Value		Notional Amount	Current Market or Fair Value	
		Assets	Liabilities		Assets	Liabilities
	(In millions)					
Interest rate swaps	$ 10,871	$ 247	$ 136	$ 12,857	$ 294	$ 12
Interest rate floors	6,515	48	-	6,515	80	-
Interest rate caps	24,970	265	-	24,970	224	-
Financial futures	101	-	3	63	1	-
Foreign currency swaps	10,396	56	893	9,256	74	852
Foreign currency forwards	2,374	10	48	2,333	26	41
Options	220	-	1	221	2	2
Financial forwards	2,486	20	12	2,446	13	1
Credit default swaps	4,378	7	9	4,789	11	9
Synthetic GICs	3,738	-	-	5,477	-	-
Other	250	26	-	250	9	-
Total	$ 66,299	$ 679	$ 1,102	$ 69,177	$ 734	$ 917

The above table does not include notional values for equity financial forwards. At both March 31, 2006 and December 31, 2005, the Company owned 132,000 equity financial forwards. Equity financial forwards market values are included in financial forwards in the preceding table.

This information should be read in conjunction with Note 3 of Notes to Consolidated Financial Statements for the year ended December 31, 2005.

Hedging

The table below provides a summary of the notional amount and fair value of derivatives by type of hedge designation held at:

	March 31, 2006			December 31, 2005		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
	(In millions)					
Fair value	$ 5,267	$ 74	$ 135	$ 4,419	$ 50	$ 104
Cash flow	846	7	105	6,233	29	437
Foreign operations	1,010	2	43	834	2	37
Non-qualifying	59,176	596	819	57,691	653	339
Total	$ 66,299	$ 679	$ 1,102	$ 69,177	$ 734	$ 917

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

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
	(In millions)	
Qualifying hedges:		
Net investment income	$ 23	$ (5)
Interest credited to policyholder account balances	(4)	7
Non-qualifying hedges:		
Net investment gains (losses)	25	23
Total	$ 44	$ 25

Fair Value Hedges

The Company designates and accounts for the following as fair value hedges when they have met the requirements of SFAS 133: (i) interest rate swaps to convert fixed rate investments to floating rate investments; (ii) foreign currency swaps to hedge the foreign currency fair value exposure of foreign-currency-denominated investments and liabilities; and (iii) interest rate futures to hedge against changes in value of fixed rate securities.

The Company recognized net investment gains (losses) representing the ineffective portion of all fair value hedges as follows:

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
	(In millions)	
Changes in the fair value of derivatives	$ (5)	$ 20
Changes in the fair value of the items hedged	(20)	(19)
Net ineffectiveness of fair value hedging activities	$ (25)	$ 1

All components of each derivative's gain or loss were included in the assessment of hedge ineffectiveness. There were no instances in which the Company discontinued fair value hedge accounting due to a hedged firm commitment no longer qualifying as a fair value hedge.

Cash Flow Hedges

The Company designates and accounts for the following as cash flow hedges, when they have met the requirements of SFAS 133: (i) interest rate swaps to convert floating rate investments to fixed rate investments; (ii) interest rate swaps to convert floating rate liabilities into fixed rate liabilities; (iii) foreign currency swaps to hedge the foreign currency cash flow exposure of foreign-currency-denominated investments and liabilities; and (iv) financial forwards to buy and sell securities.

For the three months ended March 31, 2006 and 2005, the Company recognized net investment gains (losses) of $0 million and ($50) million, respectively, which represented the ineffective portion of all cash flow hedges. All components of each derivative's gain or loss were included in the assessment of hedge ineffectiveness. In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions did not occur on the anticipated date or in the additional time period permitted by SFAS 133. The net amounts reclassified into net investment gains (losses) for the three months ended March 31, 2006 and 2005 related to such discontinued cash flow hedges were gains (losses) $1 million and ($33) million, respectively. There were no hedged forecasted transactions, other than the receipt or payment of variable interest payments.

Presented below is a roll forward of the components of other comprehensive income (loss), before income taxes, related to cash flow hedges:

	Three Months Ended March 31, 2006	Year Ended December 31, 2005	Three Months Ended March 31, 2005
		(In millions)	
Other comprehensive income (loss) balance at the beginning of the period	$ (207)	$ (447)	$ (447)
Gains (losses) deferred in other comprehensive income (loss) on the effective portion of cash flow hedges	(7)	196	91
Amounts reclassified to net investment gains (losses)	(5)	44	34
Amounts reclassified to net investment income	1	2	1
Amortization of transition adjustment	(1)	(2)	(1)
Other comprehensive income (loss) balance at the end of the period	$ (219)	$ (207)	$ (322)

Hedges of Net Investments in Foreign Operations

The Company uses forward exchange contracts and foreign currency swaps to hedge portions of its net investment in foreign operations against adverse movements in exchange rates. The Company measures ineffectiveness on the forward exchange contracts based upon the change in forward rates. There was no ineffectiveness recorded for the three months ended March 31, 2006 and 2005.

The Company's consolidated statements of stockholder's equity for the three months ended March 31, 2006 and the year ended December 31, 2005 include losses of $2 million and $27 million, respectively, related to foreign currency contracts and non-derivative financial instruments used to hedge its net investments in foreign operations. At March 31, 2006 and December 31, 2005, the cumulative foreign currency translation loss recorded in accumulated other comprehensive income related to these hedges was $86 million and $84 million, respectively. When net investments in foreign operations are sold or substantially liquidated, the amounts in accumulated other comprehensive income are reclassified to the consolidated statements of income, while a pro rata portion will be reclassified upon partial sale of the net investments in foreign operations.

Non-qualifying Derivatives and Derivatives for Purposes Other Than Hedging

The Company enters into the following derivatives that do not qualify for hedge accounting under SFAS 133 or for purposes other than hedging: (i) interest rate swaps, purchased caps and floors, and interest rate futures to minimize its exposure to interest rate volatility; (ii) foreign currency forwards, swaps and option contracts to minimize its exposure to adverse movements in exchange rates; (iii) swaptions to sell embedded call options in fixed rate liabilities; (iv) credit default swaps to minimize its exposure to adverse movements in credit; (v) credit default swaps to diversify its credit risk exposure in certain portfolios; (vi) equity futures, equity index options, interest rate futures and equity variance swaps to economically hedge liabilities embedded in certain variable annuity products; (vii) swap spread locks to hedge invested assets against the risk of changes in credit spreads; (viii) financial forwards to buy and sell securities; (ix) synthetic GICs to synthetically create traditional GICs; (x) RSATs and TRRs to synthetically create investments; and (xi) basis swaps to better match the cash flows from assets and related liabilities.

For the three months ended March 31, 2006 and 2005, the Company recognized as net investment gains (losses) changes in fair value of ($227) million and $38 million, respectively, related to derivatives that do not qualify for hedge accounting.

Embedded Derivatives

The Company has certain embedded derivatives which are required to be separated from their host contracts and accounted for as derivatives. These host contracts include guaranteed minimum withdrawal contracts, guaranteed minimum accumulation contracts, and modified coinsurance contracts. The fair value of the Company's embedded derivative assets was $55 million and $50 million at March 31, 2006 and December 31, 2005, respectively. The fair value of the Company's embedded derivative liabilities was $4 million and $10 million at March 31, 2006 and December 31, 2005, respectively. The amounts recorded in net investment gains (losses) during the three months ended March 31, 2006 and 2005 were gains of $12 million and $34 million, respectively.

Credit Risk

The Company may be exposed to credit-related losses in the event of nonperformance by counterparties to derivative financial instruments. Generally, the current credit exposure of the Company's derivative contracts is limited to the fair value at the reporting date. The credit exposure of the Company's derivative transactions is represented by the fair value of contracts with a net positive fair value at the reporting date.

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

The Company enters into various collateral arrangements, which require both the pledging and accepting of collateral in connection with its derivative instruments. As of March 31, 2006 and December 31, 2005, the Company was obligated to return cash collateral under its control of $19 million and $34 million, respectively, but held no non-cash collateral. This unrestricted cash collateral is included in cash and cash equivalents and the obligation to return it is included in payables for collateral under securities loaned and other transactions in the consolidated balance sheets.

As of March 31, 2006 and December 31, 2005, the Company provided collateral of $6 million and $0 million, respectively, which is included in other assets in the consolidated balance sheet. The counterparties are permitted by contract to sell or repledge this collateral.

4. Closed Block

On April 7, 2000, (the "date of demutualization"), Metropolitan Life converted from a mutual life insurance company to a stock life insurance company and became a wholly-owned subsidiary of MetLife, Inc. The conversion was pursuant to an order by the New York Superintendent of Insurance approving Metropolitan Life's plan of reorganization, as amended. On the date of demutualization, Metropolitan Life established a closed block for the benefit of holders of certain individual life insurance policies of Metropolitan Life.

Liabilities and assets designated to the closed block are as follows:

	March 31, 2006	December 31, 2005
	(In millions)	
Closed Block Liabilities		
Future policy benefits	$ 42,706	$ 42,759
Other policyholder funds	280	257
Policyholder dividends payable	718	693
Policyholder dividend obligation	814	1,607
Payables for collateral under securities loaned and other transactions	5,160	4,289
Other liabilities	262	200
Total closed block liabilities	49,940	49,805
Assets Designated to the Closed Block		
Investments:		
Fixed maturities available-for-sale, at fair value (amortized cost: $29,303 and $27,892, respectively)	29,915	29,270
Trading securities, at fair value (cost: $2 and $3, respectively)	2	3
Equity securities available-for-sale, at fair value (cost: $1,188 and $1,180, respectively)	1,410	1,341
Mortgage loans on real estate	7,644	7,790
Policy loans	4,131	4,148
Short-term investments	26	41
Other invested assets	382	477
Total investments	43,510	43,070
Cash and cash equivalents	450	512
Accrued investment income	483	506
Deferred income taxes	735	902
Premiums and other receivables	259	270
Total assets designated to the closed block	45,437	45,260
Excess of closed block liabilities over assets designated to the closed block	4,503	4,545
Amounts included in accumulated other comprehensive income (loss):		
Net unrealized investment gains, net of deferred income taxes of $299 and $554, respectively	535	985
Unrealized derivative gains (losses), net of deferred income tax benefit of ($17)and ($17), respectively	(31)	(31)
Allocated to policyholder dividend obligation, net of deferred income tax benefit of ($283) and ($538), respectively	(504)	(954)
Total amounts included in accumulated other comprehensive income (loss)	-	-
Maximum future earnings to be recognized from closed block assets and liabilities	$ 4,503	$ 4,545

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

	Three Months Ended March 31, 2006	Year Ended December 31, 2005
	(In millions)	
Balance at beginning of period	$ 1,607	$ 2,243
Impact on revenues, net of expenses and income taxes	(88)	(9)
Change in unrealized investment and derivative gains (losses)	(705)	(627)
Balance at end of period	$ 814	$ 1,607

Closed block revenues and expenses are as follows:

	Three Months Ended March 31,	
	2006	2005
	(In millions)	
Revenues		
Premiums	$ 698	$ 719
Net investment income and other revenues	594	599
Net investment gains (losses)	(64)	(21)
Total revenues	1,228	1,297
Expenses		
Policyholder benefits and claims	821	812
Policyholder dividends	366	363
Change in policyholder dividend obligation	(88)	(12)
Other expenses	64	66
Total expenses	1,163	1,229
Revenues, net of expenses before income taxes	65	68
Income taxes	23	24
Revenues, net of expenses and income taxes	$ 42	$ 44

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

	Three Months Ended March 31,	
	2006	2005
	(In millions)	
Balance at end of period	$ 4,503	$ 4,668
Balance at beginning of period	4,545	4,712
Change during period	$ (42)	$ (44)

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

5. Contingencies, Commitments and Guarantees

Contingencies

Litigation

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

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

On a quarterly and yearly basis, the Company reviews relevant information with respect to liabilities for litigation and contingencies to be reflected in the Company's consolidated financial statements. The review includes senior legal and financial personnel. Unless stated below, estimates of possible additional losses or ranges of loss for particular matters cannot in the ordinary course be made with a reasonable degree of certainty. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Liabilities have been established for a number of the matters noted below. It is possible that some of the matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be estimated as of March 31, 2006.

Sales Practices Claims

Over the past several years, Metropolitan Life, New England Mutual Life Insurance Company, with which Metropolitan Life merged in 1996 ("New England Mutual"), and General American Life Insurance Company, which was acquired in 2000 ("General American"), have faced numerous claims, including class action lawsuits, alleging improper marketing and sales of individual life insurance policies or annuities. These lawsuits generally are referred to as "sales practices claims."

In December 1999, a federal court approved a settlement resolving sales practices claims on behalf of a class of owners of permanent life insurance policies and annuity contracts or certificates issued pursuant to individual sales in the United States by Metropolitan Life, Metropolitan Insurance and Annuity Company or Metropolitan Tower Life Insurance Company between January 1, 1982 and December 31, 1997.

Similar sales practices class actions against New England Mutual and General American have been settled. In October 2000, a federal court approved a settlement resolving sales practices claims on behalf of a class of owners of permanent life insurance policies issued by New England Mutual between January 1, 1983 through August 31, 1996. A federal court has approved a settlement resolving sales practices claims on behalf of a class of owners of permanent life insurance policies issued by General American between January 1, 1982 through December 31, 1996. An appellate court has affirmed the order approving the settlement.

Certain class members have opted out of the class action settlements noted above and have brought or continued non-class action sales practices lawsuits. In addition, other sales practices lawsuits, including lawsuits or other proceedings relating to the sale of mutual funds and other products, have been brought. As of March 31, 2006, there are approximately 332 sales practices litigation matters pending against Metropolitan Life; approximately 46 sales practices litigation matters pending against New England Mutual, New England Life Insurance Company, and New England Securities Corporation (collectively, "New England"), and approximately 44 sales practices litigation matters pending against General American. Metropolitan Life, New England and General American continue to defend themselves vigorously against these litigation matters. Some individual sales practices claims have been resolved through settlement, won by dispositive motions, or have gone to trial. The outcomes of trials have varied, and appeals are pending in several matters. Most of the current cases seek substantial damages, including in some cases punitive and treble damages and attorneys' fees. Additional litigation relating to the Company's marketing and sales of individual life insurance, mutual funds and other products may be commenced in the future.

The Metropolitan Life class action settlement did not resolve two putative class actions involving sales practices claims filed against Metropolitan Life in Canada, and these actions remain pending.

The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for sales practices claims against Metropolitan Life, New England and General American.

Regulatory authorities in a small number of states have had investigations or inquiries relating to Metropolitan Life's, New England's or General American's sales of individual life insurance policies or annuities or other products. Over the past several years, these and a number of investigations by other regulatory authorities were resolved for monetary payments and certain other relief. The Company may continue to resolve investigations in a similar manner.

Asbestos-Related Claims

Metropolitan Life is also a defendant in thousands of lawsuits seeking compensatory and punitive damages for personal injuries allegedly caused by exposure to asbestos or asbestos-containing products. Metropolitan Life has never engaged in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products nor has Metropolitan Life issued liability or workers' compensation insurance to companies in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products. Rather, these lawsuits principally have been based upon allegations relating to certain research, publication and other activities of one or more of Metropolitan Life's employees during the period from the 1920's through approximately the 1950's and have alleged that Metropolitan Life learned or should have learned of certain health risks posed by asbestos and, among other things, improperly publicized or failed to disclose those health risks. Metropolitan Life believes that it should not have legal liability in such cases.

Legal theories asserted against Metropolitan Life have included negligence, intentional tort claims and conspiracy claims concerning the health risks associated with asbestos. Although Metropolitan Life believes it has meritorious defenses to these claims, and has not suffered any adverse monetary judgments in respect of these claims, due to the risks and expenses of litigation, almost all past cases have been resolved by settlements. Metropolitan Life's defenses (beyond denial of certain factual allegations) to plaintiffs' claims include that: (i) Metropolitan Life owed no duty to the plaintiffs — it had no special relationship with the plaintiffs and did not manufacture, produce, distribute or sell the asbestos products that allegedly injured plaintiffs; (ii) plaintiffs cannot demonstrate justifiable detrimental reliance; and (iii) plaintiffs cannot demonstrate proximate causation. In defending asbestos cases, Metropolitan Life selects various strategies depending upon the jurisdictions in which such cases are brought and other factors which, in Metropolitan Life's judgment, best protect Metropolitan Life's interests. Strategies include seeking to settle or compromise claims, motions challenging the legal or factual basis for such claims or defending on the merits at trial. Since 2002, trial courts in California, Utah, Georgia, New York, Texas, and Ohio granted motions dismissing claims against Metropolitan Life on some or all of the above grounds. Other courts have denied motions brought by Metropolitan Life to dismiss cases without the necessity of trial. There can be no assurance that Metropolitan Life will receive favorable decisions on motions in the future. Metropolitan Life intends to continue to exercise its best judgment regarding settlement or defense of such cases, including when trials of these cases are appropriate.

Metropolitan Life continues to study its claims experience, review external literature regarding asbestos claims experience in the United States and consider numerous variables that can affect its asbestos liability exposure, including bankruptcies of other companies involved in asbestos litigation and legislative and judicial developments, to identify trends and to assess their impact on the recorded asbestos liability.

Bankruptcies of other companies involved in asbestos litigation, as well as advertising by plaintiffs' asbestos lawyers, may be resulting in an increase in the cost of resolving claims and could result in an increase in the number of trials and possible adverse verdicts Metropolitan Life may experience. Plaintiffs are seeking additional funds from defendants, including Metropolitan Life, in light of such bankruptcies by certain other defendants. In addition, publicity regarding legislative reform efforts may result in an increase or decrease in the number of claims.

As reported in Metropolitan Life's December 31, 2005 financial statements, Metropolitan Life received approximately 18,500 asbestos-related claims in 2005. During the first three months of 2006 and 2005, Metropolitan Life received approximately 2,220 and 5,900 asbestos-related claims, respectively.

See Note 10 of Notes to the 2005 Consolidated Financial Statements for the year ended December 31, 2005 for historical information concerning asbestos claims and Metropolitan Life's increase of its recorded liability at December 31, 2002.

The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for asbestos-related claims. The ability of Metropolitan Life to estimate its ultimate asbestos exposure is subject to considerable uncertainty due to numerous factors. The availability of data is limited and it is difficult to predict with any certainty numerous variables that can affect liability estimates, including the number of future claims, the cost to resolve claims, the disease mix and severity of disease, the jurisdiction of claims filed, tort reform efforts and the impact of any possible future adverse verdicts and their amounts.

The number of asbestos cases that may be brought or the aggregate amount of any liability that Metropolitan Life may ultimately incur is uncertain. Accordingly, it is reasonably possible that the Company's total exposure to asbestos claims may be greater than the liability recorded by the Company in its unaudited interim condensed consolidated financial statements and that future charges to income may be necessary. While the potential future charges could be material in particular quarterly or annual periods in which they are recorded, based on information currently known by management, management does not believe any such charges are likely to have a material adverse effect on the Company's consolidated financial position.

During 1998, Metropolitan Life paid $878 million in premiums for excess insurance policies for asbestos-related claims. The excess insurance policies for asbestos-related claims provide for recovery of losses up to $1,500 million, which is in excess of a $400 million self-insured retention. The asbestos-related policies are also subject to annual and per-claim sublimits. Amounts are recoverable under the policies annually with respect to claims paid during the prior calendar year. Although amounts paid by Metropolitan Life in any given year that may be recoverable in the next calendar year under the policies will be reflected as a reduction in the Company's operating cash flows for the year in which they are paid, management believes that the payments will not have a material adverse effect on the Company's liquidity.

Each asbestos-related policy contains an experience fund and a reference fund that provides for payments to Metropolitan Life at the commutation date if the reference fund is greater than zero at commutation or pro rata reductions from time to time in the loss reimbursements to Metropolitan Life if the cumulative return on the reference fund is less than the return specified in the experience fund. The return in the reference fund is tied to performance of the Standard & Poor's 500 Index and the Lehman Brothers Aggregate Bond Index. A claim with respect to the prior year was made under the excess insurance policies in 2003, 2004 and 2005 for the amounts paid with respect to asbestos litigation in excess of the retention. As the performance of the indices impacts the return in the reference fund, it is possible that loss reimbursements to the Company and the recoverable with respect to later periods may be less than the amount of the recorded losses. Such foregone loss reimbursements may be recovered upon commutation depending upon future performance of the reference fund. If at some point in the future, the Company believes the liability for probable and reasonably estimable losses for asbestos-related claims should be increased, an expense would be recorded and the insurance recoverable would be adjusted subject to the terms, conditions and limits of the excess insurance policies. Portions of the change in the insurance recoverable would be recorded as a deferred gain and amortized into income over the estimated remaining settlement period of the insurance policies. The foregone loss reimbursements were approximately $8.3 million with respect to 2002 claims, $15.5 million with respect to 2003 claims, $15.1 million with respect to 2004 claims, $12.7 million with respect to 2005 claims and estimated as of March 31, 2006, to be approximately $60.7 million in the aggregate, including future years.

Demutualization Actions

Several lawsuits were brought in 2000 challenging the fairness of Metropolitan Life's plan of reorganization, as amended (the "plan") and the adequacy and accuracy of Metropolitan Life's disclosure to policyholders regarding the plan. These actions named as defendants some or all of Metropolitan Life, the Holding Company, the individual directors, the New York Superintendent of Insurance (the "Superintendent") and the underwriters for MetLife, Inc.'s initial public offering, Goldman Sachs & Company and Credit Suisse First Boston. In 2003, a trial court within the commercial part of the New York State court granted the defendants' motions to dismiss two purported class actions. In 2004, the appellate court modified the trial court's order by reinstating certain claims against Metropolitan Life, the Holding Company and the individual directors. Plaintiffs in these actions have filed a consolidated amended complaint. On May 2, 2006, the trial court issued a decision granting plaintiffs' motion to certify a litigation class with respect to their claim that defendants violated section 7312 of the New York Insurance Law, but finding that plaintiffs had not met the requirements for certifying a class with respect to a fraud claim. Defendants have a right to appeal from this decision. Another purported class action filed in New York State court in Kings County has been consolidated with this action. The plaintiffs in the state court class actions seek compensatory relief and punitive damages. Five persons brought a proceeding under Article 78 of New York's Civil Practice Law and Rules challenging the Opinion and Decision of the Superintendent who approved the plan. In this proceeding, petitioners sought to vacate the Superintendent's Opinion and Decision and enjoin him from granting final approval of the plan. On November 10, 2005, the trial court granted respondents' motions to dismiss this proceeding. Petitioners have filed a notice of appeal. In a class action against Metropolitan Life and the Holding Company pending in the United States District Court for the Eastern District of New York, plaintiffs served a second consolidated amended complaint in 2004. In this action, plaintiffs assert violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 in connection with the plan, claiming that the Policyholder Information Booklets failed to disclose certain material facts and contained certain material misstatements. They seek rescission and compensatory damages. On June 22, 2004, the court denied the defendants' motion to dismiss the claim of violation of the Securities Exchange Act of 1934. The court had previously denied defendants' motion to dismiss the claim for violation of the Securities Act of 1933. In 2004, the court reaffirmed its earlier decision denying defendants' motion for summary judgment as premature. On July 19, 2005, this federal trial court certified a class action against Metropolitan Life and the Holding Company.

Metropolitan Life and the Holding Company filed a petition seeking permission for an interlocutory appeal from this order; on or about March 29, 2006, the United States Court of Appeals for the Second Circuit denied the petition. Metropolitan Life, the Holding Company and the individual defendants believe they have meritorious defenses to the plaintiffs' claims and are contesting vigorously all of the plaintiffs' claims in these actions.

In 2001, a lawsuit was filed in the Superior Court of Justice, Ontario, Canada on behalf of a proposed class of certain former Canadian policyholders against the Holding Company, Metropolitan Life, and Metropolitan Life Insurance Company of Canada. Plaintiffs' allegations concern the way that their policies were treated in connection with the demutualization of Metropolitan Life; they seek damages, declarations, and other non-pecuniary relief. The defendants believe they have meritorious defenses to the plaintiffs' claims and will contest vigorously all of plaintiffs' claims in this matter.

On April 30, 2004, a lawsuit was filed in New York state court in New York County against the Holding Company and Metropolitan Life on behalf of a proposed class comprised of the settlement class in the Metropolitan Life sales practices class action settlement approved in December 1999 by the United States District Court for the Western District of Pennsylvania. In their amended complaint, plaintiffs challenged the treatment of the cost of the sales practices settlement in the demutualization of Metropolitan Life and asserted claims of breach of fiduciary duty, common law fraud, and unjust enrichment. In an order dated July 13, 2005, the court granted the defendants' motion to dismiss the action and the plaintiffs have appealed.

Other

A putative class action which commenced in October 2000 is pending in the United States District Court for the District of Columbia, in which plaintiffs allege that they were denied certain ad hoc pension increases awarded to retirees under the Metropolitan Life retirement plan. The ad hoc pension increases were awarded only to retirees (i.e., individuals who were entitled to an immediate retirement benefit upon their termination of employment) and not available to individuals like these plaintiffs whose employment, or whose spouses' employment, had terminated before they became eligible for an immediate retirement benefit. The plaintiffs seek to represent a class consisting of former Metropolitan Life employees, or their surviving spouses, who are receiving deferred vested annuity payments under the retirement plan and who were allegedly eligible to receive the ad hoc pension increases. In September 2005, Metropolitan Life's motion for summary judgment was granted. Plaintiffs moved for reconsideration. The motion for reconsideration was denied. Plaintiffs may appeal.

In May 2003, the American Dental Association and three individual providers sued the Holding Company and/or a subsidiary and Cigna in a purported class action lawsuit brought in the United States District Court for the Southern District of Florida. The plaintiffs purport to represent a nationwide class of in-network providers who allege that their claims are being wrongfully reduced by downcoding, bundling, and the improper use and programming of software. The complaint alleges federal racketeering and various state law theories of liability. The matter is being vigorously defended. The district court has granted in part and denied in part a motion to dismiss. Another motion to dismiss has been filed. The court has issued a tag-along order, related to a medical managed care trial, which will stay the lawsuit indefinitely.

Regulatory bodies have contacted the Company and have requested information relating to market timing and late trading of mutual funds and variable insurance products and, generally, the marketing of products. The Company believes that many of these inquiries are similar to those made to many financial services companies as part of industry-wide investigations by various regulatory agencies. The SEC has commenced an investigation with respect to market timing and late trading in a limited number of privately-placed variable insurance contracts that were sold through General American. As previously reported, in May 2004, General American received a Wells Notice stating that the SEC staff is considering recommending that the SEC bring a civil action alleging violations of the U.S. securities laws against General American. General American has responded to the Wells Notice. The Company is fully cooperating with regard to regulatory requests and investigations. The Company at the present time is not aware of any systemic problems with respect to such matters that may have a material adverse effect on the Company's consolidated financial position.

In April 2006, the SEC and Metropolitan Life Insurance Company resolved a formal investigation of Metropolitan Life Insurance Company relating to certain sales by a former Metropolitan Life Insurance Company sales representative to the Sheriff's Department of Fulton County, Georgia. The settlement includes a payment to the SEC of a $250,000 fine.

The Holding Company and/or subsidiaries have received a number of subpoenas and other requests from the Office of the Attorney General of the State of New York seeking, among other things, information regarding and relating to compensation agreements between insurance brokers and the Holding Company and/or subsidiaries, whether the Holding Company and/or subsidiaries have provided or are aware of the provision of "fictitious" or "inflated" quotes, and information regarding tying arrangements with respect to reinsurance. Based upon an internal review, the Holding Company and/or subsidiaries advised the Attorney General for the State of New York that the Holding Company and/or subsidiaries were not aware of any instance in which the Holding Company and/or subsidiaries had provided a "fictitious" or "inflated" quote. The Holding Company and/or subsidiaries also have received subpoenas, including sets of interrogatories, from the Office of the Attorney General of the State of Connecticut seeking information and documents including contingent commission payments to brokers and the Holding Company's and/or subsidiaries' awareness of any "sham" bids for business. The Holding Company and/or subsidiaries also has received a Civil Investigative Demand from the Office of the Attorney General for the State of Massachusetts seeking information and documents concerning bids and quotes that the Holding Company and/or subsidiaries submitted to potential customers in Massachusetts, the identity of agents, brokers, and producers to whom the Holding Company and/or subsidiaries submitted such bids or quotes, and communications with a certain broker. The Holding Company and/or subsidiaries have received two subpoenas from the District Attorney of the County of San Diego, California. The subpoenas seek numerous documents including incentive agreements entered into with brokers. The Florida Department of Financial Services and the Florida Office of Insurance Regulation also have served subpoenas on the Holding Company and/or subsidiaries asking for answers to interrogatories and document requests concerning topics that include compensation paid to intermediaries. The Office of the Attorney General for the State of Florida also has served a subpoena on the Holding Company and/or subsidiaries seeking, among other things, copies of materials produced in response to the subpoenas discussed above. The Holding Company and/or subsidiaries have received a subpoena from the Office of the U.S. Attorney for the Southern District of California asking for documents regarding the insurance broker, Universal Life Resources. The Insurance Commissioner of Oklahoma has served a subpoena, including a set of interrogatories, on the Holding Company and/or subsidiaries seeking, among other things, documents and information concerning the compensation of insurance producers for insurance covering Oklahoma entities and persons. The Ohio Department of Insurance has requested documents regarding a broker and certain Ohio public entity groups. The Holding Company and/or subsidiaries continue to cooperate fully with these inquiries and are responding to the subpoenas and other requests. The Holding Company and subsidiaries are continuing to conduct an internal review of its commission payment practices.

Approximately sixteen broker-related lawsuits in which the Holding Company and/or subsidiaries were named as a defendant were filed. Voluntary dismissals and consolidations have reduced the number of pending actions to four. In one of these, the California Insurance Commissioner is suing in California state court Metropolitan Life, Paragon Life Insurance Company and other companies alleging that the defendants violated certain provisions of the California Insurance Code. Another of these actions is pending in a multi-district proceeding established in the federal district court in the District of New Jersey. In this proceeding, plaintiffs have filed an amended class action complaint consolidating the claims from separate actions that had been filed in or transferred to the District of New Jersey. The consolidated amended complaint alleges that the Holding Company, Metropolitan Life, several other insurance companies and several insurance brokers violated RICO, ERISA, and antitrust laws and committed other misconduct in the context of providing insurance to employee benefit plans and to persons who participate in such employee benefit plans. Plaintiffs seek to represent classes of employers that established employee benefit plans and persons who participated in such employee benefit plans. A motion for class certification has been filed. Plaintiffs in several other actions have voluntarily dismissed their claims. The Holding Company and subsidiaries intend to vigorously defend these cases.

In addition to those discussed above, regulators and others have made a number of inquiries of the insurance industry regarding industry brokerage practices and related matters and other inquiries may begin. It is reasonably possible that the Holding Company and/or subsidiaries will receive additional subpoenas, interrogatories, requests and lawsuits. The Holding Company and/or subsidiaries will cooperate fully with all regulatory inquiries and intend to defend vigorously all lawsuits.

The Holding Company and/or subsidiaries have received a subpoena from the Connecticut Attorney General requesting information regarding its participation in any finite reinsurance transactions. The Holding Company and/or subsidiaries also have received information requests relating to finite insurance or reinsurance from other regulatory and governmental authorities. The Holding Company and/or subsidiaries believe it has appropriately accounted for its transactions of this type and intends to cooperate fully with these information requests. The Holding Company and/or subsidiaries believe that a number of other industry participants have received similar requests from various regulatory and governmental authorities. It is reasonably possible that the Holding Company and/or subsidiaries may receive additional requests. The Holding Company and/or subsidiaries will fully cooperate with all such requests.

As previously disclosed, the NASD staff notified New England Securities Corporation ("NES") that it has made a preliminary determination to file charges of violations of the NASD's and the SEC's rules against it. The pending investigation was initiated after the firm reported to the NASD that a limited number of mutual fund transactions processed by firm representatives and at the consolidated trading desk, during the period April through December 2003, had been received from customers after 4:00 p.m., Eastern time, and received the same day's net asset value. The potential charges of violations of the NASD's and the SEC's rules relate to the processing of transactions received after 4:00 p.m., the firms' maintenance of books and records, supervisory procedures and responses to the NASD's information requests. Under the NASD's procedures, NES has submitted a response to the NASD staff. The NASD staff has not made a formal recommendation regarding whether any action alleging violations of the rules should be filed. NES continues to cooperate fully with the NASD.

In February 2006, the SEC commenced a formal investigation of NES in connection with the suitability of its sales of variable universal life insurance policies. The Company believes that others in the insurance industry are the subject of similar investigations by the SEC. NES is cooperating fully with the SEC.

Metropolitan Life also has been named as a defendant in numerous silicosis, welding and mixed dust cases in various states. The Company intends to defend itself vigorously against these cases.

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

Summary

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

Impact of Hurricanes

On August 29, 2005, Hurricane Katrina made landfall in the states of Louisiana, Mississippi and Alabama causing catastrophic damage to these coastal regions. During the three months ended March 31, 2006, the Company had no change to the total net losses recognized of approximately $14 million, net of income taxes and reinsurance recoverables related to the catastrophe.

Additional hurricane-related losses may be recorded in future periods as claims are received from insureds. Based on information known by management as of March 31, 2006, it does not believe that additional claim losses resulting from Hurricane Katrina will have a material adverse impact on the Company's unaudited interim condensed consolidated financial statements.

Commitments

Commitments to Fund Partnership Investments

The Company makes commitments to fund partnership investments in the normal course of business. The amounts of these unfunded commitments were $1,959 million and $1,956 million at March 31, 2006 and December 31, 2005, respectively. The Company anticipates that these amounts will be invested in partnerships over the next five years.

Mortgage Loan Commitments

The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments were $2,144 million and $2,603 million at March 31, 2006 and December 31, 2005, respectively.

Other Commitments

On December 12, 2005, RGA repurchased 1.6 million shares of its outstanding common stock at an aggregate price of approximately $76 million under an accelerated share repurchase agreement with a major bank. The bank borrowed the stock sold to RGA from third parties and purchased the shares in the open market over the subsequent few months to return to the lenders. RGA would either pay or receive an amount based on the actual amount paid by the bank to purchase the shares. These repurchases resulted in an increase in the Company's ownership percentage of RGA to approximately to 53% at December 31, 2005 from approximately 52% at December 31, 2004. In February 2006, the final purchase price was determined resulting in a cash settlement substantially equal to the aggregate cost. RGA recorded the initial repurchase of shares as treasury stock and recorded the amount received as an adjustment to the cost of the treasury stock. At March 31, 2006, the Company's ownership percentage of RGA remains at approximately 53%.

Guarantees

In the normal course of its business, the Company has provided certain indemnities, guarantees and commitments to third parties pursuant to which it may be required to make payments now or in the future. In the context of acquisition, disposition, investment and other transactions, the Company has provided indemnities and guarantees, including those related to tax, environmental and other specific liabilities, and other indemnities and guarantees that are triggered by, among other things, breaches of representations, warranties or covenants provided by the Company. In addition, in the normal course of business, the Company provides indemnifications to counterparties in contracts with triggers similar to the foregoing, as well as for certain other liabilities, such as third party lawsuits. These obligations are often subject to time limitations that vary in duration, including contractual limitations and those that arise by operation of law, such as applicable statutes of limitation. In some cases, the maximum potential obligation under the indemnities and guarantees is subject to a contractual limitation ranging from less than $1 million to $800 million, with a cumulative maximum of $1.4 billion, while in other cases such limitations are not specified or applicable. Since certain of these obligations are not subject to limitations, the Company does not believe that it is possible to determine the maximum potential amount due under these guarantees in the future.

In addition, the Company indemnifies its directors and officers as provided in its charters and by-laws. Also, the Company indemnifies its agents for liabilities incurred as a result of their representation of the Company's interests. Since these indemnities are generally not subject to limitation with respect to duration or amount, the Company does not believe that it is possible to determine the maximum potential amount due under these indemnities in the future.

In the first quarter of 2006, the Company did not record any additional liabilities for indemnities, guarantees and commitments. In the first quarter of 2005, the Company recorded a liability of $4 million with respect to indemnities provided in connection with a certain disposition. The approximate term for this liability is 18 months. The maximum potential amount of future payments the Company could be required to pay under these indemnities is approximately $500 million. Due to the uncertainty in assessing changes to the liability over the term, the liability on the Company's consolidated balance sheet will remain until either expiration or settlement of the guarantee unless evidence clearly indicates that the estimates should be revised. The Company's recorded liabilities at both March 31, 2006 and December 31, 2005 for indemnities, guarantees and commitments were $4 million.

In connection with RSATs, the Company writes credit default swap obligations requiring payment of principal due in exchange for the reference credit obligation, depending on the nature or occurrence of specified credit events for the referenced entities. In the event of a specified credit event, the Company's maximum amount at risk, assuming the value of the referenced credits becomes worthless, is $402 million at March 31, 2006. The credit default swaps expire at various times during the next ten years.

6. Employee Benefit Plans

Pension Benefit and Other Benefit Plans

The Company has both qualified and non-qualified defined benefit pension plans that together cover eligible employees and sales representatives of the Company. The Company is both the sponsor and administrator of the Metropolitan Life Retirement Plan for United States Employees and the Metropolitan Life Auxiliary Plan, (collectively "the Plans"). The Plans cover eligible employees and retirees of the sponsor and its participating affiliates. Participating affiliates are allocated a proportionate share of net expense related to the Plans. The Company's proportionate share of net expense related to the Plans was $41 million or 95% for the three months ended March 31, 2006. Other defined benefit pension plans are sponsored and administered by subsidiaries of the Company and the related expense is immaterial to the Company. Retirement benefits under the plans are based upon years of credited service and final average or career average earnings history.

The Company also provides certain postemployment benefits and certain postretirement health care and life insurance benefits for retired employees. The Company is both the sponsor and administrator of the Postretirement Health and Life Plan, ("the Postretirement Plan"). The Postretirement Plan covers eligible employees and retirees of the sponsor and its participating affiliates who were hired prior to 2003 (or, in certain cases, rehired during or after 2003). Participating affiliates are allocated a proportionate share of net expense related to the Postretirement Plan. The Company's proportionate share of net expense related to the Postretirement Plan was $11 million or 84% for the three months ended March 31, 2006. Other postretirement plans are sponsored and administered by subsidiaries of the Company and the related expense is immaterial to the Company. Substantially all of the employees of the Company and its participating affiliates may, in accordance with the plans applicable to the postretirement benefits, become eligible for these benefits if they attain retirement age, with sufficient service, while working for the Company or its participating affiliates.

The Company and its subsidiaries have issued group annuity and life insurance contracts supporting approximately 98% of all pension and postretirement employee benefit plan assets sponsored by the Company and its participating affiliates.

A December 31 measurement date is used for all of its defined benefit pension and other postretirement benefit plans.

The components of net periodic benefit cost were as follows:

	Pension Benefits Three Months Ended March 31		Other Postretirement Benefits Three Months Ended March 31	
	2006	2005	2006	2005
	(In millions)			
Service cost	$ 39	$ 36	$ 8	$ 9
Interest cost	82	79	29	30
Expected return on plan assets	(112)	(112)	(20)	(20)
Amortization of prior service cost	2	4	(9)	(5)
Amortization of prior actuarial losses	33	29	6	4
Net periodic benefit cost	$ 44	$ 36	$ 14	$ 18

The Company disclosed in Note 11 of the Company's Notes to Consolidated Financial Statements for the year ended December 31, 2005 that it expected to contribute $186 million and $126 million, respectively, to its pension and postretirement benefit plans in 2006. As of March 31, 2006, contributions of $158 million and $25 million have been made to the pension plans postretirement benefit plans respectively.

7. Equity

Stock-Based Compensation

Overview

As described more fully in Note 1, effective January 1, 2006, in conjunction with the Holding Company, the Company adopted SFAS 123(r) using the modified prospective transition method. The adoption of SFAS 123(r) did not have a significant impact on the Company's consolidated financial position or consolidated results of operations.

The stock-based compensation expense recognized by the Company is related to awards under incentive plans of the Holding Company, as described herein.

Description of Plans

The MetLife, Inc. 2000 Stock Incentive Plan, as amended (the "Stock Incentive Plan"), authorized the granting of awards in the form of options to buy shares of Holding Company common stock ("Stock Options") that either qualify as incentive Stock Options under Section 422A of the Internal Revenue Code or are non-qualified. Under the MetLife, Inc. 2005 Stock and Incentive Compensation Plan, as amended (the "2005 Stock Plan"), awards granted may be in the form of Stock Options, Stock Appreciation Rights, Restricted Stock or Restricted Stock Units, Performance Shares or Performance Share Units, Cash-Based Awards, and Stock-Based Awards (each as defined in the 2005 Stock Plan). The Stock Incentive Plan, 2005 Stock Plan, and the LTPCP as described below, are hereinafter collectively referred to as the "Incentive Plans."

The aggregate number of shares reserved for issuance under the 2005 Stock Plan and the LTPCP are 68,000,000 plus those shares available but not utilized under the Stock Incentive Plan and those shares utilized under the Stock Incentive Plan that are recovered due to forfeiture of Stock Options. Additional shares carried forward from the Stock Incentive Plan and available for issuance under the 2005 Stock Plan were 12,285,419 as of March 31, 2006. Each share issued under the 2005 Stock Plan in connection with a Stock Option or Stock Appreciation Right reduces the number of shares remaining for issuance under that plan by one, and each share issued under the 2005 Stock Plan in connection with awards other than Stock Options or Stock Appreciation Rights reduces the number of shares remaining for issuance under that plan by 1.179 shares. As of March 31, 2006, the aggregate number of shares remaining available for issuance pursuant to the 2005 Stock Plan were 67,419,164.

Stock Option exercises and other stock-based awards to employees settled in shares are satisfied through the issuance of shares held in treasury by the Holding Company. The Company does not issue any of its own shares in satisfaction of stock-based compensation awards to employees.

The Holding Company allocated 95% and 91% of stock-based compensation to the Company for the three months ended March 31, 2006 and 2005, respectively. This allocation represents significantly all stock-based compensation recognized in the Company's consolidated results of operations. Accordingly, the discussion herein addresses the Holding Company's practices for recognizing expense for awards under the Incentive Plans. Underlying awards are expressed in their entirety with related expense amounts representing the resulting allocation to the Company.

Compensation expense related to awards under the Incentive Plans is recognized based on the number of awards expected to vest, which represents the awards granted less expected forfeitures over the life of the award, as estimated at the date of grant. Unless a material deviation from the assumed rate is observed during the term during which the awards are expensed, any adjustment necessary to reflect differences in actual experience is recognized in the period the award becomes payable or exercisable. Compensation expense of $47 million and $21 million and income tax benefits of $17 million and $7 million related to the Incentive Plans was allocated to the Company for the three months ended March 31, 2006 and 2005, respectively. Compensation expense is principally related to the issuance of Stock Options, Performance Shares and LTPCP arrangements.

Stock Options

All Stock Options granted had an exercise price equal to the closing price of the Holding Company's stock as reported on the New York Stock Exchange on the date of grant, and have a maximum term of ten years. Certain Stock Options granted under the Stock Incentive Plan and the 2005 Stock Plan have or will become exercisable over a three year period commencing with the date of grant, while other Stock Options have or will become exercisable three years after the date of grant.

A summary of the activity related to Stock Options for the three months ended March 31, 2006 is presented. The aggregate intrinsic value was computed using the closing share price on March 31, 2006 of $48.37 and $49.00 on December 30, 2005 as applicable.

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In millions)
Balance, January 1, 2006	24,304,315	$31.83	6.69	$417
Granted	3,636,850			
Exercised	(616,588)			
Canceled/Expired	(39,450)			
Forfeited	(68,444)			
Balance, March 31, 2006	27,216,683	$34.31	7.22	$383
Aggregate number of stock options expected to vest at March 31, 2006	26,447,908	$34.04	7.16	$379
Exercisable, March 31, 2006	17,724,574	$29.96	6.20	$326

Prior to January 1, 2005, the Black-Scholes model was used to determine the fair value of Stock Options granted and recognized in the financial statements or as reported in the pro forma disclosure which follows. The fair value of Stock Options issued on or after January 1, 2005 was estimated on the date of grant using a binomial lattice model. The Holding Company made this change because lattice models produce more accurate option values due to the ability to incorporate assumptions about grantee exercise behavior resulting from changes in the price of the underlying shares. In addition, lattice models allow for changes in critical assumptions over the life of the option in comparison to closed-form models like Black-Scholes, which require single-value assumptions at the time of grant.

The Holding Company used daily historical volatility since the inception of trading when calculating Stock Option values using the Black-Scholes model. In conjunction with the change to the binomial lattice model, the Holding Company began estimating expected future volatility based on an analysis of historical prices of the Holding Company's common stock and call options on that common stock traded on the open market. The Holding Company uses a weighted-average of the implied volatility for publicly traded call options with the longest remaining maturity nearest to the money as of each valuation date and the historical volatility, calculated using monthly closing prices of the Holding Company's common stock. The Holding Company chose a monthly measurement interval for historical volatility as it believes this better depicts the nature of employee option exercise decisions being based on longer-term trends in the price of the underlying shares rather than on daily price movements.

The risk-free rate is based on observed interest rates for instruments with maturities similar to the expected term of the Stock Options. Whereas the Black-Scholes model requires a single spot rate for instruments with a term matching the expected life of the option at the valuation date, the binomial lattice model allows for the use of different rates for each year over the contractual term of the option. The table below presents the full range of imputed forward rates for U.S. Treasury Strips that was used in the binomial lattice model over the contractual term of all Stock Options granted in the period.

Dividend yield is determined based on historical dividend distributions compared to the price of the underlying common stock as of the valuation date and held constant over the life of the Stock Option.

Use of the Black-Scholes model requires an input of the expected life of the Stock Options, or the average number of years before Stock Options will be exercised or expired. The Holding Company estimated expected life using the historical average years to exercise or cancellation and average remaining years outstanding for vested Stock Options. Alternatively, the binomial model used by the Holding Company incorporates the contractual term of the Stock Options and then considers expected exercise behavior and a post-vesting termination rate, or the rate at which vested options are exercised or expire prematurely due to termination of employment, to derive an expected life. The post-vesting termination rate is determined from actual historical exercise and expiration activity under the Incentive Plans. Exercise behavior in the binomial lattice model used by the Holding Company is expressed using an exercise multiple, which reflects the ratio of exercise price to the strike price of Stock Options granted at which holders of the Stock Options are expected to exercise. The exercise multiple is derived from actual historical exercise activity.

No significant Stock Option grants were made during the three months ended March 31, 2005. The following weighted-average assumptions, with the exception of risk-free rate, which is expressed as a range, were used to determine the fair value of Stock Options issued during the three months ended March 31, 2006:

Dividend yield	1.04%
Risk-free rate of return	4.16%-4.94%
Expected volatility	22.08%
Exercise multiple	1.52
Post-vesting termination rate	4.11%
Contractual term (years)	10
Weighted average exercise price of stock options granted	$50.12
Weighted average fair value of options granted	$13.82

Compensation expense related to Stock Option awards expected to vest and granted prior to January 1, 2006 is recognized ratably over the requisite service period, which equals the vesting term. Compensation expense related to Stock Option awards expected to vest and granted on or after January 1, 2006 is recognized ratably over the requisite service period or the period to retirement eligibility, if shorter. Compensation expense of $22 million and $9 million related to Stock Options was allocated to the Company for the three months ended March 31, 2006 and 2005, respectively.

Had compensation expense for grants awarded prior to January 1, 2003 been determined based on the fair value at the date of grant, the Company's earnings would have been reduced to the following pro forma amount for the three months ended March 31, 2005:

	(In millions)
Net income	$ 807
Add: Stock-option based employee compensation expense included in reported net income, net of income taxes	6
Deduct: Total stock-option based employee compensation determined under fair value based method for all awards, net of income taxes	(7)
Pro forma net income	$ 806

As of March 31, 2006, the Holding Company had $80 million of total unrecognized compensation costs related to Stock Options. It is expected that these costs will be recognized over a weighted average period of 2.13 years. The Company's allocated portion of Stock Option expense is expected to remain consistent with prior periods.

The Holding Company allocated to its subsidiaries the tax benefit associated with the deduction allowed for Stock Option exercises. The Company's consolidated results of operations include $4 million and $2 million of such tax benefits for the three months ended March 31, 2006 and 2005, respectively.

Performance Shares

Beginning in 2005, the Holding Company awarded certain members of management Performance Shares under (and as defined in) the 2005 Stock Plan. Participants are awarded an initial target number of Performance Shares with the final number of Performance Shares payable being determined by the product of the initial target multiplied by a factor of 0.0 to 2.0. The factor applied is based on measurements of the Holding Company's performance with respect to: (i) the change in annual net operating earnings per share, as defined; and (ii) the proportionate total shareholder return, as defined, with reference to the three-year performance period relative to other companies in the Standard & Poor's Insurance Index with reference to the same three-year period. Performance Share awards will normally vest in their entirety at the end of the three-year performance period (subject to certain contingencies) and will be payable entirely in shares of the Holding Company's common stock.

No Performance Shares were granted during the three months ended March 31, 2005. The following is a summary of Performance Share activity for the three months ended March 31, 2006:

Outstanding at January 1, 2006	1,029,700
Granted	875,975
Forfeited	(6,250)
Outstanding at March 31, 2006	1,899,425
Performance Shares expected to vest at March 31, 2006	1,812,360

Performance Share amounts above represent aggregate initial target awards and do not reflect potential increases or decreases resulting from the final performance factor to be determined at the end of the respective performance period.

Performance Share awards are accounted for as equity awards but are not credited with dividend-equivalents for actual dividends paid on the Holding Company's common stock during the performance period. Accordingly, the fair value of Performance Shares is based upon the closing price of the Holding Company's common stock on the date of grant, reduced by the present value of estimated dividends to be paid on that stock during the performance period. The grant date fair value of Performance Shares issued during the three months ended March 31, 2006 was $48.40.

Compensation expense related to initial Performance Shares expected to vest and granted prior to January 1, 2006 is recognized ratably during the performance period. Compensation expense related to initial Performance Shares expected to vest and granted on or after January 1, 2006 is recognized ratably over the performance period or the period to retirement eligibility, if shorter. Performance Shares expected to vest and the related compensation expense may be further adjusted by the performance factor most likely to be achieved, as estimated by management, at the end of the performance period. Compensation expense of $23 million and $3 million related to Performance Shares was allocated to the Company for the three months ended March 31, 2006 and 2005, respectively.

As of March 31, 2006, the Holding Company had $68 million of total unrecognized compensation costs related to Performance Share awards. It is expected that these costs will be recognized over a weighted average period of 2.08 years. The Company's allocated portion of Performance Share expense is expected to remain consistent with prior periods.

Long-Term Performance Compensation Plan

Prior to January 1, 2005, the Holding Company granted stock-based compensation to certain members of management under LTPCP. Each participant was assigned a target compensation amount ("an Opportunity Award") at the inception of the performance period with the final compensation amount determined based on the total shareholder return on the Holding Company's common stock over the three-year performance period, subject to limited further adjustment approved by the Holding Company's Board of Directors. Payments on the Opportunity Awards are normally payable in their entirety (subject to certain contingencies) at the end of the three-year performance period, and may be paid in whole or in part with shares of the Holding Company's common stock, as approved by the Holding Company's Board of Directors. There were no new grants under the LTPCP during the three months ended March 31, 2006 or 2005.

A portion of each Opportunity Award under the LTPCP is expected to be settled in shares of the Holding Company's common stock while the remainder will be settled in cash. The portion of the Opportunity Award expected to be settled in shares of the Holding Company's common stock is accounted for as an equity award with the fair value of the award determined based upon the closing price of the Holding Company's common stock on the date of grant. The compensation expense associated with the equity award, based upon the grant date fair value, is recognized into expense ratably over the respective three-year performance period. The portion of the Opportunity Award expected to be settled in cash is accounted for as a liability and is remeasured using the closing price of the Holding Company's common stock on the final day of each subsequent reporting period during the three-year performance period.

Compensation expense of $3 million and $9 million, related to LTPCP Opportunity Awards was allocated to the Company for the three months ended March 31, 2006 and 2005, respectively.

The Holding Company had LTPCP Opportunity Awards with an aggregate fair value of $104 million outstanding at March 31, 2006, of which $10 million was not yet recognized. It is expected that these remaining costs will be recognized during 2006. The Company's allocated portion of LTPCP expense is expected to remain consistent with prior periods.

Comprehensive Income (Loss)

The components of comprehensive income (loss) are as follows:

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
	(In millions)	
Net income	$ 417	$ 807
Other comprehensive income (loss):		
Unrealized gains (losses) on derivative instruments, net of income taxes	(8)	105
Unrealized investment gains (losses), net of related offsets and income taxes	(646)	(752)
Foreign currency translation adjustment	18	(37)
Minimum pension liability adjustment	-	47
Other comprehensive income (loss):	(636)	(637)
Comprehensive income (loss)	$ (219)	$ 170

8. Other Expenses

Other expenses were comprised of the following:

	Three Months Ended March,	
	2006	2005
	(In millions)	
Compensation	$ 481	$ 493
Commissions	376	391
Interest and debt issue cost	76	60
Amortization of DAC and VOBA	277	324
Capitalization of DAC	(404)	(221)
Rent, net of sublease income	50	81
Minority interest	57	54
Insurance taxes	122	94
Other	379	59
Total other expenses	$ 1,414	$ 1,335

9. Business Segment Information

The Company provides insurance and financial services to customers in the United States, Canada, and Asia. The Company's business is divided into three operating segments: Institutional, Individual and Reinsurance, as well as Corporate & Other. These segments are managed separately because they either provide different products and services, require different strategies or have different technology requirements.

On July 1, 2005, the Holding Company completed the acquisition of The Traveler's Insurance Company ("TIC"), excluding certain assets, most significantly, Primerica, from Citigroup Inc. ("Citigroup"), and substantially all of Citigroup's international insurance business (collectively, "Travelers"). In connection with the Travelers acquisition by the Holding Company, management realigned certain products and services within its segments to better conform to the way it manages and assesses the business. Accordingly, all prior period segment results have been adjusted to reflect such product reclassifications. Also, in connection with the Travelers acquisition by the Holding Company, management has utilized its economic capital model to evaluate the deployment of capital based upon the unique and specific nature of the risks inherent in the Company's existing and newly acquired businesses and has adjusted such allocations based upon this model.

Economic Capital is an internally developed risk capital model, the purpose of which is to measure the risk in the business and to provide a basis upon which capital is deployed. The Economic Capital model accounts for the unique and specific nature of the risks inherent in the Company's businesses. As a part of the economic capital process, a portion of net investment income is credited to the segments based on the level of allocated equity.

Institutional offers a broad range of group insurance and retirement & savings products and services, including group life insurance, non-medical health insurance, such as short and long-term disability, long-term care, and dental insurance, and other insurance products and services. Individual offers a wide variety of protection and asset accumulation products, including life insurance, annuities and mutual funds. Through the Company's majority-owned subsidiary, RGA, Reinsurance provides reinsurance of life and annuity policies in North America and various international markets. Additionally, reinsurance of critical illness policies is provided in select international markets.

Corporate & Other contains the excess capital not allocated to the business segments, various start-up entities, and run-off entities, the Company's ancillary international operations, as well as interest expense related to the majority of the Company's outstanding debt and expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of all intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings, as well as intersegment transactions. Additionally, the Company's asset management business, including amounts reported as discontinued operations, is included in the results of operations for Corporate & Other. See Note 10 for disclosures regarding discontinued operations, including real estate.

Set forth in the tables below is certain financial information with respect to the Company's segments, as well as Corporate & Other, for the three months ended March 31, 2006 and 2005. The accounting policies of the segments are the same as those of the Company, except for the method of capital allocation and the accounting for gains (losses) from intercompany sales, which are eliminated in consolidation. The Company allocates capital to each segment based upon the economic capital model that allows the Company to effectively manage its capital. The Company evaluates the performance of each operating segment based upon net income excluding net investment gains (losses), net of income taxes, adjustments related to net investment gains (losses), net of income taxes and discontinued operations, other than discontinued real estate, net of income taxes. Scheduled periodic settlement payments on derivative instruments not qualifying for hedge accounting are included in net investment gains (losses). The Company allocates certain non-recurring items, such as expenses associated with certain legal proceedings, to Corporate & Other.

For the Three Months Ended March 31, 2006	Institutional	Individual	Reinsurance	Corporate & Other	Total
			(In millions)		
Premiums	$ 2,952	$ 979	$ 993	$ 1	$ 4,925
Universal life and investment-type product policy fees	196	317	-	-	513
Net investment income	1,398	1,385	175	72	3,030
Other revenues	168	21	15	8	212
Net investment gains (losses)	(223)	(170)	7	(15)	(401)
Policyholder benefits and claims	3,241	1,073	813	2	5,129
Interest credited to policyholder account balances	425	254	63	-	742
Policyholder dividends	-	413	-	-	413
Other expenses	527	509	275	103	1,414
Income (loss) from continuing operations before provision (benefit) for income taxes	298	283	39	(39)	581
Income (loss) from discontinued operations, net of income taxes	-	(1)	-	(2)	(3)
Net income	201	187	26	3	417

For the Three Months Ended March 31, 2005	Institutional	Individual	Reinsurance	Corporate & Other	Total
			(In millions)		
Premiums	$ 2,844	$ 962	$ 903	$ (1)	$ 4,708
Universal life and investment-type product policy fees	193	291	-	-	484
Net investment income	1,218	1,384	150	61	2,813
Other revenues	161	23	11	6	201
Net investment gains (losses)	22	84	28	(111)	23
Policyholder benefits and claims	3,110	1,105	739	1	4,955
Interest credited to policyholder account balances	301	259	56	(1)	615
Policyholder dividends	-	408	-	-	408
Other expenses	510	496	253	76	1,335
Income (loss) from continuing operations before provision (benefit) for income taxes	517	476	44	(121)	916
Income (loss) from discontinued operations, net of income taxes	7	12	-	157	176
Net income	348	322	29	108	807

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

	March 31, 2006	December 31, 2005
	(In millions)	
Institutional	$ 148,891	$ 139,680
Individual	145,838	141,201
Reinsurance	16,396	16,049
Corporate & Other	12,074	10,396
Total	$ 323,199	$ 307,326

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

Revenues derived from any customer did not exceed 10% of consolidated revenues. Revenues from U.S. operations were $7,870 million and $7,844 million for the three months ended March 31, 2006 and 2005, respectively, which represented 95% of consolidated revenues in both periods.

10. Discontinued Operations

Real Estate

The Company actively manages its real estate portfolio with the objective of maximizing earnings through selective acquisitions and dispositions. Income related to real estate classified as held-for-sale or sold is presented in discontinued operations. These assets are carried at the lower of depreciated cost or fair value less expected disposition costs.

The following table presents the components of income from discontinued real estate operations:

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
	(In millions)	
Investment income	$ 1	$ 42
Investment expense	(1)	(19)
Net investment gains (losses)	(5)	18
Total revenues	(5)	41
Provision (benefit) for income taxes	(2)	15
Income (loss) from discontinued operations, net of income taxes	$ (3)	$ 26

The carrying value of real estate related to discontinued operations was $23 million and $22 million at March 31, 2006 and December 31, 2005, respectively.

The following table shows the discontinued real estate operations by segment:

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
	(In millions)	
Net investment income		
Institutional	$ -	$ 10
Individual	-	7
Corporate & Other	-	6
Total net investment income	$ -	$ 23
Net investment gains (losses)		
Institutional	$ -	$ 2
Individual	(2)	12
Corporate & Other	(3)	4
Total net investment gains (losses)	$ (5)	$ 18

In May 2005, the Company sold its One Madison Avenue property in Manhattan, New York for $918 million, resulting in second quarter 2005 gains, net of income taxes, of $431 million. Net investment income on One Madison Avenue was $11 million, for the three months ended March 31, 2005 and is included in income from discontinued operations in the accompanying interim condensed consolidated statements of income.

Operations

On September 29, 2005, the Company completed the sale of MetLife Indonesia to a third party resulting in a gain upon disposal of $10 million, net of income taxes. As a result of this sale, the Company recognized income (loss) from discontinued operations of ($1) million, net of income taxes, for the three months ended March 31, 2005. The Company reclassified the operations of P.T. Sejahtera ("MetLife Indonesia") into discontinued operations for all periods presented.

The following table presents the amounts related to the operations of MetLife Indonesia that has been combined with the discontinued real estate operations in the interim condensed consolidated income statement:

	Three Months Ended March 31, 2005
	(In millions)
Revenues	$ 2
Expenses	3
Income (loss) before provision for income taxes	(1)
Provision for income taxes	-
Income (loss) from discontinued operations, net of income taxes	(1)

On January 31, 2005, the Company completed the sale of SSRM Holdings, Inc. ("SSRM") to a third party for $328 million in cash and stock. As a result of the sale of SSRM, the Company recognized income from discontinued operations of approximately $157 million, net of income taxes, comprised of a realized gain of $165 million, net of income taxes, and an operating expense related to a lease abandonment of $8 million, net of income taxes. Under the terms of the sale agreement, MetLife will have an opportunity to receive, prior to the end of 2006, additional payments aggregating up to approximately 25% of the base purchase price, based on, among other things, certain revenue retention and growth measures. The purchase price is also subject to reduction over five years, depending on retention of certain MetLife-related business. Also under the terms of such agreement, MetLife had the opportunity to receive additional consideration for the retention of certain customers for a specific period in 2005. In the fourth quarter of 2005, upon finalization of the computation, the Company received a payment of $12 million, net of income taxes, due to the retention of these specific customer accounts. The Company reclassified the operations of SSRM into discontinued operations for all periods presented. Additionally, the sale of SSRM resulted in the elimination of the Company's Asset Management segment. The remaining asset management business, which is insignificant, has been reclassified into Corporate & Other. The Company's discontinued operations for the three months ended March 31, 2005 also includes expenses of approximately $6 million, net of income taxes, related to the sale of SSRM.

The operations of SSRM include affiliated revenue of $5 million for the three months ended March 31, 2005 related to asset management services provided by SSRM to the Company that have not been eliminated from discontinued operations as these transactions continue after the sale of SSRM. The following table presents the amounts related to operations of SSRM that have been combined with the discontinued real estate operations in the interim condensed income statement:

	Three Months Ended March 31, 2005 (In millions)
Revenues	$ 19
Expenses	38
Income (loss) before provision for income taxes	(19)
Provision (benefit) for income taxes	(5)
Income (loss) from discontinued operations, net of income taxes	(14)
Net investment gain, net of income taxes	165
Income (loss) from discontinued operations, net of income taxes	$ 151

11. Subsequent Events

On June 28, 2006, a subsidiary of RGA, Timberlake Financial L.L.C. completed an offering of $850 million of 30-year notes. The notes represent senior, secured indebtedness of Timberlake Financial, L.L.C. and its assets with no recourse to RGA or its subsidiaries. Up to $150 million of additional notes may be offered in the future. The proceeds of the offering will provide long-term collateral to support Regulation Triple X reserves on approximately 1.5 million term life insurance policies with guaranteed level premium periods reinsured by RGA Reinsurance Company, a U.S. subsidiary of RGA.

On May 1, 2006, General American, an indirect insurance subsidiary of the Company, sold its wholly-owned insurance subsidiary, Paragon, to its ultimate parent, the Holding Company. Immediately following the sale, the Holding Company merged Paragon, an affiliate of the Company, with and into the Company.