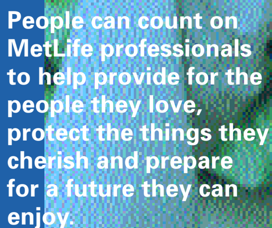
life is

Metropolitan Life Insurance Company
1999 annual report

MetLife



People can count on MetLife professionals to help provide for the people they love, protect the things they cherish and prepare for a future they can enjoy.

INDIVIDUAL BUSINESS

MetLife builds and reinforces customer relationships by giving our agents the training and tools to provide protection planning and financial guidance through every stage of life. Our caring attitude, trusted brands and strong guarantees enable MetLife to connect with our customers on many levels through a variety of channels. Our products and advice are easy to understand and convenient to implement. Our service is personal, effective and efficient, thanks to the intelligent use of technology. As our customers live longer and face new financial challenges, their MetLife relationship keeps them prepared for future possibilities.

...a matter of trust

THE NATION'S LARGEST LIFE INSURER, WITH APPROXIMATELY $1.7 TRILLION OF LIFE INSURANCE IN FORCE, METLIFE PROVIDES INDIVIDUAL INSURANCE, ANNUITIES AND INVESTMENT PRODUCTS TO APPROXIMATELY NINE MILLION HOUSEHOLDS, OR ONE OF EVERY 11 U.S. HOUSEHOLDS.

Products >

- variable life insurance
- universal life insurance
- whole life insurance
- term life insurance
- disability insurance
- long-term care insurance
- annuities
- mutual funds
- securities

...making the most of what you've got

BENEFIT PLANS SUPPORTED BY METLIFE SERVE APPROXIMATELY 33 MILLION EMPLOYEES AND MEMBERS, INCLUDING THOSE WHO WORK FOR 86 OF THE FORTUNE 100 LARGEST COMPANIES.

Products >

- group term life insurance
- pensions and retirement products (including stable value management, guaranteed interest contracts and group pay-out annuities)
- accidental death and dismemberment insurance
- disability insurance
- dental insurance
- defined contribution/401(k) programs
- long-term care insurance
- group universal and variable life
- pre-paid legal insurance
- group auto and home
- non-qualified executive benefits
- post-retirement benefits

In a competitive labor market, employers large and small rely on distinctive MetLife benefit programs to attract and retain the best talent.

INSTITUTIONAL BUSINESS

Already the leading provider of group life, short-term disability and long-term care insurance to employer-sponsored benefit plans, MetLife partners with its institutional customers to help their employees build financial freedom. We focus on delivering cost-effective benefits innovations that employees need and appreciate. Emphasis is placed on meeting the special needs of small and mid-sized employers, voluntary benefits such as auto and home insurance and prepaid legal services that may be purchased through payroll deduction, and on-line benefits reporting and services.

Through its affiliates, State Street Research, Conning Corporation and the 12 investment management companies included in Nvest, L.P., MetLife had total assets under management of $189.8 billion.

ASSET MANAGEMENT

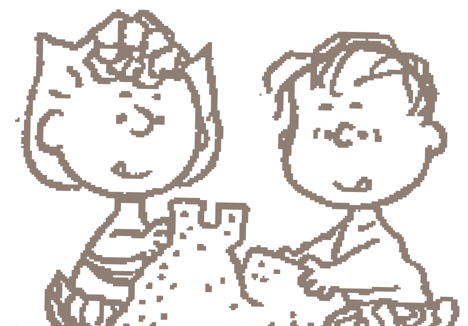
Asset management capitalizes on one of our core competencies: investing to earn the best returns for the desired level of risk. We continue to build assets under management by attracting new institutional and individual clients with diverse products and services developed by experienced specialists. Our individual and institutional sales forces are, with ongoing training, raising the market profile of MetLife's asset management capabilities.

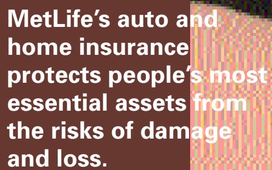
...building for the future

METLIFE OFFERS ITS CUSTOMERS ALTERNATIVES FOR MANAGING ASSETS TO MEET DEFINED RISK-AND-RETURN GOALS.

Products >

- mutual funds
- variable life portfolios
- annuities
- active and passive equity portfolios (small- and large-cap, value and growth)
- fixed income portfolios
- money market funds
- investment partnerships
- real estate funds
- asset allocation
- consulting




MetLife's auto and home insurance protects people's most essential assets from the risks of damage and loss.

AUTO & HOME

MetLife Auto & Home focuses on collaborative distribution channels including trusted agents, employer-sponsored programs and direct marketing. We attract and retain individual and group customers with our strong brand, innovative discounts, safety incentives, and overall ease of doing business. Advertising, pricing and underwriting efforts continue to be directed toward those states where we see the greatest opportunity for significant market penetration. We continue to focus on productivity improvement, expense management and risk reduction.

...secure
when you don't have to worry

METLIFE AUTO & HOME MOVED FROM 19TH TO 11TH IN MARKET SHARE.

Products >

- home insurance
- auto insurance
- boat insurance
- personal excess liability insurance
- motor home insurance
- mobile home insurance
- recreational vehicle insurance

...about broadening your horizons

METLIFE INTERNATIONAL HAS OVER SIX MILLION CUSTOMERS THROUGH ITS OPERATIONS IN: HONG KONG, INDONESIA, SOUTH KOREA, TAIWAN, ARGENTINA, BRAZIL, MEXICO, URUGUAY, SPAIN AND PORTUGAL.

Products >

individual and group:
- life insurance
- accident and health insurance
- savings and retirement products

auto insurance
home insurance

As people in developing economies improve their standard of living, they need more of the protection planning and financial advice MetLife offers.

INTERNATIONAL

MetLife continues to expand in Asia, Latin America and Europe. As we maintain our commitment to our current international businesses, we seek to develop a presence in international markets where increasing consumer demand for insurance and other financial services creates opportunities to gain significant market share and achieve profitable long-term growth. Our market entry strategy may involve both acquiring existing operations and building new ones.

life is what you make it.

The way we define life
determines who we want to be,
what we want to accomplish,
and where we see ourselves
in the future.

MetLife is what we make it.

MetLife builds financial freedom for everyone through protection planning and financial advice.

We empower people
to feel protected,
guided and hopeful
about their lives.

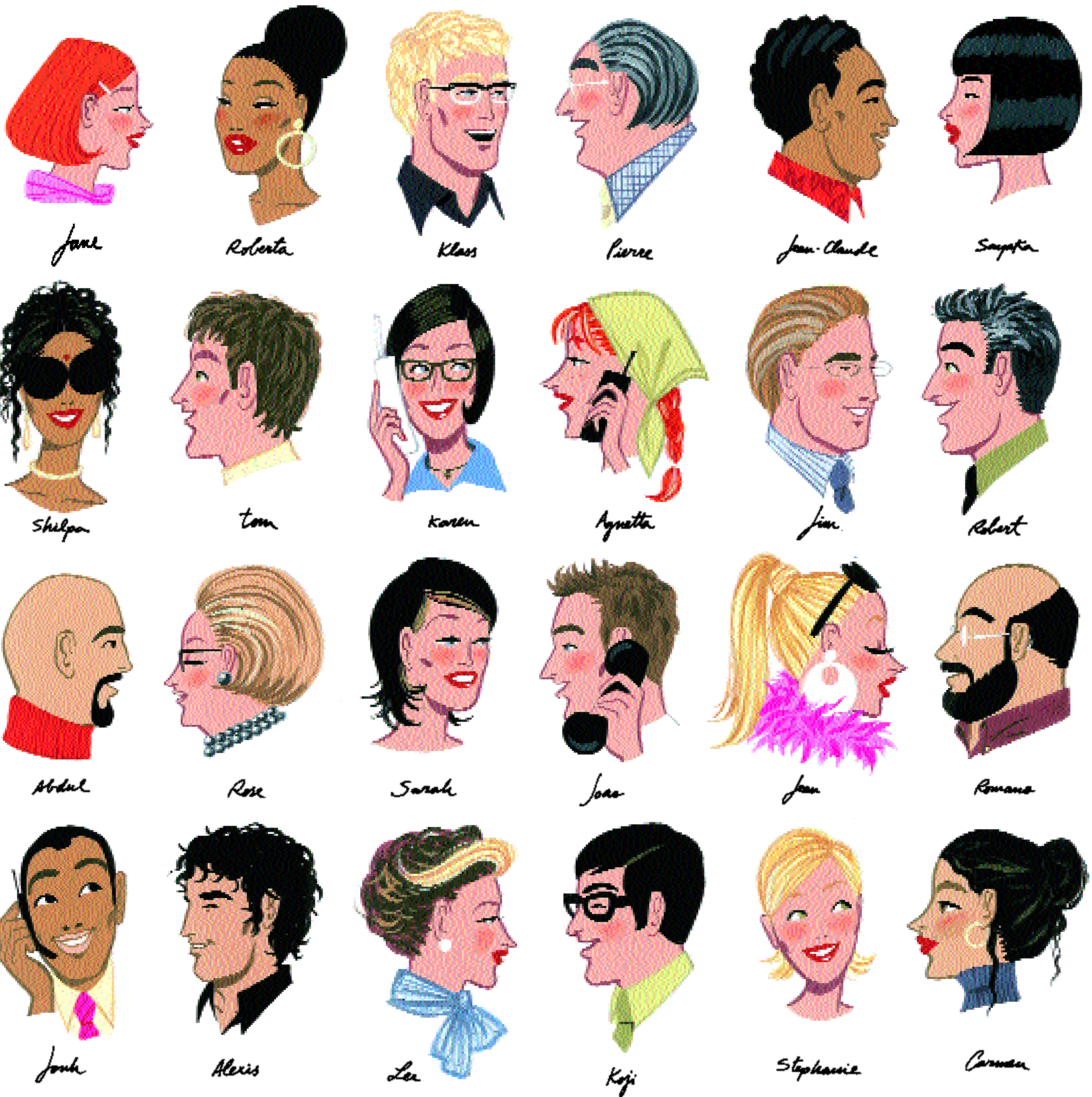
we make it…

stand

for something.

TRUSTED BRANDS

For more than 130 years, the MetLife name has been associated with security, financial strength and the ability to make a positive difference in the lives of people and their communities. The company's well-known name and good reputation are reinforced by the familiar PEANUTS™ characters who put a consumer-friendly face on one of the nation's most powerful financial institutions. Within MetLife, brands such as State Street Research, New England Financial, General American, Security First Group and Texas Life represent quality and strength in their respective market segments.



we make it…
connect.

CARING CUSTOMER RELATIONSHIPS

MetLife aims to set the standard for relationship-building in financial services by making it easy for a wide variety of customers to connect with us in the manner they prefer, be it personal, electronic or a combination of the two.

Using insights gained in personal encounters and extensive market research, we learn their needs and structure our products and services to meet them. Whatever their primary language, location or economic circumstances, MetLife is there for them.

we make it...

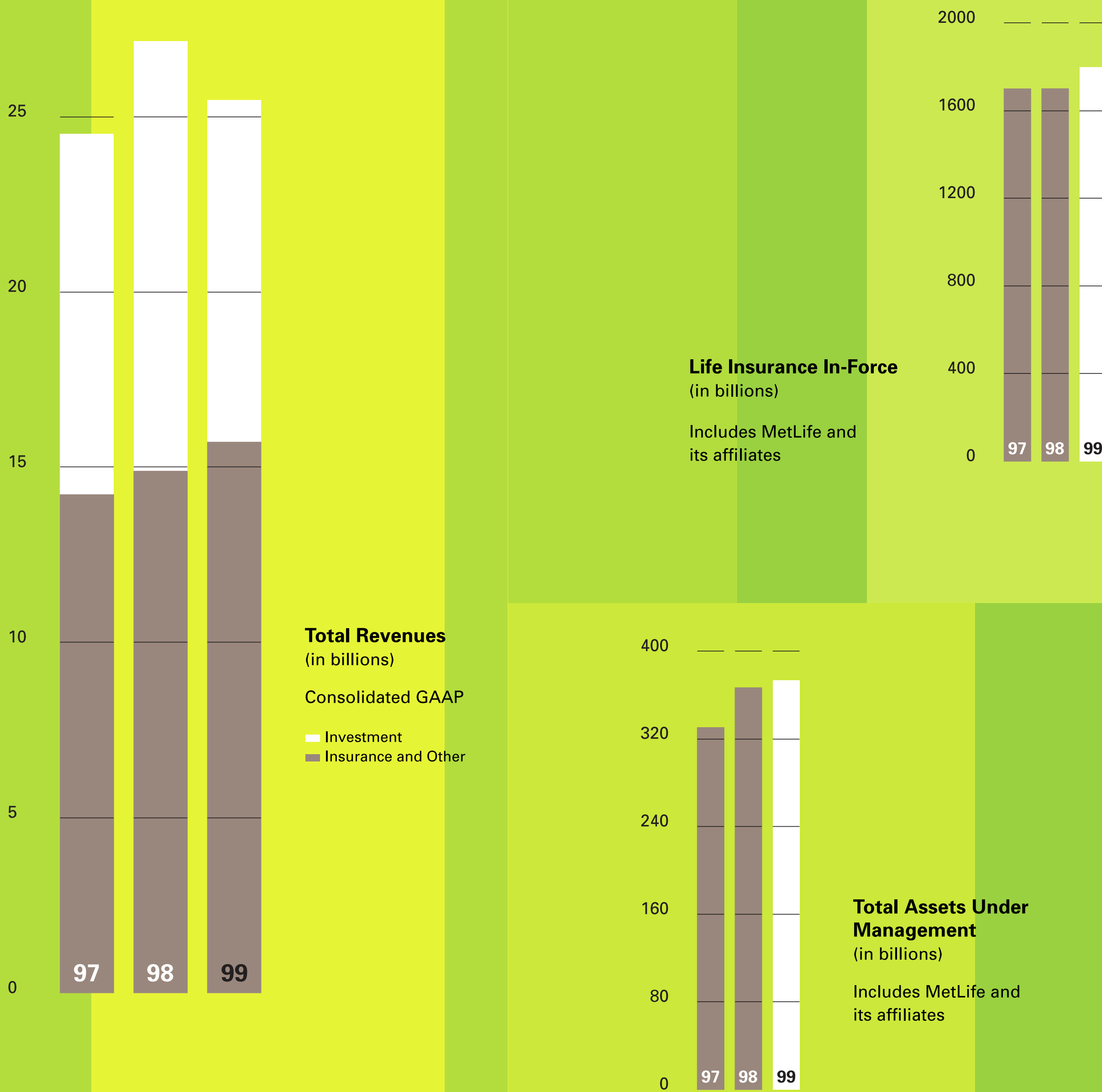
care.

GIVING BACK

MetLife gives back to its communities by supporting employee volunteerism and through a well-established corporate philanthropic program that has granted nearly $212 million to non-profit organizations and committed over $200 million in social investments since 1976. Recent initiatives include women's health education, after-school learning programs sponsored by local Boys & Girls Clubs, exhibitions and performances showcasing arts of different cultures, incentives for children to read, blood drives, and community development. In 1999, the Metropolitan Life Foundation was inducted into the National Urban League's Million Dollar Hall of Fame.

MetLife employees take the initiative in developing new products, improving customer service and streamlining internal processes. The company's 11,000 sales representatives are taking advantage of advanced training to become more valued advisers in areas such as investments and estate planning. Our investment and risk experts are encouraged to adapt their strategies in ways that serve defined customer needs. And our client service representatives are constantly discovering new ways to make every customer encounter with MetLife a positive one. These efforts are supported by a Performance Management Process that creates individual accountability and incentives to contribute to collective efforts.

we make it… **smarter.**

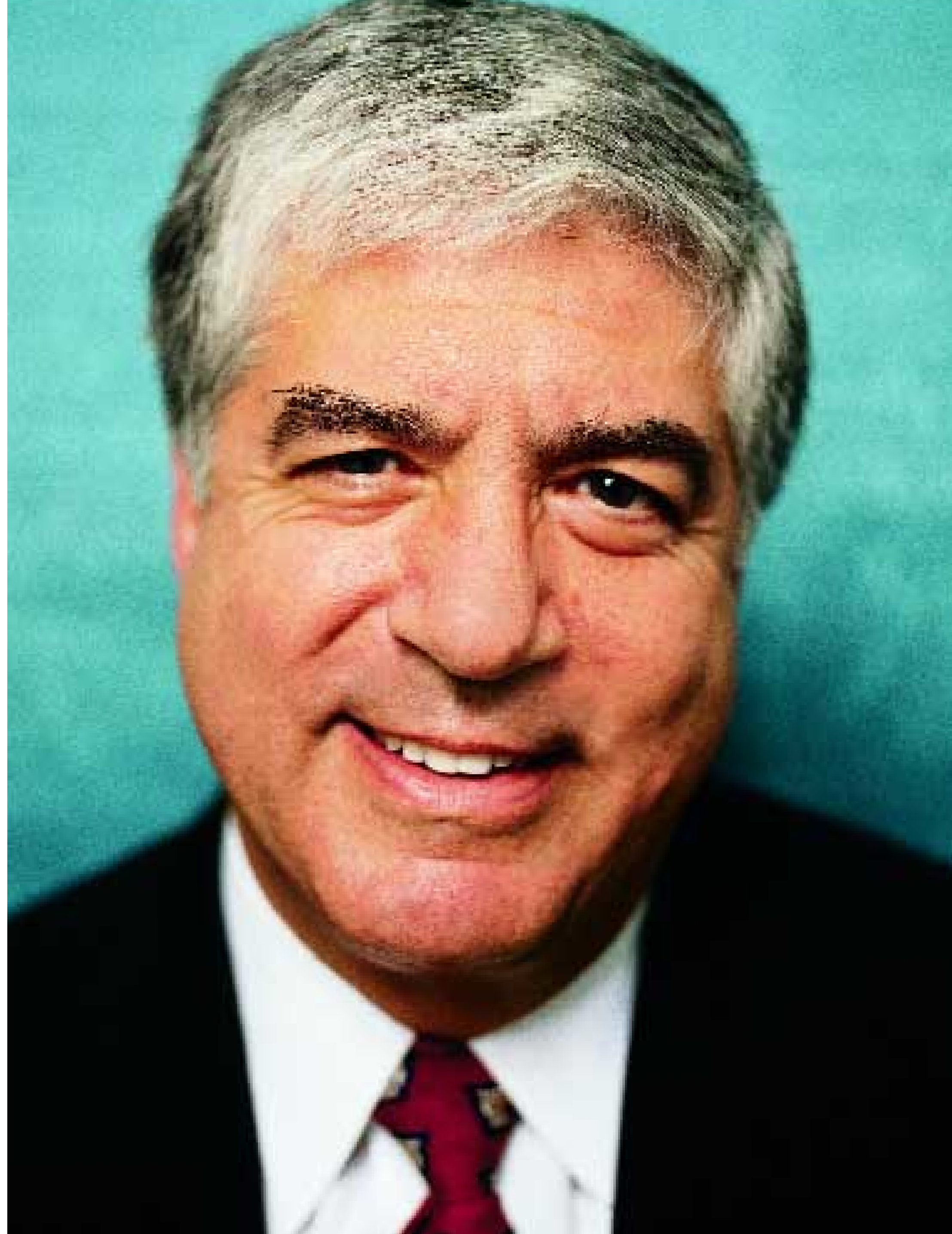


we make it...

greener.

FINANCIAL POWER

MetLife's financial strength and claims-paying ability earn high ratings from rating agencies, including a "very strong" from Standard & Poor's, "excellent" from Moody's Investors Service and "superior" from A.M. Best. Our strategy is to increase our revenues and assets under management and to grow our earnings and operating return on equity.



Robert H. Benmosche

Chairman of the Board and
Chief Executive Officer

1999 Financial Highlights >

Years Ended December 31 (amounts in billions)	1999	1998
Total assets under management[1]	**$ 373.6**	$ 360.7
Consolidated GAAP (generally accepted accounting principles)		
Policyholder benefits[2]	**17.2**	17.0
Total revenues	**25.4**	27.1
Pretax income before extraordinary items	**1.4**	2.1
Net income	**0.6**	1.3
Total equity	**13.7**	14.9

1 Includes MetLife and its affiliates
2 Includes policyholder claims, interest credited to policyholder account balances and policyholder dividends

The New York State Insurance Department (the "Department") recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company for determining solvency under the New York insurance law. No consideration is given by the Department to financial statements prepared in accordance with generally accepted accounting principles in making such determination.

To our customers, employees and other associates:

In 1999, MetLife proudly proved its capacity for bold initiative and swift, smooth implementation. We launched our demutualization and put the company on a path for the future as a public company. We positioned MetLife as a strong competitor in the financial services environment. We completed three significant acquisitions. In addition, we increased our progress toward operational excellence and a performance-management culture. >

we make it… **happen.**

> a strong showing

Our institutional business maintained its number one position in group life sales and showed solid growth in dental and disability income products. Net sales credits in the individual business grew over the last two years at a rate of 20 percent for annuities and 9 percent for life insurance, with strength across product lines. Assets under management increased 3.6 percent, to $373.6 billion. MetLife Auto & Home moved from 19th to 11th in market share with the acquisition of the standard personal lines property and casualty insurance operations of The St. Paul Companies. Our international business continues to expand and now has over six million customers through operations in ten countries.

> from mutual to stock

On September 28, 1999, our Board unanimously adopted a plan to convert MetLife from a mutual life insurance company to a stock life insurance company. In the six months that followed, a major-league effort completed the monumental task. Rallying energies across business lines, we prepared and delivered disclosure of our operations, financial position and business strategies to 11.1 million policyholders in a mailing that was one of the largest in U.S. postal history. Our toll-free demutualization hotline fielded more than two million calls from policyholders. In the end, 2.8 million ballots were returned, with 93 percent voting in favor of the plan.

> stringent success measures

MetLife's transformation to a public company increases our flexibility to take advantage of new growth opportunities. It also creates new obligations to align our businesses and improve our profitability. We believe we can meet our targets through ongoing expense management accompanied by strategic growth in revenues and net investment income.

> bigger and better aligned

We had three successful acquisitions in 1999. We seized these opportunities to strengthen our core insurance businesses. In late August, we emerged the winner in a heated competition to acquire GenAmerica Corporation. This transaction, completed in just four months, brings General American Life Insurance, a well-known name with a strong distribution system, into the MetLife brand family. Two GenAmerica subsidiaries add complementary strengths: Reinsurance Group of America, one of North America's largest reinsurers, adds a new line of business to our mix, while Conning Corporation bolsters our asset management business.

MetLife Auto & Home acquired the standard personal lines property and casualty insurance operations of The St. Paul Companies in a deal that closed in two and a half months. Earlier last year, MetLife purchased the individual disability income insurance business of Lincoln National Life Insurance Company, which doubled the size of MetLife's disability income operations.

We sold our vision care benefits business in September and redirected the resources toward profitable businesses where we have opportunities to increase our market share.

> operational excellence and performance orientation

A senior management reorganization at the beginning of 1999 moved decision-making authority closer to the business lines. At the same time, we further consolidated client service and compliance functions to improve quality standards and achieve greater economies of scale. This strong, across-the-enterprise platform allows our sales and marketing professionals to concentrate on building caring and enduring customer relationships.

During the year, we continued to lower unit costs by reducing the number of administrative employees, reengineering our work processes and making good use of new information and communication technologies, including the Internet. Our new Performance Management Process was rolled out company-wide in 1999, reinforcing our commitment to cultural change by giving incentives, rewards and direction to MetLife associates to develop the skills, talents and dedication that improve service and results.

> connecting to customer needs

MetLife is driven by a strong sense of purpose: to build financial freedom for everyone. How can we do this? By setting a new industry standard for customer relationships built on trust and lasting a lifetime.

From research as well as experience, we know that people need help facing the challenges of more confusing choices, longer life spans and greater responsibility for their own retirement income and the care of older family members. They want a stable financial institution, clear information, easy access by phone or Internet, and most importantly, the personal guidance of a trustworthy professional. We also know that people are willing to pay for insurance and other financial services offered through their employer because they recognize the value of group rates and the convenience of payroll deductions. MetLife professionals know how to meet these important needs.

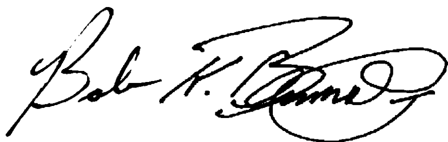
Now that Congress and the President have removed business barriers between banks, investment firms and insurance companies, MetLife is prepared to increase the variety of our products and services. We can do more for the customers we already have, in addition to forging new relationships. Our core strengths in life, disability and long-term care insurance meet people's basic need to protect their financial well-being over time. Our expanding range of retirement planning, college funding and investment services are a natural extension of our protection planning services, enabling customers to build wealth toward specific goals. And soon we expect to add products that will help customers with other financial needs such as savings and cash management.

> an unbeatable combination

MetLife begins the new century with ambitious goals and great enthusiasm. We already have several advantages: We have a brand that is second to none. We have financial strength that is getting stronger. But most importantly, we have smart, motivated people who understand that their decisions and actions will determine our future as a company.

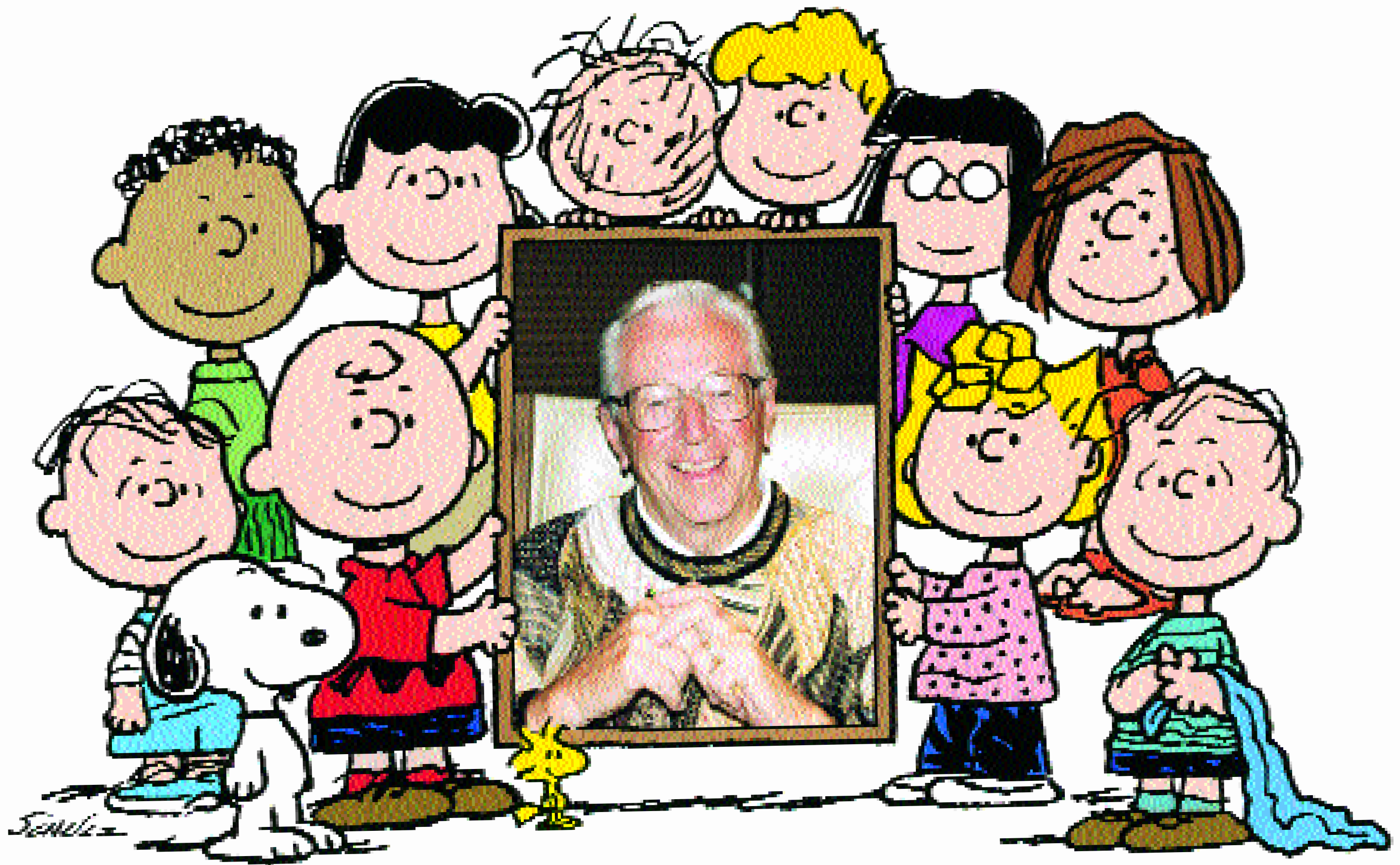
I'm very proud of the success we have had to date in transforming MetLife's culture and making the company a leading competitor in the new financial services environment, and I'm grateful for our Board's support in effecting the necessary changes. However, I'm also aware we have no room for complacency or rest; we must focus every hour of every day on serving customers, increasing efficiencies and improving our returns.

MetLife has enjoyed an amazing 132-year history, but our dreams are even bigger than our memories. We hope you will choose to share in our promising future.



Robert H. Benmosche
Chairman of the Board and Chief Executive Officer

May 1, 2000



he made it… meaningful.

A TRIBUTE TO CHARLES M. SCHULZ

Few people knew more or shared more about the meaning of life than Charles M. Schulz (1922–2000). His PEANUTS™ characters and comic strips will never cease to draw smiles of appreciation for their profoundly simple expression of our common joys, hopes and ironies. Since 1985, Snoopy and the gang have enlivened the image of MetLife, and we expect that they will continue to do so for many years to come. We are proud to have Snoopy as our mascot and are grateful to Mr. Schulz for his supportive and personal involvement in our use of his work. We take this opportunity to celebrate our relationship with him and to honor the timeless legacy he leaves us.

1999 financial results and information

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The following analysis of the consolidated financial condition and results of operations of MetLife should be read in conjunction with the consolidated financial statements and notes thereto.

Background

We are a leading provider of insurance and financial services to a broad spectrum of individual and institutional customers. We offer insurance, annuity and investment products to individuals and group insurance and retirement and savings products and services to corporations and other institutions. We derive our revenues principally from:

- premiums from individual and group insurance, including those annuities that have a death benefit component;
- fees from universal and variable life insurance products, annuity, investment products and administrative services contracts;
- premiums from property and casualty insurance;
- asset management fees; and
- net investment income and realized investment gains or losses on general account assets.

Our operating expenses consist of insurance benefits, increases in liabilities, interest credited on general account liabilities, marketing and administrative costs relating to products we sell, including commissions to our sales representatives, net of deferrals, and general business expenses. Our profitability depends largely on the adequacy of our product pricing, underwriting and methodology for the establishment of liabilities for future policyholder benefits, our ability to earn appropriate spreads between earned investment rates on general account assets and dividend and interest credited rates to customers, the amount of assets under management and our ability to manage our expenses.

We are organized into five major business segments: Individual Business, Institutional Business, Asset Management, Auto & Home and International. Subsequent to January 6, 2000, the date on which we acquired GenAmerica, GenAmerica's businesses will be incorporated into our business segments as applicable, except for RGA, which will be separately designated as our Reinsurance segment. We also maintain a Corporate segment through which we report items that are not directly allocable to any of our business segments, including unallocated capital, income and expenses. We manage and allocate our general account assets among our business segments through distinct portfolios for each product group. Capital is allocated among each of our business segments based on a percentage of the "risk-based capital" levels of the assets allocated to the segments. Risk-based capital ("RBC") is a regulatory measure designed to aid in the evaluation of the statutory capital and surplus of life and health insurers. We also allocate net investment income to each business segment based upon the assets allocated to the segment.

Sales of our insurance, annuity and investment products have been affected by overall trends in the insurance industry generally, as Americans have begun to rely less on traditional life insurance, defined benefit retirement plans, social secu-

rity and other government programs, and the “baby-boom” generation has begun to enter its prime savings years. Reflecting these trends, as well as the impact of a strong equities market in recent years, sales of our traditional insurance products have declined in recent years, while sales of variable life and annuities, mutual funds and other savings products have increased. During the five years ended 1999, the separate account liabilities related to our individual variable annuity products grew at a 38.2% compound annual rate, and totaled $20.7 billion and $15.8 billion at December 31, 1999 and 1998, respectively. During the five years ended 1999, first-year premiums and deposits from variable life insurance products grew at a compound annual rate of 33.1% and were $389 million and $371 million for the years ended December 31, 1999 and 1998, respectively.

In addition, as the U.S. employment market has become more competitive, employers are seeking to enhance their ability to hire and retain employees by providing attractive benefit plans. Current trends in the work environment also reflect increasing concern of employees 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 from the investment of pension assets with employees. We believe these trends are facilitating the introduction of new benefits such as long-term care and auto and homeowners insurance, and are leading more employers to adopt defined contribution pension arrangements and 401(k) plans. A related trend has been the increased offering of voluntary products, which provide valued benefits to employees at little or no cost to the employer. These benefits, while paid for by employees, appeal to them because they are generally priced at group rates and are usually paid for by payroll deduction, making them convenient to purchase and maintain.

We enter into reinsurance agreements to spread the risk and minimize the effect of losses. The amount of each risk retained by us depends on our evaluation of the specific risk, subject, in certain circumstances, to maximum limits based on characteristics of coverages. In recent periods, in response to the reduced cost of reinsurance coverage, we have increased the amount of mortality risk coverage purchased from third party reinsurers. Since 1996, we have continually entered into reinsurance agreements that ceded substantially all of the mortality risk on term insurance policies issued during 1996 and subsequent years, and on whole life and survivorship whole life insurance policies issued in 1997 and subsequent years. In 1998, we reinsured substantially all of the mortality risk on universal life policies we issued since 1983. We are continuing to reinsure substantially all of the mortality risk on our universal life policies as well as insurance face amounts which are above our retention limits. Generally, as a result of these transactions, we now reinsure up to 90% of the mortality risk for all new individual insurance policies that we write.

We also maintain and manage a significant amount of mortality risk, including through our ownership of RGA, which retains mortality risk from many insurers, including MetLife. Furthermore, many of our individual life products, as well as some of our group insurance and annuity products, include elements of mortality risk.

Our reinsurance agreements generally provide for payments to the reinsurers for the risks transferred to them, reduced by reimbursements to us of our policy issuance costs. The amounts presented in our consolidated statements of income for revenues and policyholder benefits are net of amounts ceded to the reinsurers. We report amounts reimbursed related to administrative costs for maintaining policies covered under reinsurance agreements in other revenues.

Over the past three years, we have repositioned our investment portfolio in order to provide a higher operating rate of return on our invested assets. In connection with this strategy, we have reduced our investments in treasury securities, corporate equities and equity real estate and increased our investments in fixed maturities with a higher current operating yield.

We have selectively acquired and disposed of businesses during the past several years as part of our business strategies and to enhance our overall returns. We expanded the distribution channels of Individual Business in the bank and broker-dealer distribution channels through the acquisitions of Security First Group in 1997 and of Nathan & Lewis in 1998. We became a leading provider of administrative services in the 401(k) market through the acquisitions of Benefit Services Corporation and the defined contribution record-keeping and participant services business formerly owned by Bankers Trust Corporation. We sold our commercial finance subsidiary in 1998 because it was not part of our core business strategy and disposed of a substantial portion of our insurance operations in the U.K. and Canada to exit mature markets with little opportunity for growth. We expect to continue to make selective acquisitions and dispositions that augment our business strategies.

On January 6, 2000, we acquired GenAmerica Corporation for $1.2 billion in cash. In connection with our acquisition of the stock of GenAmerica, we incurred $900 million of short-term debt, consisting primarily of commercial paper. We intend to repay up to $450 million of that debt with proceeds from the offerings and the private placements in excess of those amounts required under the plan. In addition, we incurred approximately $3.2 billion of short-term debt, consisting primarily of commercial paper, in connection with our exchange offer to holders of General American Life funding agreements. On September 29, 1999, MetLife Funding, Inc. and Metropolitan Life Insurance Company obtained an additional committed credit

facility for $5 billion, which serves as back-up for this commercial paper. For a description of the acquisition and related transactions, see Note 16 of the Notes to Consolidated Financial Statements.

On September 30, 1999, our Auto & Home segment acquired the standard personal lines property and casualty insurance operations of The St. Paul Companies, which had in-force premiums of approximately $1.1 billion and approximately 3,000 independent agencies and brokers. We funded this acquisition, plus an additional investment in the business, with available cash and the issuance of commercial paper. This acquisition substantially increased the size of this segment's business, making us the eleventh largest personal property and casualty insurer in the U.S. based on 1998 net premiums written.

In recent years, we have implemented programs to reduce operating expenses and enhance the efficiency of our operations. For the year ended December 31, 1999, we reduced the number of non-sales positions by 1,856, or 7%. These reductions are in addition to the elimination of 2,267, or 11%, of the non-sales positions in 1998. In 1999, we began an internal reorganization to integrate the operations of New England Financial, which since its merger with MetLife had been operated as a separate division, with the individual insurance operations of MetLife. The objective of this internal reorganization is to identify opportunities to eliminate redundant processes and costs, while maintaining the brand identities of our distribution channels and products.

The Demutualization

Pursuant to the New York Insurance Law, the board of directors of Metropolitan Life Insurance Company adopted the plan of reorganization on September 28, 1999, and subsequently adopted amendments to the plan. On the date the plan becomes effective, Metropolitan Life Insurance Company will convert from a mutual life insurance company to a stock life insurance company and become a wholly-owned subsidiary of MetLife, Inc. This process is commonly known as a demutualization. We estimate that costs relating to the demutualization, excluding costs relating to the offerings and the private placements, will total $361 million, net of income taxes of $83 million. We have recorded demutualization costs of $229 million, net of income taxes of $37 million, through December 31, 1999. Demutualization expenses consist of our cost of printing and mailing materials to policyholders and our aggregate cost of engaging independent accounting, actuarial, compensation, financial, investment banking and legal advisors and other consultants to advise us in the demutualization process and related matters, as well as other administrative costs. The New York Superintendent of Insurance has also engaged experts to provide actuarial, investment banking, legal and auditing advice. Pursuant to the New York Insurance Law, we must pay the fees and expenses of such consultants, which fees and expenses are included in the above amounts. We have also agreed to indemnify certain of our consultants and consultants to the New York Superintendent against liabilities arising out of their engagements in connection with the demutualization.

In addition, if Metropolitan Life Insurance Company demutualizes, we will incur costs related to payments to certain holders of Canadian policies included in the Canadian business sold by Metropolitan Life Insurance Company to Clarica Life Insurance Company in 1998. See Note 1 of the Notes to Consolidated Financial Statements — "Plan of Reorganization." These costs will be charged to other expenses in the same period as the effective date of the plan. The payments will be determined in a manner that is consistent with the treatment of, and fair and equitable to, eligible policyholders of Metropolitan Life Insurance Company. The amount to be paid to the holders of Canadian policies is dependent upon the initial public offering price of our common stock. Assuming an initial public offering price of $14.00 per share, and based on calculations we have made regarding these payments, we estimate the aggregate payments will be $315 million.

The plan of reorganization requires us to complete an initial public offering of our common stock on the effective date of the plan. The plan also permits us to complete one or more private placements and other specified capital raising transactions on the effective date of the plan. Concurrently with this offering, we expect to sell not less than 14,900,000 shares nor more than 73,000,000 shares in the aggregate to Banco Santander Central Hispano, S.A. and Credit Suisse Group or their respective affiliates in private placements. In addition, we and a trust we own are offering 20,000,000 equity security units for an aggregate offering of $1,000 million, plus up to an additional $150 million if the underwriters' options to purchase additional units are exercised in full. Each unit consists of (a) a contract to purchase shares of our common stock and (b) a capital security of MetLife Capital Trust I, a Delaware business trust wholly-owned by us. Under the plan of reorganization, the total proceeds raised in the offering of units cannot exceed one-third of the combined proceeds raised in that offering, the initial public offering of our common stock and the private placements. The amount of proceeds from the offerings and the private placements and final terms of the units will depend on market conditions and our capital needs at the time of issuance. We cannot proceed with any offering relating to the units and the private placements without the approval of the New York

Superintendent. The final terms of the initial public offering, the offering of units and the private placements must be approved by the New York Superintendent. We will be required to use the net proceeds from the initial public offering, as well as the net proceeds from the offering of units and the private placements, in a manner set forth in the plan of reorganization.

The plan of reorganization requires that Metropolitan Life Insurance Company establish and operate a closed block for the benefit of holders of certain individual life insurance policies of Metropolitan Life Insurance Company. We will allocate assets to the closed block in an amount that produces 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 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. 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 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 relating to the closed block are, in the aggregate, more or less favorable than assumed in establishing the closed block, 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 our stockholders. The closed block will continue in effect as long as any policy in the closed block remains in force. Its expected life is over 100 years.

We do not expect the closed block will affect our net income or our liquidity after its establishment. We will use the same accounting principles to account for the participating policies included in the closed block as we used prior to the date of demutualization. However, we will establish a policyholder dividend obligation for earnings that will be paid to policyholders as additional dividends in the amounts described below, unless these earnings are offset by future unfavorable experience of the closed block. The excess of closed block liabilities over closed block assets at the effective date of the demutualization represents the estimated maximum future contributions from the closed block expected to result from operations attributed to the closed block after income taxes. We will recognize the contributions from the closed block in income over the period the policies and contracts in the closed block remain in force. Management believes that over time the actual cumulative contributions from the closed block will approximately equal the expected cumulative contributions, due to the effect of dividend changes. If, over the period the closed block remains in existence, the actual cumulative contribution from the closed block is greater than the expected cumulative contribution from the closed block, we will recognize only the expected cumulative contribution in income with the excess recorded as a policyholder dividend obligation, because we will pay the excess of the actual cumulative contribution from the closed block over the expected cumulative contribution to closed block policyholders as additional policyholder dividends unless offset by future unfavorable experience of the closed block. If over such period, the actual cumulative contribution from the closed block is less than the expected cumulative contribution from the closed block, we will recognize only the actual contribution in income. However, we may change dividends in the future, which would be intended to increase future actual contributions until the actual cumulative contributions equal the expected cumulative contributions.

As required by law, the plan was approved by more than two-thirds of eligible policyholders who voted in voting completed on February 7, 2000. The plan of reorganization will not become effective unless, after conducting a public hearing on the plan, the New York Superintendent of Insurance approves it based on a finding, among other things, that the plan is fair and equitable to policyholders. The New York Superintendent held a public hearing on the plan on January 24, 2000.

Results of Operations

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

For the years ended December 31 (Dollars in millions)	1999	1998	1997
Revenues			
Premiums	$ 12,088	$ 11,503	$ 11,278
Universal life and investment-type product policy fees	1,438	1,360	1,418
Net investment income	9,816	10,228	9,491
Other revenues	2,154	1,994	1,491
Net realized investment gains (losses) [net of amounts allocable to other accounts of $(67), $608 and $231, respectively]	(70)	2,021	787
	25,426	27,106	24,465
Expenses			
Policyholder benefits and claims [excludes amounts directly related to net realized investment gains and losses of $(21), $368 and $161, respectively]	13,105	12,638	12,403
Interest credited to policyholder account balances	2,441	2,711	2,878
Policyholder dividends	1,690	1,651	1,742
Other expenses [excludes amounts directly related to net realized investment gains and losses of $(46), $240 and $70, respectively]	6,755(1)	8,019(1)	5,771
	23,991	25,019	22,794
Income before provision for income taxes and extraordinary item	1,435	2,087	1,671
Provision for income taxes	593	740	468
Income before extraordinary item	842	1,347	1,203
Extraordinary item — demutualization expense, net of income tax of $35 and $2, respectively	225	4	—
Net income	$ 617	$ 1,343	$ 1,203

(1) Other expenses in 1999 includes a pre-tax charge of $499 million principally related to the settlement of a multidistrict litigation proceeding involving alleged improper sales practices, accruals for sales practices claims not covered by the settlement and other legal costs. During 1998, we obtained certain excess of loss reinsurance and excess insurance policies and agreements providing coverage for risks associated primarily with sales practices claims and claims for personal injuries caused by exposure to asbestos or asbestos-containing products. In 1998, we recorded a pre-tax charge of $1,895 million, included in other expenses, for related insurance and reinsurance premiums and for potential liabilities related to certain of these claims. See Note 9 of the Notes to Consolidated Financial Statements.

Year ended December 31, 1999 compared with the year ended December 31, 1998

Premiums increased by 5% to $12,088 million in 1999 from $11,503 million in 1998. This increase was attributable to strong growth in Institutional Business of $366 million, or 7%, and Auto & Home of $348 million, or 25%. These increases were partially offset by decreases in International of $95 million, or 15%, and in Individual Business of $34 million, or 1%. Institutional Business' growth was primarily driven by an increase in non-medical health premiums due to increased sales and improved policyholder retention in our dental and disability businesses. Auto & Home's premium increase was primarily due to the acquisition of the standard personal lines property and casualty insurance operations of The St. Paul Companies, representing $262 million of the premiums, as well as growth in both standard and non-standard auto insurance businesses. International's premium decrease was primarily due to the disposition of a substantial portion of our Canadian operations in July 1998. The Individual Business decrease was primarily attributable to the decline in sales of traditional life insurance policies, which reflected a continued shift in customers' investment preferences from those policies to variable life products as well as decreased sales of supplementary contracts with life contingencies.

Universal life and investment-type product policy fees increased by 6% to $1,438 million in 1999 from $1,360 million in 1998. This increase was attributable to increases of $71 million, or 9%, in Individual Business and $27 million, or 6%, in Institutional. These increases were partially offset by a decrease in International of $20 million, or 29%. The Individual Business policy fee increase was primarily due to the continued growth in deposits for investment products as well as stock market appreciation. The $27 million increase in Institutional Business' policy fees was primarily due to continued growth

in sales of products used in executive and corporate-owned benefit plans. The majority of International's policy fee decrease resulted from the sale of a substantial portion of our Canadian operations.

Net investment income decreased by 4% to $9,816 million in 1999 from $10,228 million in 1998. This decrease was primarily due to reductions in (i) investment income related to mortgage loans on real estate of $93 million, or 6%, (ii) investment income on other invested assets of $340 million, or 40%, (iii) equity securities income of $38 million, or 49%, (iv) policy loan income of $47 million, or 12% and (v) real estate and real estate joint ventures income, after investment expenses and depreciation, of $106 million, or 15%. These reductions in net investment income were partially offset by higher income from fixed maturities of $203 million, or 3%. The reduction in investment income from mortgage loans on real estate to $1,479 million in 1999 from $1,572 million in 1998 was due to a reduction in principal balances in MetLife Capital Holdings, Inc. and a substantial portion of our Canadian operations, which were sold in 1998, the proceeds from which were reinvested in fixed maturities. Likewise, the increase in fixed maturity investment income to $6,766 million in 1999 from $6,563 million in 1998 was primarily attributable to increased average principal balances due, in part, to the reinvestment of proceeds from the sale of MetLife Capital Holdings, as well as from sales of equity securities, the dispositions of which were part of our 1998 year-end asset repositioning program. The reduction in investment income from other invested assets to $501 million in 1999 from $841 million in 1998 was due to a reduction in leveraged lease balances as a result of the sale of MetLife Capital Holdings and lower fees received from bond prepayments, calls and tenders. The reduction in real estate and real estate joint ventures income was primarily attributable to the timing of sales of investments held by our real estate joint ventures.

Other revenues, which are primarily comprised of expense reimbursements from reinsurers and fees related to investment management and administrative services and securities lending activities, increased by 8% to $2,154 million in 1999 from $1,994 million in 1998. This increase was primarily attributable to growth of $84 million, or 18%, in Individual Business and $54 million, or 9%, in Institutional Business. The Individual Business increase is primarily due to a full year of activity from our acquisition of Nathan & Lewis, which was acquired in April 1998. The increase in Institutional Business is due to increases in our non-medical health and retirement and savings businesses, partially offset by a decrease in our group life business. Our non-medical health business increased $61 million primarily due to growth in our dental administrative service business. The increase in our retirement and savings business of $44 million reflected higher administrative fees derived from separate accounts and our defined contribution record-keeping services. The decrease in the group life business of $51 million was primarily due to lower income in 1999 related to funds used to seed separate accounts.

Our realized investment gains and losses are net of related policyholder amounts. The amounts netted against realized investment gains and losses are (i) amortization of deferred policy acquisition costs attributable to the increase or decrease in product gross margins or profits resulting from realized investment gains and losses, (ii) additional policyholder liabilities, which are required when investment gains are realized and we reinvest the proceeds in lower yielding assets ("loss recognition"), and (iii) liabilities for those participating contracts in which the policyholders' accounts are increased or decreased by the related investment gains or losses.

Net realized investment gains (losses) decreased by 103% to $(70) million in 1999 from $2,021 million in 1998. This decrease reflected total gross realized investment losses of $(137) million, a decrease of 105%, from total gross realized investment gains of $2,629 million in 1998, before the offsets for the amortization of deferred policy acquisition costs of $46 million and $(240) million, loss recognition of $0 million and $(272) million and credits to participating contracts of $21 million and $(96) million related to assets sold in 1999 and 1998, respectively. A significant portion of our net realized investment gains in 1998 was attributable to a sales program initiated in the fourth quarter of 1998, which we conducted as part of our strategy to reposition our investment portfolio in order to provide a higher operating rate of return on our invested assets. In connection with this repositioning, we reduced our investments in treasury securities and corporate equities and increased our investments in fixed maturities with a higher current yield. Net realized investment losses in 1999 reflect the continuation of our strategy to reposition our investment portfolio in order to provide a higher operating rate of return on our invested assets.

We believe the policy of netting related policyholder amounts against realized investment gains and losses provides important information in evaluating our operating performance. Realized investment gains and losses are often excluded by investors when evaluating the overall financial performance of insurers. We believe our presentation enables readers of our consolidated statements of income to easily exclude realized investment gains and losses and the related effects on the consolidated statements of income when evaluating our operating performance. Our presentation of realized investment gains and losses net of related policyholder amounts may be different from the presentation used by other insurance companies and, therefore, amounts in our consolidated statements of income may not be comparable with amounts reported by other insurers.

Policyholder benefits and claims increased by 4% to $13,105 million in 1999 from $12,638 million in 1998. This increase reflected total gross policyholder benefits and claims of $13,084 million, an increase of $78 million from $13,006 million in 1998, before the offsets for loss recognition of $272 million in 1998 period (there were no offsets for loss recognition in 1999) and (reductions) in or additions to participating contractholder accounts of $(21) million and $96 million directly related to net realized investment gains and losses for the years ended December 31, 1999 and 1998, respectively. This increase was primarily attributable to increases of $296 million, or 5%, in Institutional Business and $272 million, or 26%, in Auto & Home, partially offset by a decrease of $134 million, or 22%, in International. The Institutional Business increase was primarily due to overall premium growth within our group dental and disability businesses. The increase in Auto & Home was primarily due to the St. Paul acquisition of $195 million, a 6% increase in the number of policies in force and $23 million of unfavorable claims development due to lower than expected savings resulting from the implementation of a new technology platform. The decrease in International was attributable to the sale of a substantial portion of our Canadian operations.

Interest credited to policyholder account balances decreased by 10% to $2,441 million in 1999 from $2,711 million in 1998. This decrease was attributable to reductions of $169 million, or 14%, in Institutional Business, $64 million, or 4%, in Individual Business and $37 million, or 42%, in International. Group Insurance in Institutional Business decreased $63 million, or 14%, primarily due to cancellations in the leveraged corporate-owned life insurance business attributable to a change in the federal income tax treatment for those products. In addition, retirement and savings products declined by $106 million, or 14%, which reflected a shift in policyholders' investment preferences from guaranteed interest products to separate account alternatives. The decrease in Individual Business was due to a 1998 annuity reinsurance transaction, as well as a shift in policyholders' preferences to separate account alternatives. The International decrease was due to the sale of a substantial portion of our Canadian operations.

Policyholder dividends increased by 2% to $1,690 million in 1999 from $1,651 million in 1998. This increase was attributable to increases of $64 million, or 4%, in Individual Business and $17 million, or 12%, in Institutional Business, which were somewhat offset by a $42 million, or 66%, decrease in International. The increase in Individual Business was primarily due to growth in cash values of policies associated with our large block of traditional life insurance business combined with a dividend scale increase on certain mature policies in 1999. Policyholder dividends within Institutional Business vary from period to period based on participating group insurance contract experience. The International decrease was due to the sale of a substantial portion of our Canadian operations.

Other expenses decreased by 16% to $6,755 million in 1999 from $8,019 million in 1998. This decrease reflected total gross other expenses of $6,709 million, a decrease of 19%, from $8,259 million in 1998, before the offset for amortization of deferred policy acquisition costs directly attributable to net realized investment gains and losses of $(46) million and $240 million for the years ended December 31, 1999 and 1998, respectively. Excluding the effect of the pay down of debt with proceeds from the sale of MetLife Capital Holdings, Inc. in 1998, other expenses decreased by $1,372 million. This decrease was attributable to a $1,570 million, or 60%, decrease in Corporate. The decrease in Corporate was primarily due to a $1,895 million charge in 1998 for sales practices claims and claims for personal injuries caused by exposure to asbestos or asbestos-containing products, compared with a $499 million charge in 1999. The 1999 charge was principally related to the settlement of a multidistrict litigation proceeding involving alleged improper sale practices, accruals for sales practices claims not covered by the settlement and other legal costs. The 1998 charge of $1,895 million was comprised of $925 million and $970 million for sales practices claims and asbestos-related claims, respectively. We recorded the accrual for sales practices claims based on preliminary settlement discussions and the settlement history of other insurers.

Prior to the fourth quarter of 1998, we established a liability for asbestos-related claims based on settlement costs for claims that we had settled, estimates of settlement costs for claims pending against us and an estimate of settlement costs for unasserted claims. The amount for unasserted claims was based on management's estimate of unasserted claims that would be probable of assertion. A liability is not established for claims which we believe are only reasonably possible of assertion. Based on this process, our accrual for asbestos-related claims at December 31, 1997 was $386 million. Our potential liabilities for asbestos-related claims are not easily quantified, due to the nature of the allegations against us, which are not related to the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products, adding to the uncertainty in the number of claims brought against us.

During 1998, we decided to pursue the purchase of insurance to limit our exposure to asbestos-related claims. In connection with our negotiations with the casualty insurers to obtain this insurance, we obtained information that caused us to reassess our accruals for asbestos-related claims. This information included:

- Information from the insurers regarding the asbestos-related claims experience of other insureds, which indicated that the number of claims that were probable of assertion against us in the future was significantly greater than we had

assumed in our accruals. The number of claims brought against us is generally a reflection of the number of asbestos-related claims brought against asbestos defendants generally and the percentage of those claims in which we are included as a defendant. The information provided to us relating to other insureds indicated that we had been included as defendants for a significant percentage of total asbestos-related claims and that we may be included in a larger percentage of claims in the future, because of greater awareness of asbestos litigation generally by potential plaintiffs and plaintiffs' lawyers and because of the bankruptcy and reorganization or the exhaustion of insurance coverage of other asbestos defendants; and that, although volatile, there was an upward trend in the number of total claims brought against asbestos defendants.

- Information derived from actuarial calculations we made in the fourth quarter of 1998 in connection with these negotiations, which helped us to frame, define and quantify this liability. These calculations were made using, among other things, current information regarding our claims and settlement experience (which reflected our decision to resolve an increased number of these claims by settlement), recent and historic claims and settlement experience of selected other companies and information obtained from the insurers.

Based on this information, we concluded that certain claims that previously were considered as only reasonably possible of assertion were now probable of assertion, increasing the number of assumed claims to approximately three times the number assumed in prior periods. As a result of this reassessment, we increased our liability for asbestos-related claims to $1,278 million at December 31, 1998.

During 1998, we paid $1,407 million of premiums for excess of loss reinsurance and insurance policies and agreements, consisting of $529 million for the excess of loss reinsurance agreements for sales practices claims and excess mortality losses and $878 million for the excess insurance policies for asbestos-related claims. The excess insurance policies for asbestos-related claims provide for recovery of losses of up to $1,500 million, while the excess of loss reinsurance policies provide for recovery of sales practices losses of up to $550 million and for certain mortality losses with a maximum aggregate limit of $650 million. We may recover amounts under the policies annually, with respect to claims paid during the prior calendar year. The policies contain self-insured retentions and, with respect to asbestos-related claims, annual and per-claim sublimits, for which we believe adequate provision has been made in our consolidated financial statements. For additional information regarding the nature of these claims, see Note 9 of the Notes to Consolidated Financial Statements.

In addition to the decrease in Corporate in 1999, other expenses reflected a $104 million, or 30%, decrease in International, and increases of $128 million, or 33%, in Auto & Home and $142 million, or 6%, in Individual Business. The International decrease was primarily due to the sale of a substantial portion of our Canadian operations. The increase in Auto & Home was primarily due to the St. Paul acquisition. The increase in Individual Business was attributable to the net capitalization of deferred acquisition costs, as discussed below. Excluding the net capitalization of deferred acquisition costs, other expenses in Individual Business decreased by $81 million, or 3%. This decrease is primarily attributable to cost reduction initiatives implemented in 1998.

Deferred acquisition costs are principally amortized in proportion to gross margins or gross profits, including realized investment gains or losses. The amortization allocated to realized investment gains (losses) to provide consolidated statement of income information regarding the impact of investment gains (losses) on the amount of the amortization, and other expenses to provide amounts related to gross margins or profits originating from transactions other than investment gains and losses.

Capitalization of deferred acquisition costs increased by 13% to $1,160 million in 1999 from $1,025 million in 1998, while amortization of such costs decreased slightly to $816 million in 1999 from $827 million in 1998. Amortization of deferred acquisition costs of $862 million and $587 million was allocated to other expenses in 1999 and 1998, respectively, while the remainder of the amortization in each year was allocated to realized investment gains (losses). The increase in amortization of deferred acquisition costs allocated to other expenses was primarily attributable to our Individual Business segment, which increased to $613 million in 1999 from $364 million in 1998. This increase resulted from our reinsurance of mortality risk at a cost that is expected to be less than our previously estimated mortality losses in 1998, as well as refinements in our calculation of estimated gross margins.

Income tax expense in 1999 was $593 million, or 41%, of income before provision for income taxes and extraordinary item compared with $740 million, or 35%, in 1998. The 1999 effective tax rate differs from the corporate tax rate of 35% primarily due to the impact of surplus tax. We are subject to surplus tax imposed on mutual life insurance companies under Section 809 of the Internal Revenue Code. The surplus tax results from the disallowance of a portion of a mutual life insurance company's policyholder dividends as a deduction from taxable income. The surplus tax is estimated each year and

adjusted the following year based on actual industry experience. As a stock company, we will no longer be subject to the surplus tax after the effective date of the demutualization.

Demutualization expenses, net of income taxes, were $225 million in 1999. These costs related to our ongoing demutualization efforts.

Year ended December 31, 1998 compared with the year ended December 31, 1997

Premiums increased by 2% to $11,503 million in 1998 from $11,278 million in 1997. This increase was attributable to strong growth in Institutional Business of $470 million, or 10%, and in Auto & Home of $49 million, or 4%. These increases were partially offset by a decrease in International of $290 million, or 32%. Institutional Business' premium growth was driven primarily by increases in group life premiums. In addition, Institutional Business' group non-medical health benefited from market share growth in dental products and services and long-term care. Auto & Home's premium increase was primarily due to growth in non-standard auto insurance policies. International's premium decrease was primarily due to the dispositions of substantial portions of our U.K. operations in October 1997 and of our Canadian operations in July 1998.

Universal life and investment-type product policy fees decreased by 4% to $1,360 million in 1998 from $1,418 million in 1997. This decrease was attributable to reductions of $69 million, or 50%, in International and $38 million, or 4%, in Individual Business. Substantially all of International's policy fee decrease resulted from the divestitures of substantial portions of our U.K. and Canadian operations. The Individual Business policy fee decrease was primarily due to reinsurance treaties entered into during 1998, related to $86 billion of universal life insurance in-force, which were offset in part by continued growth of $75 million in annuities and investment products. These decreases were also offset by a $49 million increase in Institutional Business policy fees, due to an increase in sales of products used in executive and corporate-owned benefit plans during 1998.

Net investment income increased by 8% to $10,228 million in 1998 from $9,491 million in 1997, primarily due to higher other investment income of $473 million, or 129%, higher fixed maturities income of $118 million, or 2%, improved real estate income after investment expenses and depreciation of $101 million and reduced investment expenses of $198 million. These increases in net investment income were partially offset by reduced investment income in mortgage loans on real estate of $112 million, or 7%, and other limited partnership interests of $106 million, or 35%. The increase in other investment income to $841 million in 1998 from $368 million in 1997 was principally due to a $289 million increase in revenue attributable to our securities lending program resulting from the implementation of SFAS No. 125, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities* during 1998. This increase was offset by a commensurate increase in other expenses. The remainder of this increase was primarily due to higher fees we received as a result of bond prepayments, calls and tenders, which reflected, in part, declining interest rates in 1998. The increase in fixed maturity investment income to $6,563 million in 1998 from $6,445 million in 1997 was primarily attributable to increased principal balances due, in part, to the reinvestment of proceeds from the sale of MetLife Capital Holdings, Inc. Likewise, the reduction in investment income from mortgage loans on real estate to $1,572 million in 1998 from $1,684 million in 1997 was due to a reduction in principal balances in MetLife Capital Holdings, Inc. and a substantial portion of our Canadian operations, which were sold in 1998, the proceeds from which were reinvested in fixed maturities. The real estate investment income improvement represents the result of real estate expenses reducing more than real estate income in 1998, the final leg of our sales program. Since the inception of our sales program in 1995, the average yield on our holdings of real estate has increased to 10.4% in 1998. Investment income from other limited partnership interests decreased to $196 million in 1998 from $302 million in 1997. Income from other limited partnership interests fluctuate from period to period due to the unpredictable nature of realized gains from these partnerships.

Other revenues increased by 34% to $1,994 million in 1998 from $1,491 million in 1997. This increase was primarily attributable to growth of $218 million, or 61%, in Institutional Business, $136 million, or 40%, in Individual Business and $135 million, or 20%, in Asset Management. The Institutional Business increase was due to higher administrative fees of $70 million derived from separate accounts, $56 million from our defined contribution plan record-keeping services and $32 million from funds held on deposit related to a reinsurance agreement entered into during 1997. Individual Business' increase was due to the acquisition of Nathan & Lewis ($62 million of the increase), additional commission and fee income associated with reinsurance treaties ($39 million of the increase), and growth in expense reimbursements from reinsurers for administrative costs incurred related to policies covered under reinsurance agreements ($13 million of the increase). The increase in Asset Management was attributable to higher management and advisory fees related to growth in assets managed.

Net realized investment gains increased by 157% to $2,021 million in 1998 from $787 million in 1997. This increase reflected total gross realized investment gains of $2,629 million, an increase of 158%, from $1,018 million in 1997, before the offsets for the additional amortization of deferred acquisition costs of $240 million and $70 million, loss recognition for the

policy liabilities of $272 million and $126 million and additional credits to participating contracts of $96 million and $35 million related to the assets sold in 1998 and 1997, respectively. The increase in gross realized investment gains was primarily attributable to a sales program initiated in the fourth quarter of 1998, which we conducted as part of our strategy of repositioning our investment portfolio in order to provide a higher operating rate of return on our invested assets. In connection with this repositioning, we reduced our investments in treasury securities and corporate equities and increased our investments in fixed maturities with a higher current yield. We sold approximately $2.2 billion of corporate equities and reinvested these proceeds into other fixed maturity securities, which provide a higher current return. Realized investment gains from fixed maturity and equity securities were $1,567 million in 1998, a 358% increase from $342 million in 1997. Net realized investment gains also increased by $392 million from the sales of MetLife Capital Holdings, Inc. and a substantial portion of our Canadian operations during 1998.

Policyholder benefits and claims increased by 2% to $12,638 million in 1998 from $12,403 million in 1997. This increase reflected total gross policyholder benefits and claims of $13,006 million, an increase of 4%, from $12,564 million in 1997, before the offsets for loss recognition of $272 million and $126 million and additions to participating contractholder accounts of $96 million and $35 million directly related to net realized investment gains in 1998 and 1997, respectively. This increase was attributable to increases of $482 million, or 8%, in Institutional Business partially offset by a decrease of $256 million in International attributable to the U.K. and Canadian divestitures. The Institutional Business increase was commensurate with the increase in Institutional Business premiums of $470 million, and was also attributable to less favorable experience on participating group insurance contracts, which were offset by reduced dividends to those policyholders of $163 million.

Interest credited to policyholder account balances decreased by 6% to $2,711 million in 1998 from $2,878 million in 1997. This decrease was primarily attributable to declines of $120 million, or 9%, in Institutional Business and $48 million, or 35%, in International. Retirement and savings products in Institutional Business declined by $186 million, or 20%, due to a shift in customers' investment preferences from guaranteed interest products to separate account alternatives and the continuation of the low interest rate environment. The International decline was due to the divestitures of substantial portions of our U.K. and Canadian operations.

Policyholder dividends decreased by 5% to $1,651 million in 1998 from $1,742 million in 1997. This decrease was attributable to reductions of $163 million, or 53%, in Institutional Business and $33 million, or 34%, in International. The Institutional Business decrease was due to less favorable claims experience on participating group insurance contracts. The International decrease was due to the U.K. and Canadian divestitures. These decreases were partially offset by a $105 million, or 8%, increase in Individual Business, primarily due to dividend increases from growth in cash values in policies associated with our large block of traditional life insurance business, offset by reductions in policyholder dividend scales.

Other expenses increased by 39% to $8,019 million in 1998 from $5,771 million in 1997. This increase reflected total gross other expenses of $8,259 million, an increase of 41%, from $5,841 million in 1997, before the offset for accelerated amortization of deferred policy acquisition costs directly attributable to net realized investment gains of $240 million and $70 million in 1998 and 1997, respectively. This increase was primarily attributable to a charge of $1,895 million in 1998 for sales practices claims and claims for personal injuries caused by exposure to asbestos, or asbestos-containing products, compared with $300 million in 1997. These amounts have been charged to the Corporate segment. In addition, the increase in other expenses in 1998 included $266 million resulting from a change in accounting for our securities lending program. This increase related to our securities lending program, which is reflected in the results of operations for each business segment, is commensurate with a related increase in investment income. Expenses in Institutional Business increased by $435 million, or 37%, due to higher administrative expenses, the majority of which are reimbursed and are reflected in other revenues, related to growth in our administrative service contracts business as well as a full year's expenses attributable to our December 1997 acquisition of the defined contribution and participant services business from Bankers Trust Corporation. Individual Business expenses increased by $183 million, or 8%, from 1997, primarily as a result of the acquisition of Nathan & Lewis and the inclusion of a full year's activity from the October 1997 acquisition of Security First Group.

Capitalization of deferred acquisition costs increased slightly to $1,025 million in 1998 from $1,000 million in 1997 while amortization of such costs decreased by 2% to $827 million in 1998 from $841 million in 1997. Amortization of deferred acquisition costs of $587 million and $771 million was allocated to other expenses in 1998 and 1997, respectively, while the remainder of the amortization in each year was allocated to realized investment gains and losses. The decrease in amortization of deferred acquisition costs allocated to other expenses was primarily attributable to our individual business segment which decreased to $364 million in 1998 from $546 million in 1997. Approximately $87 million of this decrease was attributable to higher than expected future investment spreads on our traditional business and approximately $96 million of this decrease was attributable to higher estimated gross margins which resulted from the reinsurance of mortality risk at a cost that is expected to be less than our previously estimated mortality losses.

Income tax expense in 1998 was $740 million, or 35%, of income before provision for income taxes, discontinued operations and extraordinary item, compared with $468 million, or 28%, of income before provision for income taxes, discontinued operations and extraordinary item in 1997. The difference between the 1998 and 1997 effective tax rates was primarily due to the impact of surplus tax and, in 1997, taxes on sales of subsidiaries.

Demutualization expenses, net of income taxes, were $4 million in 1998. These costs related to our ongoing demutualization efforts.

Individual Business

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

For the years ended December 31 (Dollars in millions)	**1999**	1998	1997
Revenues			
Premiums	**$ 4,289**	$ 4,323	$ 4,327
Universal life and investment-type product policy fees	**888**	817	855
Net investment income	**5,346**	5,480	4,754
Other revenues	**558**	474	338
Net realized investment gains (losses)	**(14)**	659	356
	11,067	11,753	10,630
Expenses			
Policyholder benefits and claims	**4,625**	4,606	4,597
Interest credited to policyholder account balances	**1,359**	1,423	1,422
Policyholder dividends	**1,509**	1,445	1,340
Other expenses	**2,719**	2,577	2,394
	10,212	10,051	9,753
Income before provision for income taxes	**855**	1,702	877
Provision for income taxes	**300**	633	278
Net income	**$ 555**	$ 1,069	$ 599

Year ended December 31, 1999 compared with the year ended December 31, 1998 — Individual Business

Premiums decreased by $34 million, or 1%, to $4,289 million in 1999 from $4,323 million in 1998. Premiums from insurance products decreased by $16 million to $4,215 million in 1999 from $4,231 million in 1998. This decrease was primarily due to a decline in sales of traditional life insurance policies, which reflected a continued shift in policyholders' preferences from those policies to variable life products. Premiums from annuity and investment products decreased by $18 million, or 20%, to $74 million in 1999 from $92 million in 1998, primarily due to lower sales of supplementary contracts with life contingencies. The relatively high level of supplemental contract premiums in 1998 reflected the initial offering of a payout annuity feature in that year.

Universal life and investment-type product policy fees increased by $71 million, or 9%, to $888 million in 1999 from $817 million in 1998. Policy fees from insurance products increased by $3 million, or 1%, to $571 million in 1999 from $568 million in 1998. This increase is attributable to a $77 million increase in separate account contract fees arising from increased sales of variable life products. This increase was almost entirely offset by reinsurance treaties entered into during 1998 related to $86 billion of universal life insurance in-force, which constituted the majority of our mortality risk on universal life business written subsequent to January 1, 1983. Policy fees from annuity and investment products increased by $68 million, or 27%, to $317 million in 1999 from $249 million in 1998, primarily due to the continued growth in deposits for investment products and stock market appreciation.

Other revenues increased by $84 million, or 18%, to $558 million in 1999 from $474 million in 1998. Other revenues for insurance products increased by $85 million, or 19%, to $521 million in 1999 from $436 million in 1998. This increase was primarily attributable to the inclusion of a full year's activity of Nathan & Lewis, as well as increased commission and fee

income associated with increased sales of non-proprietary products. Other revenues for annuity and investment products were essentially flat at $37 million in 1999 compared with $38 million in 1998.

Policyholder benefits and claims increased by $19 million to $4,625 million in 1999 from $4,606 million in 1998. Policyholder benefits and claims for insurance products increased by $85 million, or 2%, to $4,450 million in 1999 from $4,365 million in 1998. This increase was primarily due to growth in our existing block of traditional life policyholder liabilities. Policyholder benefits and claims for annuity and investment products decreased by $66 million, or 27%, to $175 million in 1999 from $241 million in 1998 consistent with the decreased premiums discussed above.

Interest credited to policyholder account balances decreased by $64 million, or 4%, to $1,359 million in 1999 from $1,423 million in 1998. Interest on insurance products decreased by $18 million, or 4%, to $419 million in 1999 from $437 million in 1998. This decrease was primarily due to reduced crediting rates on our universal life products. Interest on annuity and investment products decreased by $46 million, or 5%, to $940 million in 1999 from $986 million in 1998. This decrease was due to a 1998 reinsurance transaction, a shift in policyholders' preferences to separate account alternatives and reduced crediting rates.

Policyholder dividends increased by $64 million, or 4%, to $1,509 million in 1999 from $1,445 million in 1998. This increase was due to dividend increases from growth in cash values of policies associated with our large block of traditional individual life insurance business, combined with a dividend scale increase in 1999.

Other expenses increased by $142 million, or 6%, to $2,719 million in 1999 from $2,577 million in 1998. Excluding the net capitalization of deferred acquisition costs, other expenses decreased by $81 million, or 3%, to $2,888 million in 1999 from $2,969 million in 1998. Other expenses related to insurance products decreased by $160 million, or 7%, to $2,239 million in 1999 from $2,399 million in 1998. This decrease was attributable to expense management initiatives instituted in 1999 and an adjustment to the allocation of expenses in 1999 between our insurance and annuity products to better match expenses to the mix of our business. These decreases were partially offset by a $44 million increase due to the inclusion of a full year's activity of Nathan & Lewis. Other expenses related to annuity and investment products increased $79 million, or 14%, to $649 million in 1999 from $570 million in 1998, primarily due to the adjustment of expenses noted above.

Deferred acquisition costs are principally amortized in proportion to gross margins or gross profits, including realized investment gains or losses. The amortization is allocated to realized investment gains (losses) to provide consolidated statement of income information regarding the impact of investment gains and losses on the amount of the amortization, and other expenses to provide amounts related to gross margins or profits originating from transactions other than investment gains and losses.

Capitalization of deferred acquisition costs increased to $782 million in 1999 from $756 million in 1998 while total amortization of such costs decreased to $567 million in 1999 from $604 million in 1998. Amortization of deferred acquisition costs of $613 million and $364 million was allocated to other expenses in 1999 and 1998, respectively, while the remainder of the amortization in each year was allocated to realized investment gains (losses). Amortization of deferred acquisition costs allocated to other expenses related to insurance products increased to $515 million in 1999 from $267 million in 1998 attributable to the reinsurance transaction discussed above and refinements in our calculation of estimated gross margins. Amortization of annuity products deferred acquisition costs allocated to other expenses remained essentially unchanged at $98 million in 1999 compared with $97 million in 1998.

Year ended December 31, 1998 compared with the year ended December 31, 1997 — Individual Business

Premiums decreased slightly to $4,323 million in 1998 compared with $4,327 million in 1997. Premiums from insurance products decreased 1% to $4,231 million in 1998 compared with $4,266 million in 1997. Higher premiums from insurance riders, which permit the purchase of additional coverage, on our block of traditional individual life insurance business was offset by declines in premiums of traditional life insurance policies of $27 million, reflecting a continued shift in customers' preferences from those policies to variable life products. Premiums from annuities and investment products increased by $31 million, or 51%, to $92 million in 1998 from $61 million in 1997, primarily due to an increase in the number of conversions from annuities to payout annuities with life contingencies related to our traditional business.

Universal life and investment-type product policy fees decreased by 4% in 1998 to $817 million from $855 million in 1997. Policy fees from insurance products decreased by $113 million, or 17%, to $568 million in 1998 from $681 million in 1997, primarily due to reinsurance treaties entered into during 1998 relating to $86 billion of universal life insurance in-force, constituting most of our universal life business written subsequent to January 1, 1983. Excluding the impact of the reinsurance

treaties, policy fees from insurance products increased by $47 million, or 7%, primarily due to an increase in insurance coverages provided in 1998 compared with 1997. Policy fees from annuities and investment products increased by $75 million, or 43%, to $249 million in 1998 from $174 million in 1997, due primarily to the growth in deposits for tax-advantaged investment products as well as stock market appreciation.

Other revenues increased by 40% to $474 million in 1998 from $338 million in 1997. Other revenues for insurance products increased by $127 million, or 41%, to $436 million in 1998 from $309 million in 1997. This increase was primarily due to the acquisition of Nathan & Lewis, additional commission and fee income associated with reinsurance treaties, and an increase in the expense allowance under a reinsurance treaty involving term products resulting from an increase in policies in-force covered by those treaties. Other revenues for annuities and investment products increased by $9 million, or 31%, to $38 million in 1998 from $29 million in 1997, primarily due to the acquisition of Security First Group in October 1997.

Policyholder benefits and claims increased slightly to $4,606 million in 1998 compared with $4,597 million in 1997. Policyholder benefits and claims for insurance products decreased by $80 million, or 2%, to $4,365 million in 1998 from $4,445 million in 1997. This decrease was primarily due to an increase in claims ceded of $131 million under the universal life reinsurance treaties discussed above offset by the acquisition of Nathan & Lewis. Policyholder benefits and claims for annuity and investment products increased by $89 million, or 59%, to $241 million in 1998 from $152 million in 1997, primarily due to the increase in premiums described above.

Interest credited to policyholder account balances increased slightly to $1,423 million in 1998 compared with $1,422 million in 1997. Interest on insurance products increased by $8 million, or 2%, to $437 million in 1998 from $429 million in 1997, primarily due to an increase in policyholder account balances. Interest on annuities and investment products decreased slightly to $986 million in 1998 compared with $993 million in 1997, primarily due to a reduction in crediting rates attributable to the declining general interest rate environment. This decrease was offset by the inclusion of a full year's activity of $94 million related to Security First Group, which was acquired in October 1997.

Policyholder dividends increased by 8% to $1,445 million in 1998 from $1,340 million in 1997, primarily due to dividend increases from growth in cash values in policies associated with our large block of traditional individual life insurance business, offset by reductions in dividend scales.

Other expenses increased by 8% to $2,577 million in 1998 from $2,394 million in 1997. Excluding the net capitalization of deferred acquisition costs, other expenses increased by 13% to $2,969 million in 1998 from $2,624 million in 1997. Other expenses related to insurance products increased by $158 million, or 7%, to $2,399 million in 1998 from $2,241 million in 1997, primarily due to the acquisition of Nathan & Lewis and higher non-field and sales office expenses. Other expenses related to annuity and investment products increased by $187 million, or 49%, to $570 million in 1998 from $383 million in 1997, $94 million of which was due to the inclusion of a full year's activity from Security First Group. The remaining variance was due to higher general and administrative expenses commensurate with the growth in our businesses.

Capitalization of deferred acquisition costs decreased to $756 million in 1998 from $776 million in 1997 and amortization of such costs was essentially unchanged at $604 million in 1998 from $607 million in 1997. Amortization of deferred acquisition costs of $364 million and $546 million was allocated to other expenses in 1998 and 1997, respectively, while the remainder of the amortization in each year was allocated to realized investment gains and losses. Amortization of deferred acquisition costs allocated to other expenses related to insurance products decreased to $267 million in 1998 from $455 million in 1997. Approximately $87 million of this decrease was attributable to higher than expected future investment spreads on our traditional business and approximately $96 million of this decrease was attributable to higher estimated gross margins resulting from the reinsurance of mortality risk at a cost that is expected to be less than our previously estimated mortality losses. Amortization of deferred acquisition costs allocated to other expenses related to annuity products increased in 1998 to $97 million from $91 million in 1997, reflecting growth in the business.

Institutional Business

The following table presents summary consolidated financial information for Institutional Business for the periods as indicated:

For the years ended December 31 (Dollars in millions)	**1999**	1998	1997
Revenues			
Premiums	**$ 5,525**	$ 5,159	$ 4,689
Universal life and investment-type product policy fees	**502**	475	426
Net investment income	**3,755**	3,885	3,754
Other revenues	**629**	575	357
Net realized investment gains (losses)	**(31)**	557	45
	10,380	10,651	9,271
Expenses			
Policyholder benefits and claims	**6,712**	6,416	5,934
Interest credited to policyholder account balances	**1,030**	1,199	1,319
Policyholder dividends	**159**	142	305
Other expenses	**1,589**	1,613	1,178
	9,490	9,370	8,736
Income before provision for income taxes	**890**	1,281	535
Provision for income taxes	**323**	435	196
Net income	**$ 567**	$ 846	$ 339

Year ended December 31, 1999 compared with the year ended December 31, 1998 — Institutional Business

Premiums increased by 7% to $5,525 million in 1999 from $5,159 million in 1998. Group insurance premiums increased by $478 million, or 10%, to $5,095 million in 1999 from $4,617 million in 1998. This increase was mainly attributable to strong sales and improved policyholder retention in non-medical health, primarily our dental and disability businesses. Retirement and savings premiums decreased by $112 million, or 21%, to $430 million in 1999 from $542 million in 1998, primarily due to premiums received from several large existing customers in 1998.

Universal life and investment-type product policy fees increased by 6%, to $502 million in 1999 from $475 million in 1998. This increase reflected the continued growth in the sale of products used in executive and corporate-owned benefit plans due to the continued favorable tax status associated with these products.

Other revenues increased by 9% to $629 million in 1999 from $575 million in 1998. Group life decreased by $51 million, or 77%, to $15 million in 1999 from $66 million in 1998. This decrease was primarily due to lower income in 1999 related to funds used to seed separate accounts. Non-medical health increased by $61 million, or 27%, to $287 million in 1999 from $226 million in 1998. This increase was primarily due to growth in our dental administrative service business. Retirement and savings increased by $44 million, or 16%, to $327 million in 1999 from $283 million in 1998. This increase reflected higher administrative fees derived from separate accounts and our defined contribution record-keeping services. In addition, the 1999 results reflected interest on funds held on deposit related to a reinsurance transaction entered into during December 1998.

Policyholder benefits and claims increased by 5% to $6,712 million in 1999 from $6,416 million in 1998. Group insurance increased by $362 million, or 8%, to $4,857 million in 1999 from $4,495 million in 1998. This increase was primarily due to overall growth and is comparable to the growth in premiums discussed above. Retirement and savings decreased by $66 million, or 3%, to $1,855 million in 1999 from $1,921 million in 1998. The decrease was commensurate with the premium variance discussed above, partially offset by an increase in liabilities associated with the continued accumulation of interest on liabilities related to our large block of non-participating annuity business.

Interest credited to policyholder account balances decreased by 14% to $1,030 million in 1999 from $1,199 million in 1998. Group insurance decreased by $63 million, or 14%, to $398 million in 1999 from $461 million in 1998. This decrease was primarily due to cancellations in our leveraged corporate-owned life insurance business attributable to a change in the federal income tax treatment for these products. Retirement and savings decreased by $106 million, or 14%, to $632 million in 1999

from $738 million in 1998 due to a shift in customers' investment preferences from guaranteed interest products to separate account alternatives and the continuation of the low interest rate environment.

Policyholder dividends increased by 12% to $159 million in 1999 from $142 million in 1998. Non-medical health increased by $26 million to $27 million in 1999. Group life and retirement and savings decreased $9 million, or 6%, to $132 million in 1999 from $141 million in 1998. Policyholder dividends vary from period to period based on participating group insurance contract experience.

Other expenses decreased by 1% to $1,589 million in 1999 from $1,613 million in 1998. Other expenses related to group life decreased by $14 million, or 4%, to $382 million in 1999 from $396 million in 1998. Other expenses related to non-medical health decreased by $18 million, or 3%, to $673 million in 1999 from $691 million in 1998. These decreases were primarily attributable to reductions in non-sales positions and operational efficiencies. Other expenses related to retirement and savings products increased by $8 million, or 2%, to $534 million in 1999 from $526 million in 1998. This increase was due to higher interest expense of $47 million primarily due to commercial paper issued in connection with amounts placed on deposit related to a 1998 reinsurance transaction and a $15 million increase in volume-related expenses, including premium taxes, separate account investment management expenses and commissions. These increases were partially offset by a $54 million decrease due to reductions in non-sales positions and other administrative expenses.

Year ended December 31, 1998 compared with the year ended December 31, 1997 — Institutional Business

Premiums increased by 10% in 1998 to $5,159 million from $4,689 million in 1997. Group insurance premiums increased by $385 million, or 9%, in 1998 to $4,617 million from $4,232 million in 1997. Group life premiums increased by $153 million, or 5%, to $3,274 million in 1998 from $3,121 million in 1997. Group non-medical health premiums increased by $232 million, or 21%, to $1,343 million in 1998 from $1,111 million in 1997, due primarily to market share growth in our dental and long-term care businesses resulting from our expanding network of dentists and our appointment as of January 1, 1998 by the American Association of Retired Persons ("AARP") to offer long-term care products to its members and the effect of a full year's results related to a disability block of business acquired in late 1997. Retirement and savings premiums increased by $85 million, or 19%, to $542 million in 1998 from $457 million in 1997, due primarily to premiums received from one large existing customer.

Universal life and investment-type product policy fees increased by 12% in 1998 to $475 million from $426 million in 1997. This increase reflected the growth in the sale of products used in executive and corporate-owned benefit plans during 1998.

Other revenues increased by 61% in 1998 to $575 million from $357 million in 1997. Other revenues from group insurance increased by $75 million, or 35%, to $292 million in 1998 from $217 million in 1997. This increase was primarily attributable to increased administrative fee income from significant growth in insurance contracts having separate account features, the largest being the in-force AARP block of long-term care business. Other revenues from retirement and savings products increased by $143 million, or 102%, to $283 million in 1998 from $140 million in 1997. This gain reflected increased administrative fees derived from separate accounts of $21 million and $56 million related to our defined contribution record-keeping services. The December 1997 acquisition of the defined contribution record-keeping and participant services business from Bankers Trust Corporation accounted for the majority of the growth in our administrative service fee income during 1998. In addition, the 1998 results reflected an increase of $32 million related to the full-year interest on funds held on deposit related to a reinsurance transaction entered into during December 1997.

Policyholder benefits and claims increased by 8% to $6,416 million in 1998 from $5,934 million in 1997. Group insurance increased by $469 million, or 12%, to $4,495 million in 1998 from $4,026 million in 1997. This increase reflected an overall growth in the business and less favorable experience on participating group insurance contracts, and an increase of $20 million related to a full year's results from a disability block of business acquired in late 1997, which is partially offset by reduced dividends of $161 million. Retirement and savings increased slightly to $1,921 million in 1998 compared with $1,908 million in 1997 primarily due to the ongoing accumulation of interest related to our large block of non-participating annuity business.

Interest credited to policyholder account balances decreased by 9% to $1,199 million in 1998 from $1,319 million in 1997. Interest on group insurance products increased by $66 million, or 17%, to $461 million in 1998 from $395 million in 1997, primarily due to growth in deposits for tax-advantaged investment products. Interest on retirement and savings products decreased by $186 million, or 20%, to $738 million in 1998 from $924 million in 1997 due to a shift in customers' investment preferences from guaranteed interest products to separate account alternatives.

Policyholder dividends decreased by 53% to $142 million in 1998 from $305 million in 1997. These dividends vary from period to period based on the claims experience of participating group insurance contracts.

Other expenses increased by 37% to $1,613 million in 1998 from $1,178 million in 1997. Other expenses related to group insurance increased by $204 million, or 23%, to $1,087 million in 1998 from $883 million in 1997. The primary causes of this increase were higher premium taxes and sales commissions related to premium growth; costs incurred in connection with various strategic initiatives, which were intended to expand our penetration of the small and medium case institutional markets; and costs incurred in connection with initiatives that focused on improving our service delivery capabilities through investments in technology. Group insurance also experienced an increase in administrative expenses, the majority of which are reimbursed, as a result of the AARP business. Other expenses related to retirement and savings products increased by $231 million, or 78%, to $526 million in 1998 from $295 million in 1997. This increase was due to $45 million of ongoing expenses attributable to the acquisition of the defined contribution record-keeping and participant services business of Bankers Trust Corporation and a change in the presentation of expenses relating to our securities lending program in 1998 of $65 million. In addition, the increase of cash flows into separate accounts resulted in higher investment management and other administrative expenses.

Asset Management

The following table presents summary consolidated financial information for Asset Management for the periods indicated:

For the years ended December 31 (Dollars in millions)	**1999**	1998	1997
Revenues			
Net investment income	**$ 80**	$ 75	$ 78
Other revenues	**803**	817	682
	883	892	760
Other Expenses	**741**	740	629
Income before provision for income taxes and minority interest	**142**	152	131
Provision for income taxes	**37**	44	36
Minority interest	**54**	59	50
Net income	**$ 51**	$ 49	$ 45

Year ended December 31, 1999 compared with the year ended December 31, 1998 — Asset Management

Other revenues, which are primarily comprised of management and advisory fees, decreased by $14 million, or 2%, to $803 million in 1999 from $817 million in 1998, reflecting an overall decrease in assets under management of $1 billion, or 1%, to $190 billion in 1999 from $191 billion in 1998. This decrease in assets was primarily attributable to a reduction in assets under management in value-style products. Management and advisory fees are typically calculated based on a percentage of assets under management, and are not necessarily proportionate to average assets managed due to changes in account mix.

Other expenses were essentially unchanged in 1999 from 1998. Total compensation and benefits of $424 million consisted of approximately 53% base compensation and 47% variable compensation. Base compensation increased by $10 million, or 5%, to $225 million in 1999 from $215 million in 1998, primarily due to annual salary increases and higher staffing levels. Variable compensation decreased by $15 million, or 7%, to $199 million in 1999 from $214 million in 1998. Variable incentive payments are based upon profitability, investment portfolio performance, new business sales and growth in revenues and profits. The variable compensation plans reward the employees for growth in their businesses, but also require them to share in the impact of any declines. In addition, general and administrative expenses increased $6 million, or 2%, to $317 million in 1999 from $311 million in 1998, primarily due to increased discretionary spending.

Minority interest, reflecting the value of third-party ownership interests in Nvest, decreased by $5 million, or 9%, to $54 million in 1999 from $59 million in 1998.

Year ended December 31, 1998 compared with the year ended December 31, 1997 — Asset Management

Other revenues, which are primarily comprised of management and advisory fees, increased by 20% to $817 million in 1998 from $682 million in 1997. Management and advisory fees are typically calculated based on a percentage of assets under management, which increased by $16 billion, or 9%, to $191 billion in 1998 from $175 billion in 1997. This increase was mainly attributable to net cash inflows to customers' accounts of $5 billion and overall market appreciation of $11 billion during 1998. Management and advisory fees earned are not necessarily proportionate to average assets managed due to changes in account mix.

Other expenses increased by 18% to $740 million in 1998 from $629 million in 1997. This increase was primarily due to increases in compensation and benefits of $62 million, or 17%, and general and administrative expenses of $49 million, or 19%. Compensation and benefits of $429 million consisted of 50% base compensation and 50% variable compensation. Base compensation increased by $31 million, or 17%, to $215 million in 1998 from $184 million in 1997, primarily due to annual salary increases and higher staffing. Variable compensation increased by $31 million, or 17%, to $214 million in 1998 from $183 million in 1997, due to increased incentive payments based on profitability, investment portfolio performance, new business sales and growth in revenues and profits. General and administrative expenses increased by $49 million, or 19%, to $311 million in 1998 from $262 million in 1997, due to expanded business activities and distribution and marketing initiatives.

Minority interest increased by $9 million, or 18%, to $59 million in 1998 from $50 million in 1997.

Auto & Home

The following table presents summary consolidated financial information for Auto & Home for the periods indicated:

For the years ended December 31 (Dollars in millions)	**1999**	1998	1997
Revenues			
Premiums	**$ 1,751**	$ 1,403	$ 1,354
Net investment income	**103**	81	71
Other revenues	**21**	36	25
Net realized investment gains	**1**	122	9
	1,876	1,642	1,459
Expenses			
Policyholder benefits and claims	**1,301**	1,029	1,003
Other expenses	**514**	386	351
	1,815	1,415	1,354
Income before provision for income taxes	**61**	227	105
Provision for income taxes	**5**	66	31
Net income	**$ 56**	$ 161	$ 74

Year ended December 31, 1999 compared with the year ended December 31, 1998 — Auto & Home

Premiums increased by 25% to $1,751 million in 1999 from $1,403 million in 1998 primarily due to the St. Paul acquisition. Excluding the impact of the St. Paul acquisition, premiums increased $88 million, or 6%. Auto premiums increased by $54 million, or 5%, to $1,218 million in 1999 from $1,164 million in 1998. This increase was due to growth in both our standard and non-standard auto insurance books of business. "Non-standard" auto insurance is insurance for risks bearing higher loss experience or loss potential than risks covered by standard auto insurance policies. In addition, the standard auto policyholder retention increased 1% to 88%. Homeowner premiums increased by $30 million, or 13%, to $255 million in 1999 from $225 million in 1998 due to higher new business production, an average premium increase of 1% and increased policyholder retention to 90% in 1999 from 89% in 1998. Premiums from other personal lines increased to $18 million in 1999 from $14 million in 1998.

Other revenues decreased by 42% to $21 million in 1999 from $36 million in 1998. This decrease was primarily attributable to a decrease in payments resulting from experience-related adjustments under a reinsurance agreement related to the disposition of our reinsurance business in 1990.

Expenses increased by 28% to $1,815 million in 1999 from $1,415 million in 1998. This resulted in an increase in the combined ratio to 103.7% in 1999 from 100.8% in 1998. Excluding the impact of the St. Paul acquisition, expenses increased by $116 million, or 8%, which resulted in an increase in the combined ratio to 102.8% in 1999 from 100.8% in 1998. This increase was primarily due to higher overall loss costs in the auto and homeowners line as discussed below. In addition, both lines experienced modestly elevated acquisition expenses due to increased levels of new business premiums.

Policyholder benefits and claims increased by 26% to $1,301 million in 1999 from $1,029 million in 1998. Correspondingly, the auto and homeowners loss ratios increased to 76.1% from 74.9% and to 67.2% from 65.0% in 1999 and 1998, respectively. Excluding the impact of the St. Paul acquisition, policyholder benefits and claims increased by $85 million, or 8%. Auto policyholder benefits and claims increased by $67 million, or 8%, to $939 million in 1999 from $872 million in 1998, due to a 6% increase in the number of policies in force and $23 million of unfavorable claims development due to lower than expected savings resulting from the implementation of a new technology platform. Correspondingly, the auto loss ratio increased to 77.1% in 1999 from 74.9% in 1998. Homeowners benefits and claims increased $17 million, or 12%, to $163 million in 1999 from $146 million in 1998 due to increased volume of this book of business. The homeowners loss ratio decreased by 0.6% to 64.4% in 1999 from 65.0% in 1998. Other personal lines benefits and claims increased by $1 million to $12 million in 1999 from $11 million in 1998.

Other expenses increased by 33% to $514 million in 1999 from $386 million in 1998, which resulted in an increase in our expense ratio to 29.3% in 1999 from 27.4% in 1998. Excluding the impact of the St. Paul acquisition, operating expenses increased $31 million, or 8%, resulting in an increase in our expense ratio to 27.9% in 1999 from 27.4% in 1998. This increase was primarily due to $10 million in additional administration expenses and $23 million in new business acquisition expenses, which were partially offset by a $12 million, or 9%, reduction in employee-related expenses.

Year ended December 31, 1998 compared with the year ended December 31, 1997 — Auto & Home

Premiums increased by 4% in 1998 to $1,403 million from $1,354 million in 1997. Auto premiums increased by $41 million, or 4%, to $1,164 million in 1998 from $1,123 million in 1997. This increase was caused by continued growth in premiums from our non-standard auto insurance book of business. In addition, our overall auto policyholder retention increased to 87% from 86%. These increases were offset in part by a mandated rate decrease for standard auto insurance of $9 million, or 4%, in 1998 in Massachusetts, which comprised 19% of our total auto premiums in both 1998 and 1997. Homeowners premiums increased by $8 million, or 4%, to $225 million in 1998 from $217 million in 1997. This increase was attributable to contractual inflationary adjustments of 2% and an average rate increase of 3% in 1998, which outpaced a 1% decline in the number of policies in force. This decline in the number of policies in force, which occurred in states having greater exposure to severe hurricanes, reflects our continued efforts to reduce catastrophe losses. Premiums from other personal lines were stable at $14 million in both 1998 and 1997.

Other revenues increased by 44% to $36 million in 1998 from $25 million in 1997. This increase was primarily attributable to an increase of payments to us resulting from experience-related adjustments under a reinsurance agreement related to the disposition of our reinsurance business in 1990.

Expenses increased by 5% to $1,415 million in 1998 from $1,354 million in 1997, primarily due to higher catastrophe-related policyholder benefits and claims of $35 million, resulting in our combined ratio increasing to 100.8% in 1998 from 99.9% in 1997. The remaining increase in expenses was more than offset by higher net earned premiums, resulting in our combined ratio, excluding catastrophes, decreasing to 96.8% in 1998 from 98.6% in 1997.

Policyholder benefits and claims increased by 3% to $1,029 million in 1998 from $1,003 million in 1997. Excluding catastrophes, auto policyholder benefits and claims decreased slightly to $857 million in 1998 compared with $864 million in 1997. Correspondingly, our auto loss ratio decreased to 74.9% in 1998 compared with 77.1% in 1997. These decreases reflect our ongoing efforts to improve the claims adjusting process through technological efficiencies and heightened fraud detection efforts. While the impact of severe weather on auto has historically been low, our auto catastrophe ratio increased to 1.3% of net earned premiums in 1998 compared with 0.2% in 1997, due primarily to Midwestern hailstorms. Excluding catastrophes, homeowners policyholder benefits and claims decreased to $104 million in 1998 from $116 million in 1997 and our loss ratio decreased to 46.5% in 1998 from 53.6% in 1997. These decreases reflect changes in our underwriting practices, physical reinspections of selected in-force policies and the use of credit report data for selecting new risks and for reunderwriting at the time of renewal. Reinsurance costs decreased by $5 million, or 23%, to $17 million in 1998 from $22 million in 1997, reflecting the continuing reduction in our exposure to hurricanes and the current competitive pricing environment within the reinsurance market.

Homeowners' catastrophes increased by $26 million to $41 million in 1998 from $15 million in 1997, reflecting Midwestern hailstorms and spring storms in the Southeast. The property and casualty industry as a whole experienced a more typical amount of losses resulting from events classified as catastrophes in 1998 and a lower than average amount of losses in 1997. Other personal lines increased by $9 million to $12 million in 1998 from $3 million in 1997, due to an above average number of new claims.

Other expenses increased by 10% to $386 million in 1998 from $351 million in 1997. Other expenses related to auto insurance increased by $27 million, or 10%, to $305 million in 1998 from $278 million in 1997, primarily due to higher general and administrative expenses which resulted in an increase in our expense ratio to 27.4% in 1998 from 25.9% in 1997. Other expenses related to homeowners insurance and other personal lines increased $8 million or 11% to $81 million in 1998 from $73 million in 1997, primarily due to increased administrative costs and new business acquisition expenses.

International

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

For the years ended December 31 (Dollars in millions)	**1999**	1998	1997
Revenues			
Premiums	**$ 523**	$ 618	$ 908
Universal life and investment-type product policy fees	**48**	68	137
Net investment income	**206**	343	504
Other revenues	**12**	33	54
Net realized investment gains	**1**	117	142
	790	1,179	1,745
Expenses			
Policyholder benefits and claims	**463**	597	869
Interest credited to policyholder account balances	**52**	89	137
Policyholder dividends	**22**	64	97
Other expenses	**248**	352	497
	785	1,102	1,600
Income before provision (benefit) for income taxes	**5**	77	145
Provision (benefit) for income taxes	**(16)**	21	19
Net income	**$ 21**	$ 56	$ 126

Year ended December 31, 1999 compared with the year ended December 31, 1998 — International

Premiums decreased by 15% to $523 million in 1999 from $618 million in 1998, primarily due to the disposition of a substantial portion of our Canadian operations. Excluding the impact of this sale, premiums increased by $109 million, or 26%, to $523 million from $414 million. Argentina's premiums increased $11 million primarily due to expanded business operations. Korea's and Taiwan's premiums increased $24 and $39 million, respectively, due to improved economic environments. Spain's premiums increased $24 million primarily due to increased sales from our joint venture partnership.

Universal life and investment type-product policy fees decreased by 29% to $48 million in 1999 from $68 million in 1998. Excluding the impact of the Canadian divestiture, universal life and investment type-product policy fees increased by $2 million, or 4%, to $48 million in 1999 from $46 million in 1998, primarily due to expanded business operations in Argentina.

Other revenues decreased by 64% to $12 million in 1999 from $33 million in 1998. Excluding the impact of the Canadian divestiture, other revenues increased slightly to $12 million in 1999 from $10 million in 1998.

Policyholder benefits and claims decreased by 22% to $463 million in 1999 from $597 million in 1998. Excluding the impact of the Canadian divestiture, policyholder benefits and claims increased $106 million, or 30%, to $463 million in 1999 from $357 million in 1998. This increase is commensurate with the aforementioned increase in premiums.

Interest credited to policyholder account balances decreased by 42% to $52 million in 1999 from $89 million in 1998. Excluding the impact of the Canadian divestiture, interest credited to policyholder account balances increased $1 million, or 2%, to $52 million in 1999 from $51 million in 1998 in line with increased account balances.

Policyholder dividends decreased by 66% to $22 million in 1999 from $64 million in 1998. Excluding the impact of the Canadian divestiture, policyholder dividends decreased $1 million, or 5%, to $22 million in 1999 from $21 million in 1998, primarily due to less favorable experience on participating policies in Spain.

Other expenses decreased by 30% to $248 million in 1999 from $352 million in 1998. Excluding the impact of the Canadian divestiture, other expenses decreased $7 million, or 3%, to $248 million in 1999 from $255 million in 1998. This decrease was primarily attributable to ongoing cost reduction initiatives.

Year ended December 31, 1998 compared with the year ended December 31, 1997 — International

Premiums decreased by 32% to $618 million in 1998 from $908 million in 1997, primarily due to the dispositions of a substantial portion of our U.K. operations in October 1997 and of our Canadian operations in July 1998. Excluding the impact of these sales, premiums decreased by $31 million, or 7%, to $414 million in 1998 from $445 million in 1997, primarily attributable to a $64 million, or 40%, reduction in premiums in South Korea due to a significant economic downturn in this country. This decrease was partially offset by a $15 million, or 48%, increase in Spain related to the effect of a full year's activity under a revised sales agreement entered into with Banco Santander during September 1997.

Universal life and investment-type product policy fees decreased by 50% to $68 million in 1998 from $137 million in 1997, primarily due to the U.K. and Canadian divestitures.

Other revenues decreased by 39% to $33 million in 1998 from $54 million in 1997. Excluding the impact of the U.K. and Canadian divestitures, other revenues increased to $10 million in 1998 from $7 million in 1997.

Policyholder benefits and claims decreased by 31% to $597 million in 1998 from $869 million in 1997. Excluding the impact of the U.K. and Canadian divestitures, policyholder benefits and claims decreased by 5% to $357 million in 1998 from $374 million in 1997. This decrease was primarily attributable to the decline in premiums of $64 million in South Korea and was offset in part by minor increases in several other countries.

Interest credited to policyholder account balances decreased by 35% to $89 million in 1998 from $137 million in 1997. Excluding the impact of the U.K. and Canadian divestitures, interest credited to policyholder account balances decreased by 9% to $51 million in 1998 from $56 million in 1997. This decrease was attributable to lower variable crediting rates in South Korea reflecting a reduction in interest rates.

Policyholder dividends decreased by 34% to $64 million in 1998 from $97 million in 1997. Excluding the impact of the U.K. and Canadian divestitures, policyholder dividends were essentially unchanged at $21 million in 1998 compared with $22 million in 1997.

Other expenses decreased by 29% to $352 million in 1998 from $497 million in 1997. Excluding the impact of the U.K. and Canadian divestitures, other expenses increased by 5% to $255 million in 1998 from $242 million in 1997. This increase was primarily due to higher business development costs.

Corporate

Total revenues for our Corporate segment, which consisted of net investment income and realized investment gains and losses that are not allocated to our business segments, were $623 million in 1999, a decrease of $849 million, or 58%, from $1,472 million in 1998, primarily due to a reduction in investment gains and investment income of $722 million due to the sale of MetLife Capital Holdings, Inc. in 1998. Total Corporate expenses were $1,031 million in 1999, a decrease of $1,560 million, or 60%, from $2,591 million in 1998. This decrease is primarily due to a $1,895 million charge in 1998 for sales practices claims and claims for personal injuries caused by exposure to asbestos or asbestos-containing products as well as the elimination of $270 million of expenses due to the sale of MetLife Capital Holdings. These decreases were partially offset by a $499 million charge in 1999 principally related to the settlement of a multidistrict litigation proceeding involving alleged improper sales practices, accruals for sales practices claims not covered by the settlement and other legal costs.

Total revenues for our Corporate segment were $1,472 million in 1998, an increase of $427 million, or 41%, from $1,045 million in 1997, primarily due to the realized investment gain from the sale of MetLife Capital Holdings of $433 million. Total Corporate expenses were $2,591 million in 1998, an increase of $1,625 million, or 168%, from $966 million in 1997, primarily due to the aforementioned charges for sales practices claims and asbestos-related claims in 1998.

For the years ended December 31 (In millions)	**1999**	1998	1997
Revenues			
Premiums	**$ 12,088**	$ 11,503	$ 11,278
Universal life and investment-type product policy fees	**1,438**	1,360	1,418
Net investment income	**9,816**	10,228	9,491
Other revenues	**2,154**	1,994	1,491
Net realized investment gains (losses) [net of amounts allocable to other accounts of $(67), $608 and $231, respectively]	**(70)**	2,021	787
	25,426	27,106	24,465
Expenses			
Policyholder benefits and claims [excludes amounts directly related to net realized investment gains (losses) of $(21), $368 and $161, respectively]	**13,105**	12,638	12,403
Interest credited to policyholder account balances	**2,441**	2,711	2,878
Policyholder dividends	**1,690**	1,651	1,742
Other expenses [excludes amounts directly related to net realized investment gains (losses) of $(46), $240 and $70, respectively]	**6,755**	8,019	5,771
	23,991	25,019	22,794
Income before provision for income taxes and extraordinary item	**1,435**	2,087	1,671
Provision for income taxes	**593**	740	468
Income before extraordinary item	**842**	1,347	1,203
Extraordinary item — demutualization expense	**225**	4	—
Net income	**$ 617**	$ 1,343	$ 1,203

See accompanying notes to consolidated financial statements.

consolidated balance sheets

December 31 (In millions)	**1999**	1998
Assets		
Investments:		
Fixed maturities available-for-sale, at fair value	**$ 96,981**	$ 100,767
Equity securities, at fair value	**2,006**	2,340
Mortgage loans on real estate	**19,739**	16,827
Real estate and real estate joint ventures	**5,649**	6,287
Policy loans	**5,598**	5,600
Other limited partnership interests	**1,331**	1,047
Short-term investments	**3,055**	1,369
Other invested assets	**1,501**	1,484
	135,860	135,721
Cash and cash equivalents	**2,789**	3,301
Accrued investment income	**1,725**	1,994
Premiums and other receivables	**6,681**	5,972
Deferred policy acquisition costs	**8,492**	6,538
Deferred income taxes	**603**	—
Other	**4,141**	3,752
Separate account assets	**64,941**	58,068
	$225,232	$ 215,346
Liabilities and Equity		
Liabilities:		
Future policy benefits	**$ 73,582**	$ 72,701
Policyholder account balances	**45,901**	46,494
Other policyholder funds	**4,498**	4,061
Policyholder dividends payable	**974**	947
Short-term debt	**4,208**	3,585
Long-term debt	**2,514**	2,903
Current income taxes payable	**548**	403
Deferred income taxes payable	**—**	545
Other	**14,376**	10,772
Separate account liabilities	**64,941**	58,068
	211,542	200,479
Commitments and contingencies (Note 9)		
Equity:		
Retained earnings	**14,100**	13,483
Accumulated other comprehensive income (loss)	**(410)**	1,384
	13,690	14,867
	$225,232	$ 215,346

See accompanying notes to consolidated financial statements.

For the years ended December 31 (In millions)	Total	Comprehensive Income (Loss)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)		
				Net Unrealized Investment Gains (Losses)	Foreign Currency Translation Adjustment	Minimum Pension Liability Adjustment
Balance at January 1, 1997	$ 11,983		$ 10,937	$ 1,028	$ 18	$ —
Comprehensive income:						
Net income	1,203	$ 1,203	1,203			
Other comprehensive income:						
Unrealized investment gains, net of related offsets, reclassification adjustments and income taxes		870		870		
Foreign currency translation adjustments		(49)			(49)	
Other comprehensive income	821	821				
Comprehensive income		$ 2,024				
Balance at December 31, 1997	14,007		12,140	1,898	(31)	—
Comprehensive income:						
Net income	1,343	$ 1,343	1,343			
Other comprehensive loss:						
Unrealized investment losses, net of related offsets, reclassification adjustments and income taxes		(358)		(358)		
Foreign currency translation adjustments		(113)			(113)	
Minimum pension liability adjustment		(12)				(12)
Other comprehensive loss	(483)	(483)				
Comprehensive income		$ 860				
Balance at December 31, 1998	14,867		13,483	1,540	(144)	(12)
Comprehensive loss:						
Net income	**617**	**$ 617**	**617**			
Other comprehensive loss:						
Unrealized investment losses, net of related offsets, reclassification adjustments and income taxes		**(1,837)**		**(1,837)**		
Foreign currency translation adjustments		**50**			**50**	
Minimum pension liability adjustment		**(7)**				**(7)**
Other comprehensive loss	**(1,794)**	**(1,794)**				
Comprehensive loss		**$ (1,177)**				
Balance at December 31, 1999	**$ 13,690**		**$ 14,100**	**$ (297)**	**$ (94)**	**$ (19)**

See accompanying notes to consolidated financial statements.

For the years ended December 31 (In millions)	**1999**	1998	1997
Cash flows from operating activities			
Net income	**$ 617**	$ 1,343	$ 1,203
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expenses	**173**	56	(36)
(Gains) losses from sales of investments and businesses, net	**137**	(2,629)	(1,018)
Change in undistributed income of real estate joint ventures and other limited partnership interests	**(322)**	(91)	157
Interest credited to policyholder account balances	**2,441**	2,711	2,878
Universal life and investment-type product policy fees	**(1,438)**	(1,360)	(1,418)
Change in accrued investment income	**269**	(181)	(215)
Change in premiums and other receivables	**(619)**	(2,681)	(792)
Change in deferred policy acquisition costs, net	**(389)**	(188)	(159)
Change in insurance related liabilities	**2,248**	1,481	2,364
Change in income taxes payable	**22**	251	(99)
Change in other liabilities	**857**	2,390	(206)
Other, net	**(131)**	(260)	213
Net cash provided by operating activities	**3,865**	842	2,872
Cash flows from investing activities			
Sales, maturities and repayments of:			
Fixed maturities	**73,120**	57,857	75,346
Equity securities	**760**	3,085	1,821
Mortgage loans on real estate	**1,992**	2,296	2,784
Real estate and real estate joint ventures	**1,062**	1,122	2,046
Other limited partnership interests	**469**	146	166
Purchases of:			
Fixed maturities	**(72,253)**	(67,543)	(76,603)
Equity securities	**(410)**	(854)	(2,121)
Mortgage loans on real estate	**(4,395)**	(2,610)	(4,119)
Real estate and real estate joint ventures	**(341)**	(423)	(624)
Other limited partnership interests	**(465)**	(723)	(338)
Net change in short-term investments	**(1,577)**	(761)	63
Net change in policy loans	**2**	133	17
Purchase of businesses, net of cash received	**(2,972)**	—	(430)
Proceeds from sales of businesses	**—**	7,372	135
Net change in investment collateral	**2,692**	3,769	—
Other, net	**(73)**	(183)	191
Net cash provided by (used in) investing activities	**(2,389)**	2,683	(1,666)
Cash flows from financing activities			
Policyholder account balances:			
Deposits	**18,428**	19,361	16,061
Withdrawals	**(20,650)**	(21,706)	(18,831)
Short-term debt, net	**623**	(1,002)	1,265
Long-term debt issued	**44**	693	989
Long-term debt repaid	**(433)**	(481)	(104)
Net cash used in financing activities	**(1,988)**	(3,135)	(620)
Change in cash and cash equivalents	**(512)**	390	586
Cash and cash equivalents, beginning of year	**3,301**	2,911	2,325
Cash and cash equivalents, end of year	**$ 2,789**	$ 3,301	$ 2,911
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	**$ 388**	$ 367	$ 422
Income taxes	**$ 587**	$ 579	$ 589

See accompanying notes to consolidated financial statements.

(Dollar amounts are in millions unless otherwise stated.)

NOTE 1 Summary of Significant Accounting Policies

Business

Metropolitan Life Insurance Company ("MetLife") and its subsidiaries (the "Company") is a leading provider of insurance and financial services to a broad section of institutional and individual customers. The Company offers life insurance, annuities and mutual funds to individuals and group insurance and retirement and savings products and services to corporations and other institutions.

Plan of Reorganization

On September 28, 1999, the board of directors of MetLife adopted, pursuant to the New York Insurance Law, a plan of reorganization, and subsequently adopted amendments to the plan, pursuant to which MetLife proposes to convert from a mutual life insurance company to a stock life insurance company and become a wholly-owned subsidiary of MetLife, Inc. The plan was approved by MetLife's voting policyholders on February 7, 2000. The plan will become effective at such time as the New York Superintendent of Insurance ("Superintendent") approves it based on finding, among other things, that the plan is fair and equitable to policyholders. The plan requires an initial public offering of common stock and provides for other capital raising transactions on the effective date of the plan.

On the date the plan of reorganization becomes effective, each policyholder's membership interest will be extinguished and each eligible policyholder will be entitled to receive, in exchange for that interest, trust interests representing shares of common stock of MetLife, Inc. to be held in a trust, cash or an adjustment to their policy values in the form of policy credits, as provided in the plan. In addition, when MetLife demutualizes, MetLife's Canadian branch will make cash payments to holders of certain policies transferred to Clarica Life Insurance Company ("Clarica Life") in connection with the sale of a substantial portion of MetLife's Canadian operations in 1998. See Note 9.

The plan of reorganization requires that MetLife establish and operate a closed block for the benefit of holders of certain individual life insurance policies of MetLife. Assets will be allocated to the closed block in an amount that is expected to 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 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. 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 these policies included 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 relating to the closed block are, in the aggregate, more or less favorable than assumed in establishing the closed block, total dividends paid to the closed block policyholders in the future may be greater than or less than that which 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. The closed block will continue in effect until the last policy in the closed block is no longer in force.

The accounting principles to account for the participating policies included in the closed block will be those used prior to the date of the demutualization. However, a policyholder dividend obligation will be established for earnings that will be paid to policyholders as additional dividends in the amounts described below, unless these earnings are offset by future unfavorable experience in the closed block. Although all of the cash flows of the closed block are for the benefit of the closed block policyholders, the excess of the closed block liabilities over closed block assets at the effective date will represent the estimated maximum future contributions from the closed block expected to be reported in income as the contribution from the closed block after income taxes. The contribution from the closed block will be 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 contributions from the closed block will approximately equal the expected cumulative contributions, due to the effect of dividend changes. If, over the period the closed block remains in existence, the actual cumulative contribution from the closed block is greater than the expected cumulative contribution from the closed block, the expected cumulative contribution will be recognized in income with the excess recorded as a policyholder dividend obligation, because the excess of the actual cumulative contribution from the closed block over the expected cumulative contribution will be paid to closed block policyholders as additional policyholder dividends unless offset by future unfavorable experience of the closed block. If over such period, the actual cumulative contribution from the closed block is less than the expected cumulative contribution from the closed block, the actual contribution

will be recognized in income. However, dividends in the future may be changed, which would be intended to increase future actual contribution until the actual contribution equals the expected cumulative contribution.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP"). The New York State Insurance Department (the "Department") recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company for determining solvency under the New York Insurance Law. No consideration is given by the Department to financial statements prepared in accordance with GAAP in making such determination.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates include those used in determining deferred policy acquisition costs, investment allowances and the liability for future policyholder benefits. Actual results could differ from those estimates.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MetLife and its subsidiaries, partnerships and joint ventures in which MetLife has a majority voting interest or general partner interest with limited removal rights by limited partners. All material intercompany accounts and transactions have been eliminated.

The Company accounts for its investments in real estate joint ventures and other limited partnership interests in which it does not have a controlling interest, but more than a minimal interest, under the equity method of accounting.

Minority interest related to consolidated entities included in other liabilities was $245 and $274 at December 31, 1999 and 1998, respectively.

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform with the 1999 presentation.

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 (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. These adjustments are recorded as realized losses on investments. Realized gains and losses on sales of securities are determined on a specific identification basis. All security transactions are recorded on a trade date basis.

Mortgage loans on real estate are stated at amortized cost, net of valuation allowances. Valuation allowances are established for the excess carrying value of the mortgage loan over its estimated fair value 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 based upon the present value of expected future cash flows discounted at the loan's original effective interest rate or the collateral value if the loan is collateral dependent. Interest income earned on impaired loans is accrued on the net carrying value amount of the loan based on the loan's effective interest rate.

Real estate, 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 40 years). Cost 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 realized losses on investments. 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 in satisfaction of debt is recorded at estimated fair value at the date of foreclosure. Valuation allowances on real estate held-for-sale are computed using the lower of depreciated cost or estimated fair value, net of disposition costs.

Policy loans are stated at unpaid principal balances.

Short-term investments are stated at amortized cost, which approximates fair value.

Derivative Instruments

The Company uses derivative instruments to manage market risk through one of four principal risk management strategies: the hedging of invested assets, liabilities, portfolios of assets or liabilities and anticipated transactions. The Company's derivative strategy employs a variety of instruments including financial futures, financial forwards, interest rate and foreign currency swaps, floors, foreign exchange contracts, caps and options.

The Company's derivative program is monitored by senior management. The Company's risk of loss is typically limited to the fair value of its derivative instruments and not to the notional or contractual amounts of these derivatives. Risk arises from changes in the fair value of the underlying instruments and, with respect to over-the-counter transactions, from the possible inability of counterparties to meet the terms of the contracts. The Company has strict policies regarding the financial stability and credit standing of its major counterparties.

The Company's derivative instruments are designated as hedges and are highly correlated to the underlying risk at contract inception. The Company monitors the effectiveness of its hedges throughout the contract term using an offset ratio of 80 to 125% as its minimum acceptable threshold for hedge effectiveness. Derivative instruments that lose their effectiveness are marked to market through net investment income.

Gains or losses on financial futures contracts entered into in anticipation of investment transactions are deferred and, at the time of the ultimate investment purchase or disposition, recorded as an adjustment to the basis of the purchased assets or to the proceeds on disposition. Gains or losses on financial futures used in asset risk management are deferred and amortized into net investment income over the remaining term of the investment. Gains or losses on financial futures used in portfolio risk management are deferred and amortized into net investment income or policyholder benefits over the remaining life of the hedged sector of the underlying portfolio.

Financial forward contracts that are entered into to purchase securities are marked to fair value through other comprehensive income (loss), similar to the accounting for the investment security. Such contracts are accounted for at settlement by recording the purchase of the specified securities at the contracted value. Gains or losses resulting from the termination of forward contracts are recognized immediately as a component of net investment income.

Interest rate and certain foreign currency swaps involve the periodic exchange of payments without the exchange of underlying principal or notional amounts. Net receipts or payments are accrued and recognized over the term of the swap agreement as an adjustment to net investment income or other expense. Gains or losses resulting from swap terminations are amortized over the remaining term of the underlying asset or liability. Gains and losses on swaps and certain foreign forward exchange contracts entered into in anticipation of investment transactions are deferred and, at the time of the ultimate investment purchase or disposition, reflected as an adjustment to the basis of the purchased assets or to the proceeds of disposition. In the event the asset or liability underlying a swap is disposed of, the swap position is closed immediately and any gain or loss is recorded as an adjustment to the proceeds from disposition.

The Company periodically enters into collars, which consist of purchased put and written call options, to lock in unrealized gains on equity securities. Collars are marked to market through other comprehensive income (loss), similar to the accounting for the underlying equity securities. Purchased interest rate caps and floors are used to offset the risk of interest rate changes related to insurance liabilities. Premiums paid on floors, caps and options are split into two components, time value and intrinsic value. Time value is amortized over the life of the applicable derivative instrument. The intrinsic value and any gains or losses relating to these derivative instruments adjust the basis of the underlying asset or liability and are recognized as a component of net investment income over the term of the underlying asset or liability being hedged as an adjustment to the yield.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Property, Equipment and Leasehold Improvements

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. Estimated lives range from 20 to 40 years for real estate and 5 to 15 years for

all other property and equipment. Accumulated depreciation of property and equipment and accumulated amortization on leasehold improvements was $1,130 and $1,098 at December 31, 1999 and 1998, respectively. Related depreciation and amortization expense was $103, $116 and $103 for the years ended December 31, 1999, 1998 and 1997, respectively.

Deferred Policy Acquisition Costs

The costs of acquiring new insurance business that vary with, and are primarily related to, the production of new 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, deferred policy acquisition costs are amortized in proportion to the present value of estimated gross margins or profits from investment, mortality, expense margins and surrender charges. Interest rates are based on rates in effect at the inception 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 periodically updates these estimates and evaluates the recoverability of deferred policy acquisition costs. 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.

Deferred policy acquisition costs for non-participating traditional life, non-medical health and annuity policies with life contingencies are amortized in proportion to anticipated premiums. Assumptions as to anticipated premiums are made at the date of policy issuance 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.

Deferred policy acquisition costs related to internally replaced contracts are expensed at date of replacement.

Deferred policy acquisition costs for property and casualty insurance contracts, which are 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.

On September 28, 1999, the Company's Board of Directors adopted a plan of reorganization. Consequently, in the fourth quarter of 1999, the Company was able to commit to state insurance regulatory authorities that it would establish investment sub-segments to further align investments with the traditional individual life business of the Individual segment. As a result, future dividends for the traditional individual life business will be determined based on the results of the new investment sub-segments. Additionally, estimated future gross margins used to determine amortization of deferred policy acquisition costs and the amount of unrealized investment gains and losses relating to these products are based on investments in the new sub-segments. Using the investments in the sub-segments to determine estimated gross margins and unrealized investment gains and losses increased 1999 amortization of deferred policy acquisition costs by $56 (net of income taxes of $32) and decreased other comprehensive loss in 1999 by $123 (net of income taxes of $70).

Information regarding deferred policy acquisition costs is as follows:

Years ended December 31	**1999**	1998	1997
Balance at January 1	**$ 6,538**	$ 6,436	$ 7,227
Capitalized during the year	**1,160**	1,025	1,000
Total	**7,698**	7,461	8,227
Amortization allocated to:			
Net realized investment gains (losses)	**(46)**	240	70
Unrealized investment gains (losses)	**(1,628)**	(216)	727
Other expenses	**862**	587	771
Total amortization	**(812)**	611	1,568
Dispositions and other	**(18)**	(312)	(223)
Balance at December 31	**$ 8,492**	$ 6,538	$ 6,436

Amortization of deferred policy acquisition costs is allocated to (1) realized investment gains and losses to provide consolidated statement of income information regarding the impact of such gains and losses on the amount of the amortization, (2) unrealized investment gains and losses to provide information regarding the amount of deferred policy acquisition costs that would have been amortized if such gains and losses had been realized and (3) other expenses to provide amounts related to the gross margins or profits originating from transactions other than investment gains and losses.

Realized investment gains and losses related to certain products have a direct impact on the amortization of deferred policy acquisition costs. Presenting realized investment gains and losses net of related amortization of deferred policy acquisition costs provides information useful in evaluating the operating performance of the Company. This presentation may not be comparable to presentations made by other insurers.

Intangible Assets

The excess of cost over the fair value of net assets acquired ("goodwill") and other intangible assets, including the value of business acquired, are included in other assets. Goodwill is amortized on a straight-line basis over a period ranging from 10 to 30 years. The Company continually reviews goodwill to assess recoverability from future operations using undiscounted cash flows. Impairments are recognized in operating results if a permanent diminution in value is deemed to have occurred. Other intangible assets are amortized over the expected policy or contract duration in relation to the present value of estimated gross profits from such policies and contracts.

	Goodwill			Other Intangible Assets		
Years ended December 31	**1999**	1998	1997	**1999**	1998	1997
Net Balance at January 1	**$ 404**	$ 359	$ 136	**$ 1,006**	$ 1,055	$ 767
Acquisitions	**237**	67	240	**156**	39	355
Amortization	**(30)**	(22)	(17)	**(114)**	(88)	(67)
Net Balance at December 31	**$ 611**	$ 404	$ 359	**$ 1,048**	$ 1,006	$ 1,055
December 31						
Accumulated amortization	**$ 118**	$ 88		**$ 392**	$ 278	

Future Policy Benefits and Policyholder Account Balances

Future policy benefit liabilities for participating traditional life insurance policies are equal to the aggregate of (a) net level premium reserves for death and endowment policy benefits (calculated based upon the nonforfeiture interest rate, ranging from 3% to 10%, and mortality rates guaranteed in calculating the cash surrender values described in such contracts), (b) the liability for terminal dividends and (c) 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 deferred policy acquisition costs are written off.

Future policy benefit liabilities for traditional annuities are equal to accumulated contractholder fund balances during the accumulation period and the present value of expected future payments after annuitization. Interest rates used in establishing such liabilities range from 3% to 8%. 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 10%. 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 10%.

Policyholder account balances for universal life and investment-type contracts are equal to the policy account values, which consist of an accumulation of gross premium payments plus credited interest, ranging from 2% to 17%, less expenses, mortality charges and withdrawals.

The liability for unpaid claims and claim expenses for property and casualty insurance represents the amount estimated for claims that have been reported but not settled and claims incurred but not reported. Liabilities for unpaid claims are esti-

mated based upon the Company's historical experience and other actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs. Revisions of these estimates are included in operations in the year such refinements are made.

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 contracts are recognized on a pro rata basis over the applicable contract term.

Premiums 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. 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. Unearned premiums are included in other liabilities.

Dividends to Policyholders

Dividends to policyholders are determined annually by the board of directors. The aggregate amount of policyholders' 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 MetLife and its insurance subsidiaries.

Dividend Restrictions

MetLife, when it converts from a mutual life insurance company to a stock life insurance company, may be restricted as to the amounts it may pay as dividends to MetLife, Inc. Under the New York Insurance Law, the Superintendent has broad discretion to determine whether the financial condition of a stock life insurance company would support the payment of dividends to its shareholders. The Department has established informal guidelines for the Superintendent's determinations which focus upon, among other things, the overall financial condition and profitability of the insurer under statutory accounting practices.

Participating Business

Participating business represented approximately 19% and 21% of the Company's life insurance in-force, and 84% and 81% of the number of life insurance policies in-force, at December 31, 1999 and 1998, respectively. Participating policies represented approximately 42% and 44%, 39% and 40%, and 41% and 41% of gross and net life insurance premiums for the years ended December 31, 1999, 1998 and 1997, respectively.

Income Taxes

MetLife and its includable life insurance and non-life insurance subsidiaries file a consolidated U.S. federal income tax return in accordance with the provisions of the Internal Revenue Code, as amended (the "Code"). Under the Code, the amount of federal income tax expense incurred by mutual life insurance companies includes an equity tax calculated based upon a prescribed formula that incorporates a differential earnings rate between stock and mutual life insurance companies. MetLife will not be subject to the equity tax when it converts to a stock life insurance company. 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.

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. Deferred policy acquisition costs are reduced by amounts recovered under reinsurance contracts. Amounts received from reinsurers for policy administration are 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. Investments (stated at estimated fair value) and liabilities of the separate accounts are reported separately as assets and liabilities. Deposits to separate accounts, investment income and realized and unrealized gains and losses on the investments of the separate accounts accrue directly to contractholders and, accordingly, are not reflected in the Company's consolidated statements of income and cash flows. Mortality, policy administration and surrender charges to all separate accounts are included in revenues. See Note 6.

Foreign Currency Translation

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 (loss). Gains and losses from foreign currency transactions are reported in other expenses and were insignificant for all years presented.

Extraordinary Item — Demutualization Expense

The accompanying consolidated statements of income include extraordinary charges of $225 (net of income taxes of $35) and $4 (net of income taxes of $2) for the years ended December 31, 1999 and 1998, respectively, related to costs associated with the demutualization.

Application of Accounting Pronouncements

Effective January 1, 1999, the Company adopted Statement of Position ("SOP") 98-5, *Reporting on the Costs of Start-Up Activities* ("SOP 98-5"). SOP 98-5 broadly defines start-up activities. SOP 98-5 requires costs of start-up activities and organization costs to be expensed as incurred. Adoption of SOP 98-5 did not have a material effect on the Company's consolidated financial statements.

Effective January 1, 1999, the Company adopted SOP 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* ("SOP 98-1"). SOP 98-1 provides guidance for determining when an entity should capitalize or expense external and internal costs of computer software developed or obtained for internal use. Adoption of the provisions of SOP 98-1 had the effect of increasing other assets by $82 at December 31, 1999.

Effective January 1, 1999, the Company adopted SOP 97-3, *Accounting for Insurance and Other Enterprises for Insurance Related Assessments* ("SOP 97-3"). SOP 97-3 provides guidance on accounting by insurance and other enterprises for assessments related to insurance activities including recognition, measurement and disclosure of guaranty fund and other insurance related assessments. Adoption of SOP 97-3 did not have a material effect on the Company's consolidated financial statements.

In 1998, the Company adopted the provisions of Statement of Financial Accounting Standards No. 125, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* ("SFAS 125") which were deferred by SFAS 127,

Deferral of the Effective Date of Certain Provisions of FASB Statement No. 125. The deferred provisions provide accounting and reporting standards related to repurchase agreements, dollar rolls, securities lending and similar transactions. Adoption of the provisions had the effect of increasing assets and liabilities by $3,769 at December 31, 1998 and increasing other revenues and other expenses by $266 for the year ended December 31, 1998.

During 1997, the Company changed to the retrospective interest method of accounting for investment income on structured notes in accordance with Emerging Issues Task Force Consensus No. 96-12, *Recognition of Interest Income and Balance Sheet Classification of Structured Notes*. This accounting change increased 1997 net investment income by $175, which included an immaterial amount related to prior years.

In June 1999, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 137, *Accounting for Derivative Instruments and Hedging Activities — Deferral of the Effective Date of FASB Statement No. 133* ("SFAS 137"). SFAS 137 defers the provisions of Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133") until January 1, 2001. SFAS 133 requires, among other things, that all derivatives be recognized in the consolidated balance sheets as either assets or liabilities and measured at fair value. The corresponding derivative gains and losses should be reported based upon the hedge relationship, if such a relationship exists. Changes in the fair value of derivatives that are not designated as hedges or that do not meet the hedge accounting criteria in SFAS 133 are required to be reported in income. The Company is in the process of quantifying the impact of SFAS 133 on its consolidated financial statements.

In October 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 98-7, *Accounting for Insurance and Reinsurance Contracts That Do Not Transfer Insurance Risk* ("SOP 98-7"). SOP 98-7 provides guidance on the method of accounting for insurance and reinsurance contracts that do not transfer insurance risk, defined in the SOP as the deposit method. SOP 98-7 classifies insurance and reinsurance contracts for which the deposit method is appropriate into those that (1) transfer only significant timing risk, (2) transfer only significant underwriting risk, (3) transfer neither significant timing or underwriting risk and (4) have an indeterminate risk. The Company is required to adopt SOP 98-7 as of January 1, 2000. Adoption of SOP 98-7 is not expected to have a material effect on the Company's consolidated financial statements.

NOTE 2 Investments

The components of net investment income were as follows:

Years ended December 31	**1999**	1998	1997
Fixed maturities	**$ 6,766**	$ 6,563	$ 6,445
Equity securities	**40**	78	50
Mortgage loans on real estate	**1,479**	1,572	1,684
Real estate and real estate joint ventures	**1,426**	1,529	1,718
Policy loans	**340**	387	368
Other limited partnership interests	**199**	196	302
Cash, cash equivalents and short-term investments	**173**	187	169
Other	**501**	841	368
	10,924	11,353	11,104
Less: Investment expenses	**1,108**	1,125	1,613
	$ 9,816	$ 10,228	$ 9,491

Net realized investment gains (losses), including changes in valuation allowances, were as follows:

Years ended December 31	**1999**	1998	1997
Fixed maturities	**$ (538)**	$ 573	$ 118
Equity securities	**99**	994	224
Mortgage loans on real estate	**28**	23	56
Real estate and real estate joint ventures	**265**	424	446
Other limited partnership interests	**33**	13	12
Sales of businesses	**—**	531	139
Other	**(24)**	71	23
	(137)	2,629	1,018
Amounts allocable to:			
Future policy benefit loss recognition	**—**	(272)	(126)
Deferred policy acquisition costs	**46**	(240)	(70)
Participating contracts	**21**	(96)	(35)
	$ (70)	$ 2,021	$ 787

Realized investment gains (losses) have been reduced by (1) additions to future policy benefits resulting from the need to establish additional liabilities due to the recognition of investment gains, (2) deferred policy acquisition cost amortization to the extent that such amortization results from realized investment gains and losses, and (3) additions to participating contractholder accounts when amounts equal to such investment gains and losses are credited to the contractholders' accounts. This presentation may not be comparable to presentations made by other insurers.

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

Years ended December 31	**1999**	1998	1997
Fixed maturities	**$ (1,828)**	$ 4,809	$ 4,766
Equity securities	**875**	832	1,605
Other invested assets	**165**	154	294
	(788)	5,795	6,665
Amounts allocable to:			
Future policy benefit loss recognition	**(249)**	(2,248)	(2,189)
Deferred policy acquisition costs	**697**	(931)	(1,147)
Participating contracts	**(118)**	(212)	(312)
Deferred income taxes	**161**	(864)	(1,119)
	491	(4,255)	(4,767)
	$ (297)	$ 1,540	$ 1,898

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

Years ended December 31	1999	1998	1997
Balance at January 1	$ 1,540	$ 1,898	$ 1,028
Unrealized investment gains (losses) during the year	(6,583)	(870)	3,402
Unrealized investment (gains) losses relating to:			
Future policy benefit loss recognition	1,999	(59)	(970)
Deferred policy acquisition costs	1,628	216	(727)
Participating contracts	94	100	(303)
Deferred income taxes	1,025	255	(532)
Balance at December 31	$ (297)	$ 1,540	$ 1,898
Net change in unrealized investment gains (losses)	$ (1,837)	$ (358)	$ 870

Fixed Maturities and Equity Securities

Fixed maturities and equity securities at December 31, 1999 were as follows:

	Cost or Amortized Cost	Gross Unrealized		Estimated Fair Value
		Gain	Loss	
Fixed Maturities:				
Bonds:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 5,990	$ 456	$ 147	$ 6,299
States and political subdivisions	1,583	4	45	1,542
Foreign governments	4,090	210	94	4,206
Corporate	47,505	585	1,913	46,177
Mortgage and asset-backed securities	27,396	112	847	26,661
Other	12,235	313	462	12,086
	98,799	1,680	3,508	96,971
Redeemable preferred stocks	10	—	—	10
	$ 98,809	$ 1,680	$ 3,508	$ 96,981
Equity Securities:				
Common stocks	$ 980	$ 921	$ 35	$ 1,866
Nonredeemable preferred stocks	151	—	11	140
	$ 1,131	$ 921	$ 46	$ 2,006

Fixed maturities and equity securities at December 31, 1998 were as follows:

	Cost or Amortized Cost	Gross Unrealized		Estimated Fair Value
		Gain	Loss	
Fixed Maturities:				
Bonds:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 6,640	$ 1,117	$ 10	$ 7,747
States and political subdivisions	597	26	—	623
Foreign governments	3,435	254	88	3,601
Corporate	46,377	2,471	260	48,588
Mortgage and asset-backed securities	26,456	569	46	26,979
Other	12,438	1,069	293	13,214
	95,943	5,506	697	100,752
Redeemable preferred stocks	15	—	—	15
	$ 95,958	$ 5,506	$ 697	$ 100,767
Equity Securities:				
Common stocks	$ 1,286	$ 923	$ 77	$ 2,132
Nonredeemable preferred stocks	222	4	18	208
	$ 1,508	$ 927	$ 95	$ 2,340

The Company held foreign currency derivatives with notional amounts of $4,002 and $716 to hedge the exchange rate risk associated with foreign bonds at December 31, 1999 and 1998, respectively. The Company also held options with fair values of $(11) to hedge the market value of common stocks at December 31, 1998.

At December 31, 1999, fixed maturities held by the Company that were below investment grade or not rated by an independent rating agency had an estimated fair value of $8,813. At December 31, 1999, non-income producing fixed maturities were insignificant.

The amortized cost and estimated fair value of bonds at December 31, 1999, by contractual maturity date, are shown below:

	Amortized Cost	Estimated Fair Value
Due in one year or less	**$ 3,180**	**$ 3,217**
Due after one year through five years	**18,152**	**18,061**
Due after five years through ten years	**23,755**	**23,114**
Due after ten years	**26,316**	**25,918**
	71,403	**70,310**
Mortgage and asset-backed securities	**27,396**	**26,661**
	$ 98,799	**$ 96,971**

Fixed maturities 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.

Sales of securities were as follows:

Years ended December 31	**1999**	1998	1997
Securities classified as available-for-sale:			
Proceeds	**$ 59,852**	$ 46,913	$ 69,275
Gross realized gains	**$ 605**	$ 2,053	$ 965
Gross realized losses	**$ 911**	$ 486	$ 627
Fixed maturities classified as held-to-maturity:			
Proceeds	**$ —**	$ —	$ 352
Gross realized gains	**$ —**	$ —	$ 5
Gross realized losses	**$ —**	$ —	$ 1

Gross realized losses above exclude writedowns recorded during 1999 for permanently impaired available-for-sale securities of $133.

During 1997, fixed maturities with an amortized cost of $11,682 were transferred from held-to-maturity to available-for-sale. Other comprehensive income at the date of reclassification was increased by $198 excluding the effects of deferred income taxes and policyholder related amounts.

Excluding investments in U.S. governments and agencies, the Company is not exposed to any significant concentration of credit risk in its fixed maturities portfolio.

Securities Lending Program

The Company participates in securities lending programs whereby large blocks of securities, which are returnable to the Company on short notice and 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 $6,458 and $4,005 and estimated fair value of $6,391 and $4,552 were on loan under the program at December 31, 1999 and 1998, respectively. The Company was liable for cash collateral under its control of $6,461 and $3,769 at December 31, 1999 and 1998, respectively. This liability is included in other liabilities. Security collateral on deposit from securities borrowers is returnable to them on short notice and is not reflected in the consolidated financial statements.

Statutory Deposits

The Company had investment assets on deposit with regulatory agencies of $476 and $466 at December 31, 1999 and 1998, respectively.

Mortgage Loans on Real Estate

Mortgage loans were categorized as follows:

December 31	1999 Amount	1999 Percent	1998 Amount	1998 Percent
Commercial mortgage loans	$ 14,931	75%	$12,503	74%
Agricultural mortgage loans	4,816	24%	4,256	25%
Residential mortgage loans	82	1%	241	1%
	19,829	100%	17,000	100%
Less: Valuation allowances	90		173	
	$ 19,739		$ 16,827	

Mortgage loans on real estate are collateralized by properties primarily located throughout the United States. At December 31, 1999, approximately 16%, 8% and 8% 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.

Certain of the Company's real estate joint ventures have mortgage loans with the Company. The carrying values of such mortgages were $547 and $606 at December 31, 1999 and 1998, respectively.

Changes in mortgage loan valuation allowances were as follows:

Years ended December 31	1999	1998	1997
Balance at January 1	$ 173	$ 289	$ 469
Additions	40	40	61
Deductions for writedowns and dispositions	(123)	(130)	(241)
Deductions for disposition of affiliates	—	(26)	—
Balance at December 31	$ 90	$ 173	$ 289

A portion of the Company's mortgage loans on real estate was impaired and consisted of the following:

December 31	1999	1998
Impaired mortgage loans with valuation allowances	$ 540	$ 823
Impaired mortgage loans without valuation allowances	437	375
	977	1,198
Less: Valuation allowances	83	149
	$ 894	$ 1,049

The average investment in impaired mortgage loans on real estate was $1,134, $1,282 and $1,680 for the years ended December 31, 1999, 1998 and 1997, respectively. Interest income on impaired mortgages was $101, $109 and $110 for the years ended December 31, 1999, 1998 and 1997, respectively.

The investment in restructured mortgage loans on real estate was $980 and $1,140 at December 31, 1999 and 1998, respectively. Interest income of $80, $74 and $91 was recognized on restructured loans for the years ended December 31,

1999, 1998 and 1997, respectively. Gross interest income that would have been recorded in accordance with the original terms of such loans amounted to $92, $87 and $116 for the years ended December 31, 1999, 1998 and 1997, respectively.

Mortgage loans on real estate with scheduled payments of 60 days (90 days for agriculture mortgages) or more past due or in foreclosure had an amortized cost of $44 and $65 at December 31, 1999 and 1998, respectively.

Real Estate and Real Estate Joint Ventures

Real estate and real estate joint ventures consisted of the following:

December 31	**1999**	1998
Real estate and real estate joint ventures held-for-investment	**$ 5,440**	$ 6,301
Impairments	**(289)**	(408)
	5,151	5,893
Real estate and real estate joint ventures held-for-sale	**719**	546
Impairments	**(187)**	(119)
Valuation allowance	**(34)**	(33)
	498	394
	$ 5,649	$ 6,287

Accumulated depreciation on real estate was $2,235 and $2,065 at December 31, 1999 and 1998, respectively. Related depreciation expense was $247, $282 and $338 for the years ended December 31, 1999, 1998 and 1997, respectively.

Real estate and real estate joint ventures were categorized as follows:

December 31	**1999**		1998	
	Amount	Percent	Amount	Percent
Office	**$ 3,846**	**68%**	$ 4,265	68%
Retail	**587**	**10%**	640	10%
Apartments	**474**	**8%**	418	7%
Land	**258**	**5%**	313	5%
Agriculture	**96**	**2%**	195	3%
Other	**388**	**7%**	456	7%
	$ 5,649	**100%**	$ 6,287	100%

The Company's real estate holdings are primarily located throughout the United States. At December 31, 1999, approximately 25%, 24% and 10% of the Company's real estate holdings were located in New York, California and Texas, respectively.

Changes in real estate and real estate joint ventures held-for-sale valuation allowance were as follows:

Years ended December 31	**1999**	1998	1997
Balance at January 1	**$ 33**	$ 110	$ 661
Additions charged (credited) to operations	**36**	(5)	(76)
Deductions for writedowns and dispositions	**(35)**	(72)	(475)
Balance at December 31	**$ 34**	$ 33	$ 110

Investment income related to impaired real estate and real estate joint ventures held-for-investment was $61, $105 and $28 for the years ended December 31, 1999, 1998 and 1997, respectively. Investment income related to real estate and real estate joint ventures held-for-sale was $14, $3 and $11 for the years ended December 31, 1999, 1998 and 1997, respectively. The carrying value of non-income producing real estate and real estate joint ventures was $22 and $1 at December 31, 1999 and 1998, respectively.

The Company owned real estate acquired in satisfaction of debt of $47 and $154 at December 31, 1999 and 1998, respectively.

Real estate of $37, $69 and $151 was acquired in satisfaction of debt during the years ended December 31, 1999, 1998 and 1997, respectively.

Leveraged Leases

Leveraged leases, included in other invested assets, consisted of the following:

December 31	**1999**	1998
Investment	**$ 1,016**	$ 1,067
Estimated residual values	**559**	607
	1,575	1,674
Unearned income	**(417)**	(471)
	$ 1,158	$ 1,203

The investment amounts set forth above are generally due in monthly installments. The payment periods generally range from four to 15 years, but in certain circumstances are as long as 30 years. Average yields range from 7% to 12%. These receivables are generally collateralized by the related property.

NOTE 3 Derivative Instruments

The table below provides a summary of the carrying value, notional amount and current market or fair value of derivative financial instruments (other than equity options) held at December 31, 1999 and 1998:

	1999				1998			
			Current Market or Fair Value				Current Market or Fair Value	
	Carrying Value	Notional Amount	Assets	Liabilities	Carrying Value	Notional Amount	Assets	Liabilities
Financial futures	**$ 27**	**$ 3,140**	**$ 37**	**$ 10**	$ 3	$ 2,190	$ 8	$ 6
Foreign exchange contracts	**—**	**—**	**—**	**—**	—	136	—	2
Interest rate swaps	**(32)**	**1,316**	**11**	**40**	(9)	1,621	17	50
Foreign currency swaps	**—**	**4,002**	**26**	**103**	(1)	580	3	62
Caps	**1**	**12,376**	**3**	**—**	—	8,391	—	—
Total contractual commitments	**$ (4)**	**$20,834**	**$ 77**	**$ 153**	$ (7)	$ 12,918	$ 28	$ 120

The following is a reconciliation of the notional amounts by derivative type and strategy at December 31, 1999 and 1998:

	December 31, 1998 Notional Amount	Additions	Terminations/ Maturities	December 31, **1999** Notional Amount
By Derivative Type				
Financial futures	$ 2,190	$ 18,259	$ 17,309	**$ 3,140**
Foreign exchange contracts	136	702	838	**—**
Interest rate swaps	1,621	429	734	**1,316**
Foreign currency swaps	580	3,501	79	**4,002**
Caps	8,391	5,860	1,875	**12,376**
Total contractual commitments	$ 12,918	$ 28,751	$ 20,835	**$ 20,834**
By Strategy				
Liability hedging	$ 8,741	$ 5,865	$ 2,035	**$ 12,571**
Invested asset hedging	864	4,288	937	**4,215**
Portfolio hedging	2,830	13,920	14,729	**2,021**
Anticipated transaction hedging	483	4,678	3,134	**2,027**
Total contractual commitments	$ 12,918	$ 28,751	$ 20,835	**$ 20,834**

The following table presents the notional amounts of derivative financial instruments by maturity at December 31, 1999:

	Remaining Life				
	One Year or Less	After One Year Through Five Years	After Five Years Through Ten Years	After Ten Years	Total
Financial futures	**$ 3,140**	**$ —**	**$ —**	**$ —**	**$ 3,140**
Interest rate swaps	**833**	**483**	**—**	**—**	**1,316**
Foreign currency swaps	**7**	**3,371**	**503**	**121**	**4,002**
Caps	**3,426**	**8,930**	**20**	**—**	**12,376**
Total contractual commitments	**$ 7,406**	**$ 12,784**	**$ 523**	**$ 121**	**$ 20,834**

In addition to the derivative instruments above, the Company uses equity option contracts as invested asset hedges. There were 92,000 equity option contracts outstanding with a carrying value of $(11) and a market value of $(11) at December 31, 1998.

NOTE 4 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:

December 31, 1999	Notional Amount	Carrying Value	Estimated Fair Value
Assets:			
Fixed maturities		**$ 96,981**	**$ 96,981**
Equity securities		**2,006**	**2,006**
Mortgage loans on real estate		**19,739**	**19,452**
Policy loans		**5,598**	**5,618**
Short-term investments		**3,055**	**3,055**
Cash and cash equivalents		**2,789**	**2,789**
Mortgage loan commitments	**$ 465**	**—**	**(7)**
Liabilities:			
Policyholder account balances		**37,170**	**36,893**
Short-term debt		**4,208**	**4,208**
Long-term debt		**2,514**	**2,466**
Investment collateral		**6,451**	**6,451**

December 31, 1998	Notional Amount	Carrying Value	Estimated Fair Value
Assets:			
Fixed maturities		$ 100,767	$ 100,767
Equity securities		2,340	2,340
Mortgage loans on real estate		16,827	17,793
Policy loans		5,600	6,143
Short-term investments		1,369	1,369
Cash and cash equivalents		3,301	3,301
Mortgage loan commitments	$ 472	—	14
Liabilities:			
Policyholder account balances		37,448	37,664
Short-term debt		3,585	3,585
Long-term debt		2,903	3,006
Investment collateral		3,769	3,769

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 in which the market values were not readily available, fair values were estimated using quoted market prices of comparable investments.

Mortgage Loans on Real Estate and Mortgage Loan Commitments

Fair values for mortgage loans on real estate 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.

Policy Loans

Fair values for policy loans are estimated by discounting expected future cash flows using U.S. treasury rates to approximate interest rates and the Company's past experiences to project patterns of loan accrual and repayment characteristics.

Cash and Cash Equivalents and Short-term Investments

The carrying values for cash and cash equivalents and short-term investments approximated fair market values due to the short-term maturities of these instruments.

Policyholder Account Balances

The fair value of policyholder account balances are estimated by discounting expected future cash flows, based on 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 and Investment Collateral

The fair values of short-term and long-term debt and investment collateral are determined by discounting expected future cash flows, using risk rates currently available for debt with similar terms and remaining maturities.

Derivative Instruments

The fair value of derivative instruments, including financial futures, financial forwards, interest rate and foreign currency swaps, floors, foreign exchange contracts, caps and options are based upon quotations obtained from dealers or other reliable sources. See Note 3 for derivative fair value disclosures.

NOTE 5 Employee Benefit Plans

Pension Benefit and Other Benefit Plans

The Company is both the sponsor and administrator of defined benefit pension plans covering all eligible employees and sales representatives of MetLife and certain of its subsidiaries. Retirement benefits are based upon years of credited service and final average earnings history.

The Company also provides certain postemployment benefits and certain postretirement health care and life insurance benefits for retired employees 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.

December 31	Pension Benefits		Other Benefits	
	1999	1998	**1999**	1998
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	**$ 3,920**	$ 3,573	**$ 1,708**	$ 1,763
Service cost	**100**	90	**28**	31
Interest cost	**271**	257	**107**	114
Actuarial (gains) losses	**(260)**	212	**(281)**	(74)
Divestitures, curtailments and terminations	**(22)**	24	**10**	(13)
Change in benefits	**—**	12	**—**	—
Benefits paid	**(272)**	(248)	**(89)**	(113)
Projected benefit obligation at end of year	**3,737**	3,920	**1,483**	1,708
Change in plan assets:				
Contract value of plan assets at beginning of year	**4,403**	4,056	**1,123**	1,004
Actuarial return on plan assets	**575**	680	**141**	171
Employer contribution	**20**	15	**24**	61
Benefits paid	**(272)**	(248)	**(89)**	(113)
Other payments	**—**	(100)	**—**	—
Contract value of plan assets at end of year	**4,726**	4,403	**1,199**	1,123
Over (under) funded	**989**	483	**(284)**	(585)
Unrecognized net asset at transition	**(66)**	(98)	**—**	—
Unrecognized net actuarial gains	**(564)**	(78)	**(487)**	(322)
Unrecognized prior service cost	**127**	145	**(2)**	(2)
Prepaid (accrued) benefit cost	**$ 486**	$ 452	**$ (773)**	$ (909)
Qualified plan prepaid pension cost	**$ 632**	$ 568	**$ —**	$ —
Non-qualified plan accrued pension cost	**(146)**	(116)	**—**	—
Prepaid benefit cost	**$ 486**	$ 452	**$ —**	$ —

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	
	1999	1998	**1999**	1998	**1999**	1998
Aggregate projected benefit obligation	**$ 3,482**	$ 3,697	**$ 255**	$ 223	**$ 3,737**	$ 3,920
Aggregate contract value of plan assets (principally Company contracts)	**4,726**	4,403	**—**	—	**4,726**	4,403
Over (under) funded	**$ 1,244**	$ 706	**$ (255)**	$ (223)	**$ 989**	$ 483

The assumptions used in determining the aggregate projected benefit obligation and aggregate contract value for the pension and other benefits were as follows:

Weighted average assumptions at December 31	Pension Benefits		Other Benefits	
	1999	1998	**1999**	1998
Discount rate	**6.25%–7.75%**	6.5%–7.25%	**6%–7.75%**	7%
Expected rate of return on plan assets	**8%–10.5%**	8.5%–10.5%	**6%–9%**	7.25%–9%
Rate of compensation increase	**4.5%–8.5%**	4.5%–8.5%	**N/A**	N/A

The assumed health care cost trend rates used in measuring the accumulated nonpension postretirement benefit obligation were 6.5% for pre-Medicare eligible claims and 6% for Medicare eligible claims in both 1999 and 1998.

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
Effect on total of service and interest cost components	$ 14	$ 11
Effect of accumulated postretirement benefit obligation	$ 134	$ 111

The components of periodic benefit costs were as follows:

	Pension Benefits			Other Benefits		
	1999	1998	1997	**1999**	1998	1997
Service cost	**$ 100**	$ 90	$ 74	**$ 28**	$ 31	$ 30
Interest cost	**271**	257	247	**107**	114	122
Expected return on plan assets	**(363)**	(337)	(324)	**(89)**	(79)	(66)
Amortization of prior actuarial gains	**(6)**	(11)	(5)	**(11)**	(13)	(4)
Curtailment (credit) cost	**(17)**	(10)	—	**10**	4	—
Net periodic benefit cost (credit)	**$ (15)**	$ (11)	$ (8)	**$ 45**	$ 57	$ 82

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 $45, $43 and $44 for the years ended December 31, 1999, 1998 and 1997, respectively.

NOTE 6 Separate Accounts

Separate accounts reflect two categories of risk assumption: non-guaranteed separate accounts totaling $47,618 and $39,490 at December 31, 1999 and 1998, respectively, for which the policyholder assumes the investment risk, and guaranteed separate accounts totaling $17,323 and $18,578 at December 31, 1999 and 1998, respectively, for which MetLife contractually guarantees either a minimum return or account value to the policyholder.

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 $485, $413 and $287 for the years ended December 31, 1999, 1998 and 1997, respectively. Guaranteed separate accounts consisted primarily of Met Managed Guaranteed Interest Contracts and participating close out contracts. The average interest rates credited on these contracts were 6.5% and 7% at December 31, 1999 and 1998, respectively. The assets that support these liabilities were comprised of $16,874 and $16,639 in fixed maturities at December 31, 1999 and 1998, respectively. The portfolios are segregated from other investments and are managed to minimize liquidity and interest rate risk. In order to minimize the risk of disintermediation associated with early withdrawals, these investment products carry a graded surrender charge as well as a market value adjustment.

NOTE 7 Debt

Debt consisted of the following:

December 31	1999	1998
MetLife:		
6.300% surplus notes due 2003	$ 397	$ 397
7.000% surplus notes due 2005	249	249
7.700% surplus notes due 2015	198	198
7.450% surplus notes due 2023	296	296
7.785% surplus notes due 2024	148	148
7.800% surplus notes due 2025	248	248
Other	130	207
	1,666	1,743
Investment related:		
Floating rate debt, interest based on LIBOR	—	212
Exchangeable debt, interest rates ranging from 4.90% to 5.80%, due 2001 and 2002	369	371
	369	583
Total MetLife	2,035	2,326
Nvest:		
7.060% senior notes due 2003	110	110
7.290% senior notes due 2007	160	160
	270	270
Other Affiliated Companies:		
Fixed rate notes, interest rates ranging from 6.96% to 8.51%, maturity dates ranging from 2000 to 2008	170	179
Other	39	128
	209	307
Total long-term debt	2,514	2,903
Total short-term debt	4,208	3,585
	$ 6,722	$ 6,488

Short-term debt consisted of commercial paper with a weighted average interest rate of 6.05% and 5.31% and a weighted average maturity of 74 and 44 days at December 31, 1999 and 1998, respectively.

The Company maintains unsecured credit facilities aggregating $7,000 (five-year facility of $1,000 expiring in April 2003; 364-day facility of $1,000 expiring in April 2000; 364-day facility of $5,000 expiring in September 2000). Both $1,000 facilities bear interest at LIBOR plus 20 basis points. The $5,000 facility bears interest at various rates under specified borrowing

scenarios. The facilities can be used for general corporate purposes and also provide backup for the Company's commercial paper program. At December 31, 1999, there were no outstanding borrowings under any of the facilities.

Payments of interest and principal on the surplus notes, subordinated to all other indebtedness, may be made only with the prior approval of the Superintendent. Subject to the prior approval of the Superintendent, the 7.45% surplus notes may be redeemed, in whole or in part, at the election of the Company at any time on or after November 1, 2003.

Each issue of investment related debt is payable in cash or by delivery of an underlying security owned by the Company. The amount payable at maturity of the debt is greater than the principal of the debt if the market value of the underlying security appreciates above certain levels at the date of debt repayment as compared to the market value of the underlying security at the date of debt issuance.

The aggregate maturities of long-term debt are $93 in 2000, $194 in 2001, $210 in 2002, $415 in 2003, $126 in 2004 and $1,477 thereafter.

Interest expense related to the Company's outstanding indebtedness was $358, $333 and $344 for the years ended December 31, 1999, 1998 and 1997, respectively.

NOTE 8 Acquisitions and Dispositions

In 1999 and 1997, respectively, the Company acquired assets of $4,832 and $3,777 and assumed liabilities of $1,860 and $3,347 through the acquisition of certain insurance and non-insurance operations. The aggregate purchase prices were allocated to the assets and liabilities acquired based on their estimated fair values.

During 1998, the Company sold MetLife Capital Holdings, Inc. (a commercial financing company) and a substantial portion of its Canadian and Mexican insurance operations, which resulted in a realized investment gain of $531. During 1997, the Company sold its United Kingdom insurance operations, which resulted in a realized investment gain of $139. Such sales caused a reduction in assets of $10,663 and $4,342 and liabilities of $3,691 and $4,207 in 1998 and 1997, respectively.

See Note 16 for information regarding the Company's acquisition of GenAmerica Corporation.

NOTE 9 Commitments and Contingencies

Litigation

The Company is currently a defendant in approximately 500 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."

On December 28, 1999, after a fairness hearing, the United States District Court for the Western District of Pennsylvania approved a class action settlement resolving a multidistrict litigation proceeding involving alleged sales practices claims. The settlement class includes most of the owners of permanent life insurance policies and annuity contracts or certificates issued pursuant to individual sales in the United States by Metropolitan Life Insurance Company, Metropolitan Insurance and Annuity Company or Metropolitan Tower Life Insurance Company between January 1, 1982 and December 31, 1997. This 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.

In addition to dismissing the consolidated class actions, the District Court's order also bars sales practices claims by class members for sales by the defendant insurers during the class period, effectively resolving all pending class actions against these insurers. The defendants are in the process of having these claims dismissed.

Under the terms of the order, only those class members who excluded themselves from the settlement may continue an existing, or start a new, sales practices lawsuit against Metropolitan Life Insurance Company, Metropolitan Insurance and Annuity Company or Metropolitan Tower Life Insurance Company for sales that occurred during the class period. Approximately 20,000 class members elected to exclude themselves from the settlement. Over 400 of the approximately 500 lawsuits noted above are brought by individuals who elected to exclude themselves from the settlement.

The settlement provides three forms of relief. General relief, in the form of free death benefits, is provided automatically to class members who did not exclude themselves from the settlement or who did not elect the claim evaluation procedures set forth in the settlement. The claim evaluation procedures permit a class member to have a claim evaluated by a third party under procedures set forth in the settlement. Claim awards made under the claim evaluation procedures

will be in the form of policy adjustments, free death benefits or, in some instances, cash payments. In addition, class members who have or had an ownership interest in specified policies will also automatically receive deferred acquisition cost tax relief in the form of free death benefits. The settlement fixes the aggregate amounts that are available under each form of relief.

The Company expects that the total cost of the settlement will be approximately $957. This amount is equal to the amount of the increase in liabilities for the death benefits and policy adjustments and the present value of expected cash payments to be provided to included class members, as well as attorneys' fees and expenses and estimated other administrative costs, but does not include the cost of litigation with policyholders who are excluded from the settlement. The Company believes that the cost of the settlement will be substantially covered by available reinsurance and the provisions made in its consolidated financial statements, and thus will not have a material adverse effect on its business, results of operations or financial position. The Company has not yet made a claim under those reinsurance agreements and, although there is a risk that the carriers will refuse coverage for all or part of the claim, the Company believes this is very unlikely to occur. The Company believes it has made adequate provision in its consolidated financial statements for all probable losses for sales practices claims, including litigation costs involving policyholders who are excluded from the settlement.

The class action does not resolve nine purported or certified class actions currently pending against New England Mutual Life Insurance Company with which the Company merged in 1996. Eight of those actions have been consolidated as a multi-district proceeding for pre-trial purposes in the United States District Court of Massachusetts. That Court certified a mandatory class as to those claims. Following an appeal of that certification, the United States Court of Appeals remanded the case to the District Court for further consideration. The Company is negotiating a settlement with class counsel.

The class action settlement also does not resolve three putative sales practices class action lawsuits which have been brought against General American Life Insurance Company. These lawsuits have been consolidated in a single proceeding in the United States District Court for the Eastern District of Missouri. General American Life Insurance Company and counsel for plaintiffs have negotiated a settlement in principle of this consolidated proceeding. General American Life Insurance Company has not reached agreement with plaintiffs' counsel on the attorneys' fees to be paid. However, negotiations are ongoing.

In addition, the class action settlement does not resolve two putative class actions involving sales practices claims filed against Metropolitan Life Insurance Company in Canada. The class action settlement also does not resolve a certified class action with conditionally certified subclasses against Metropolitan Life Insurance Company, Metropolitan Insurance and Annuity Company, Metropolitan Tower Life Insurance Company and various individual defendants alleging improper sales abroad. That lawsuit is pending in a New York federal court.

In the past, the Company has resolved some individual sales practices claims through settlement, dispositive motion or, in a few instances, 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.

Regulatory authorities in a small number of states, including both insurance departments and one state attorney general, as well as the National Association of Securities Dealers, Inc., have ongoing investigations or inquiries related to the Company's sales of individual life insurance policies or annuities, including investigations of alleged improper replacement transactions and alleged improper sales of insurance with inaccurate or inadequate disclosures as to the period for which premiums would be payable. Over the past several years, the Company has resolved a number of investigations by other regulatory authorities for monetary payments and certain other relief, and may continue to do so in the future.

MetLife 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. MetLife has never engaged in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products. Rather, these lawsuits, currently numbering in the thousands, have principally been based upon allegations relating to certain research, publication and other activities of one or more of MetLife's employees during the period from the 1920s through approximately the 1950s and alleging that MetLife 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. Legal theories asserted against MetLife have included negligence, intentional tort claims and conspiracy claims concerning the health risks associated with asbestos. While MetLife believes it has meritorious defenses to these claims, and has not suffered any adverse judgments in respect of these claims, most of the cases have been resolved by settlements. MetLife intends to continue to exercise its best judgment regarding settlement or defense of such cases. The number of such cases that may be brought or the aggregate amount of any liability that MetLife may ultimately incur is uncertain.

Significant portions of amounts paid in settlement of such cases have been funded with proceeds from a previously resolved dispute with MetLife's primary, umbrella and first level excess liability insurance carriers. MetLife is presently in litigation with several of its excess liability insurers regarding amounts payable under its policies with respect to coverage for these claims. The trial court has granted summary judgment to these insurers. MetLife has appealed. There can be no assurances regarding the outcome of this litigation or the amount and timing of recoveries, if any, from these excess liability insurers. MetLife's asbestos-related litigation with these insurers should have no effect on its recoveries under the excess insurance policies described below.

The Company has recorded, in other expenses, charges of $499 ($317 after-tax), $1,895 ($1,203 after-tax) and $300 ($190 after-tax) for the years ended December 31, 1999, 1998 and 1997, respectively, for sales practices claims and claims for personal injuries caused by exposure to asbestos or asbestos-containing products. The 1999 charge was principally related to the settlement of the multidistrict litigation proceeding involving alleged improper sales practices, accruals for sales practices claims not covered by the settlement and other legal costs. The 1998 charge was comprised of $925 and $970 for sales practices claims and asbestos-related claims, respectively. The Company recorded the charges for sales practices claims based on preliminary settlement discussions and the settlement history of other insurers.

Prior to the fourth quarter of 1998, the Company established a liability for asbestos-related claims based on settlement costs for claims that the Company had settled, estimates of settlement costs for claims pending against the Company and an estimate of settlement costs for unasserted claims. The amount for unasserted claims was based on management's estimate of unasserted claims that would be probable of assertion. A liability is not established for claims which management believes are only reasonably possible of assertion. Based on this process, the accrual for asbestos-related claims at December 31, 1997 was $386. Potential liabilities for asbestos-related claims are not easily quantified, due to the nature of the allegations against the Company, which are not related to the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products, adding to the uncertainty as to the number of claims that may be brought against the Company.

During 1998, the Company decided to pursue the purchase of excess insurance to limit its exposure to asbestos-related claims. In connection with the negotiations with the casualty insurers to obtain this insurance, the Company obtained information that caused management to reassess the accruals for asbestos-related claims. This information included:

- Information from the insurers regarding the asbestos-related claims experience of other insureds, which indicated that the number of claims that were probable of assertion against the Company in the future was significantly greater than it had assumed in its accruals. The number of claims brought against the Company is generally a reflection of the number of asbestos-related claims brought against asbestos defendants generally and the percentage of those claims in which the Company is included as a defendant. The information provided to the Company relating to other insureds indicated that the Company had been included as a defendant for a significant percentage of total asbestos-related claims and that it may be included in a larger percentage of claims in the future, because of greater awareness of asbestos litigation generally by potential plaintiffs and plaintiffs' lawyers and because of the bankruptcy and reorganization or the exhaustion of insurance coverage of other asbestos defendants; and that, although volatile, there was an upward trend in the number of total claims brought against asbestos defendants.

- Information derived from actuarial calculations the Company made in the fourth quarter of 1998 in connection with these negotiations, which helped to frame, define and quantify this liability. These calculations were made using, among other things, current information regarding the Company's claims and settlement experience (which reflected the Company's decision to resolve an increased number of these claims by settlement), recent and historic claims and settlement experience of selected other companies and information obtained from the insurers.

Based on this information, the Company concluded that certain claims that previously were considered as only reasonably possible of assertion were now probable of assertion, increasing the number of assumed claims to approximately three times the number assumed in prior periods. As a result of this reassessment, the Company increased its liability for asbestos-related claims to $1,278 at December 31, 1998.

During 1998, the Company paid $1,407 of premiums for excess of loss reinsurance agreements and excess insurance policies, consisting of $529 for the excess of loss reinsurance agreements for sales practices claims and excess mortality losses and $878 for the excess insurance policies for asbestos-related claims.

The Company obtained the excess of loss reinsurance agreements to provide reinsurance with respect to sales practices claims made on or prior to December 31, 1999 and for certain mortality losses in 1999. These reinsurance agreements have

a maximum aggregate limit of $650, with a maximum sublimit of $550 for losses for sales practices claims. This coverage is in excess of an aggregate self-insured retention of $385 with respect to sales practices claims and $506, plus the Company's statutory policy reserves released upon the death of insureds, with respect to life mortality losses. At December 31, 1999, the subject losses under the reinsurance agreements due to sales practices claims and related counsel fees from the time the Company entered into the reinsurance agreements did not exceed that self-insured retention. The maximum sublimit of $550 for sales practices claims was within a range of losses that management believed were reasonably possible at December 31, 1998. Each excess of loss reinsurance agreement for sales practices claims and mortality losses contains an experience fund, which provides for payments to the Company at the commutation date if experience is favorable at such date. The Company accounts for the aggregate excess of loss reinsurance agreements as reinsurance; however, if deposit accounting were applied, the effect on the Company's consolidated financial statements in 1998, 1999 and 2000, would not be significant.

Under reinsurance accounting, the excess of the liability recorded for sales practices losses recoverable under the agreements of $550 over the premium paid of $529 results in a deferred gain of $21 which is being amortized into income over the settlement period from January 1999 through April 2000. Under deposit accounting, the premium would be recorded as an other asset rather than as an expense, and the reinsurance loss recoverable and the deferred gain would not have been recorded. Because the agreements also contain an experience fund which increases with the passage of time, the increase in the experience fund in 1999 and 2000 under deposit accounting would be recognized as interest income in an amount approximately equal to the deferred gain that will be amortized into income under reinsurance accounting.

The excess insurance policies for asbestos-related claims provide for recovery of losses up to $1,500, which is in excess of a $400 self-insured retention ($878 of which was recorded as a recoverable at December 31, 1999 and 1998). 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 in any given year that are recoverable under the policies will be reflected as a reduction in the Company's operating cash flows for that year, 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 the Company at the commutation date if experience under the policy to such date has been favorable, or pro rata reductions from time to time in the loss reimbursements to the Company if the cumulative return on the reference fund is less than the return specified in the experience fund.

A purported class action suit involving policyholders in 32 states has been filed in a Rhode Island state court against MetLife's subsidiary, Metropolitan Property and Casualty Insurance Company, with respect to claims by policyholders for the alleged diminished value of automobiles after accident-related repairs. A similar "diminished value" allegation was made recently in a Texas Deceptive Trade Practices Act letter and lawsuit which involve a Metropolitan Property and Casualty Company policyholder. A purported class action has been filed against Metropolitan Property and Casualty Insurance Company and its subsidiary, Metropolitan Casualty Insurance Company, in Florida by a policyholder alleging breach of contract and unfair trade practices with respect to Metropolitan Casualty Insurance Company allowing the use of parts not made by the original manufacturer to repair damaged automobiles. These suits are in the early stages of litigation and Metropolitan Property and Casualty Insurance Company and Metropolitan Casualty Insurance Company intend to vigorously defend themselves against these suits. Similar suits have been filed against several other personal lines property and casualty insurers.

The United States, the Commonwealth of Puerto Rico and various hotels and individuals have sued MetLife Capital Corporation, a former subsidiary of the Company, seeking damages for clean up costs, natural resource damages, personal injuries and lost profits and taxes based upon, among other things, a release of oil from a barge which was being towed by the *M/V Emily S.* In connection with the sale of MetLife Capital, the Company acquired Metlife Capital's potential liability with respect to the *M/V Emily S* lawsuit. MetLife Capital had entered into a sale and leaseback financing arrangement with respect to the *M/V Emily S*. The plaintiffs have taken the position that MetLife Capital, as the owner of record of the *M/V Emily S,* is responsible for all damages caused by the barge, including the oil spill. The governments of the United States and Puerto Rico have claimed damages in excess of $150. At a mediation, the action brought by the United States and Puerto Rico was conditionally settled, provided that the governments have access to additional sums from a fund contributed to by oil companies to help remediate oil spills. The Company can provide no assurance that this action will be settled in this manner.

Three putative class actions have been filed by Conning Corporation shareholders alleging that the Company's announced offer to purchase the publicly-held Conning shares is inadequate and constitutes a breach of fiduciary duty (see Note 16). The Company believes the actions are without merit, and expects that they will not materially affect its offer to purchase the shares.

A civil complaint challenging the fairness of the plan of reorganization and the adequacy and accuracy of the disclosures to policyholders regarding the plan has been filed in New York Supreme Court for Kings County on behalf of an alleged class consisting of the policyholders of MetLife who should have membership benefits in MetLife and were and are eligible to receive notice, vote and receive consideration in the demutualization. The complaint seeks to enjoin or rescind the plan and seeks other relief. The defendants named in the complaint are MetLife and the individual members of its board of directors and MetLife, Inc. MetLife believes that the allegations made in the complaint are wholly without merit, and intends to vigorously contest the complaint.

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.

In some of the matters referred to above, very large and/or indeterminate amounts, including punitive and treble damages, are sought. While 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, it is the opinion of the Company's management that their outcomes, after consideration of available insurance and reinsurance and the provisions made in the Company's consolidated financial statements, are not likely to have a material adverse effect on the Company's consolidated financial position. 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 operating results or cash flows in particular quarterly or annual periods.

Transferred Canadian Policies

In July 1998, MetLife sold a substantial portion of its Canadian operations to Clarica Life. As part of that sale, a large block of policies in effect with MetLife in Canada were transferred to Clarica Life, and the holders of the transferred Canadian policies became policyholders of Clarica Life. Those transferred policyholders are no longer policyholders of MetLife and, therefore, are not entitled to compensation under the plan of reorganization. However, as a result of a commitment made in connection with obtaining Canadian regulatory approval of that sale, if MetLife demutualizes, its Canadian branch will make cash payments to those who are, or are deemed to be, holders of those transferred Canadian policies. The payments, which will be recorded in other expenses in the same period as the effective date of the plan, will be determined in a manner that is consistent with the treatment of, and fair and equitable to, eligible policyholders of MetLife. The amount of the payment is dependent upon the initial public offering price of common stock to be issued on the effective date of the plan of demutualization.

Year 2000

The Year 2000 issue was the result of the widespread use of computer programs written using two digits (rather than four) to define the applicable year. Such programming was a common industry practice designed to avoid the significant costs associated with additional mainframe capacity necessary to accommodate a four-digit field. As a result, any of the Company's computer systems that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in major system failures or miscalculations. The Company has conducted a comprehensive review of its computer systems to identify the systems that could be affected by the Year 2000 issue and has implemented a plan to resolve the issue. There can be no assurances that the Year 2000 plan of the Company or that of its vendors or third parties have resolved all Year 2000 issues. Further, there can be no assurance that there will not be any future system failure or that such failure, if any, will not have a material impact on the operations of the Company.

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 subrental income and minimum gross rental payments relating to these lease agreements were as follows:

	Rental Income	Sublease Income	Gross Rental Payments
2000	$ 817	$ 13	$ 156
2001	740	12	135
2002	689	11	111
2003	612	9	90
2004	542	9	69
Thereafter	2,032	27	299

NOTE 10 Income Taxes

The provision for income taxes was as follows:

Years ended December 31	**1999**	1998	1997
Current:			
Federal	**$ 643**	$ 668	$ 370
State and local	**24**	60	10
Foreign	**4**	99	26
	671	827	406
Deferred:			
Federal	**(78)**	(25)	28
State and local	**2**	(8)	9
Foreign	**(2)**	(54)	25
	(78)	(87)	62
Provision for income taxes	**$ 593**	$ 740	$ 468

Reconciliations of the income tax provision at the U.S. statutory rate to the provision for income taxes as reported were as follows:

Years ended December 31	**1999**	1998	1997
Tax provision at U.S. statutory rate	**$ 502**	$ 730	$ 585
Tax effect of:			
Tax exempt investment income	**(39)**	(40)	(30)
Surplus tax	**125**	18	(40)
State and local income taxes	**18**	31	15
Tax credits	**(5)**	(25)	(15)
Prior year taxes	**(31)**	4	(2)
Sale of businesses	**—**	(19)	(41)
Other, net	**23**	41	(4)
Provision for income taxes	**$ 593**	$ 740	$ 468

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	**1999**	1998
Deferred income tax assets:		
Policyholder liabilities and receivables	**$ 3,042**	$ 3,108
Net operating losses	**72**	22
Net unrealized investment losses	**161**	—
Employee benefits	**192**	174
Litigation related	**468**	312
Other	**242**	158
	4,177	3,774
Less: Valuation allowance	**72**	21
	4,105	3,753
Deferred income tax liabilities:		
Investments	**1,472**	1,529
Deferred policy acquisition costs	**1,967**	1,887
Net unrealized investment gains	**—**	864
Other	**63**	18
	3,502	4,298
Net deferred income tax asset (liability)	**$ 603**	$ (545)

Foreign net operating loss carryforwards generated deferred income tax benefits of $72 and $21 at December 31, 1999 and 1998, respectively. The Company has recorded a valuation allowance related to these tax benefits. 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 foreign net operating loss carryforwards will not be realized. The benefit will be recognized when management believes that it is more likely than not that the portion of the deferred income tax asset is realizable.

The Company has been audited by the Internal Revenue Service for the years through and including 1993. The Company is being audited for the years 1994, 1995 and 1996. The Company believes that any adjustments that might be required for open years will not have a material effect on the Company's consolidated financial statements.

NOTE 11 Reinsurance

The Company assumes and cedes insurance with other insurance companies. The Company continually evaluates the financial condition of its reinsurers and monitors concentration of credit risk in an effort to minimize its exposure to significant losses from reinsurer insolvencies. The Company is contingently liable with respect to ceded reinsurance should any reinsurer be unable to meet its obligations under these agreements. The amounts in the consolidated statements of income are presented net of reinsurance ceded.

The Company's life insurance operations participate in reinsurance in order to limit losses, minimize exposure to large risks and to provide additional capacity for future growth. During 1998, the Company began reinsuring, under yearly renewal term policies, 90 percent of the mortality risk on universal life policies issued after 1983. The Company also reinsures 90 percent of the mortality risk on term life insurance policies issued after 1995 under yearly renewal term policies and coinsures 100 percent of the mortality risk in excess of $25 and $35 on single and joint survivorship policies, respectively.

During 1997, the Company obtained a 100 percent coinsurance policy to provide coverage for contractual payments generated by certain portions of the Company's non-life contingency long-term guaranteed interest contracts and structured settlement lump sum contracts issued during the periods 1991 through 1993. The policy was amended in 1998 to include structured settlement lump sum payments issued during the period 1983 through 1990, 1994 and 1995. Reinsurance recoverables under the contract, which has been accounted for as a financing transaction, were $1,372 and $1,374 at December 31, 1999 and 1998, respectively.

See Note 9 for information regarding certain excess of loss reinsurance agreements providing coverage for risks associated primarily with sales practices claims.

The Company has exposure to catastrophes, which are an inherent risk of the property and casualty insurance business and could contribute to material 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's reinsurance program is designed to limit a catastrophe loss to no more than 10% of the Auto & Home segment's statutory surplus.

The effects of reinsurance were as follows:

Years ended December 31	**1999**	1998	1997
Direct premiums	**$ 13,249**	$ 12,763	$ 12,728
Reinsurance assumed	**484**	409	360
Reinsurance ceded	**(1,645)**	(1,669)	(1,810)
Net premiums	**$ 12,088**	$ 11,503	$ 11,278
Reinsurance recoveries netted against policyholder benefits	**$ 1,626**	$ 1,744	$ 1,648

The effects of reinsurance with GenAmerica Corporation ("GenAmerica") were as follows:

Years ended December 31	**1999**	1998	1997
Premiums ceded to GenAmerica	**$ 108**	$ 113	$ 61
Reinsurance recoveries from GenAmerica netted against policyholder benefits	**$ 74**	$ 28	$ 24

Reinsurance recoverables, included in other receivables, were $2,898 and $3,134 at December 31, 1999 and 1998, respectively, of which $5 and $5, respectively, were recoverable from GenAmerica. Reinsurance and ceded commissions payables, included in other liabilities, were $148 and $105 at December 31, 1999 and 1998, respectively.

The following provides an analysis of the activity in the liability for benefits relating to property and casualty and group accident and non-medical health policies and contracts:

Years ended December 31	1999	1998	1997
Balance at January 1	$ 3,320	$ 3,655	$ 3,345
Reinsurance recoverables	(233)	(229)	(215)
Net balance at January 1	3,087	3,426	3,130
Acquisition of business	204	—	—
Incurred related to:			
Current year	3,129	2,726	2,855
Prior years	(16)	(245)	88
	3,113	2,481	2,943
Paid related to:			
Current year	(2,128)	(1,967)	(1,832)
Prior years	(759)	(853)	(815)
	(2,887)	(2,820)	(2,647)
Balance at December 31	3,517	3,087	3,426
Add: Reinsurance recoverables	272	233	229
Balance at December 31	$ 3,789	$ 3,320	$ 3,655

NOTE 12 Other Expenses

Other expenses were comprised of the following:

Years ended December 31	1999	1998	1997
Compensation	$ 2,590	$2,478	$2,078
Commissions	937	902	766
Interest and debt issue costs	405	379	453
Amortization of policy acquisition costs [excludes amortization of $(46), $240 and $70, respectively, related to realized investment gains and (losses)]	862	587	771
Capitalization of policy acquisition costs	(1,160)	(1,025)	(1,000)
Rent, net of sublease income	239	155	179
Minority interest	55	67	56
Restructuring charge	—	81	—
Other	2,827	4,395	2,468
	$ 6,755	$ 8,019	$ 5,771

During 1998, the Company recorded charges of $81 to restructure headquarters operations and consolidate certain agencies and other operations. These costs have been fully paid at December 31, 1999.

NOTE 13 Statutory Financial Information

The reconciliations of MetLife's statutory surplus and net change in statutory surplus, determined in accordance with accounting practices prescribed or permitted by insurance regulatory authorities, with equity and net income determined in conformity with generally accepted accounting principles were as follows:

December 31	1999	1998
Statutory surplus	$ 7,630	$ 7,388
GAAP adjustments for:		
Future policy benefits and policyholder account balances	(4,167)	(6,830)
Deferred policy acquisition costs	8,381	6,560
Deferred income taxes	886	(190)
Valuation of investments	(2,102)	3,981
Statutory asset valuation reserves	3,189	3,381
Statutory interest maintenance reserves	1,114	1,486
Surplus notes	(1,602)	(1,595)
Other, net	361	686
Equity	$ 13,690	$ 14,867

Years ended December 31	1999	1998	1997
Net change in statutory surplus	$ 242	$ 10	$ 227
GAAP adjustments for:			
Future policy benefits and policyholder account balances	556	127	(38)
Deferred policy acquisition costs	379	224	149
Deferred income taxes	154	234	62
Valuation of investments	473	1,158	(387)
Statutory asset valuation reserves	(226)	(461)	1,136
Statutory interest maintenance reserves	(368)	312	53
Other, net	(593)	(261)	1
Net income	$ 617	$ 1,343	$ 1,203

NOTE 14 Other Comprehensive Income (Loss)

The following table sets forth the reclassification adjustments required for the years ended December 31, 1999, 1998 and 1997 to avoid double-counting in other comprehensive income (loss) items 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:

	1999	1998	1997
Holding (losses) gains on investments arising during the year	**$ (6,314)**	$ 1,493	$ 4,257
Income tax effect of holding gains or losses	**2,262**	(617)	(1,615)
Transfer of securities from held-to-maturity to available-for-sale:			
Holding gains on investments	**—**	—	198
Income tax effect	**—**	—	(75)
Reclassification adjustments:			
Realized holding (gains) losses included in current year net income	**38**	(2,013)	(844)
Amortization of premium and discount on investments	**(307)**	(350)	(209)
Realized holding (losses) gains allocated to other policyholder amounts	**(67)**	608	231
Income tax effect	**120**	729	312
Allocation of holding losses (gains) on investments relating to other policyholder amounts	**3,788**	(351)	(2,231)
Income tax effect of allocation of holding gains and losses to other policyholder amounts	**(1,357)**	143	846
Net unrealized investment (losses) gains	**(1,837)**	(358)	870
Foreign currency translation adjustments arising during the year	**50**	(115)	(46)
Reclassification adjustment for sale of investment in foreign operation	**—**	2	(3)
Foreign currency translation adjustment	**50**	(113)	(49)
Minimum pension liability adjustment	**(7)**	(12)	—
Other comprehensive income (loss)	**$ (1,794)**	$ (483)	$ 821

NOTE 15 Business Segment Information

The Company provides insurance and financial services to customers in the United States, Canada, Central America, South America, Europe and Asia. The Company's business is divided into six segments: Individual, Institutional, Auto & Home, International, Asset Management and Corporate. These segments are managed separately because they either provide different products and services, require different strategies or have different technology requirements.

Individual offers a wide variety of individual insurance and investment products, including life insurance, annuities and mutual funds. Institutional offers a broad range of group insurance and retirement and 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. Auto & Home provides insurance coverages including private passenger automobile, homeowners and personal excess liability insurance. International provides life insurance, accident and health insurance, annuities and retirement and savings products to both individuals and groups, and auto and homeowners coverage to individuals. Asset Management provides a broad variety of asset management products and services to individuals and institutions such as mutual funds for savings and retirement needs, commercial real estate advisory and management services, and institutional and retail investment management. Through its Corporate segment, the Company reports items that are not allocated to any of the business segments.

Set forth in the tables below is certain financial information with respect to the Company's operating segments for the years ended December 31, 1999, 1998 and 1997. The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except for the method of capital allocation. 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 has divested operations that did not meet targeted rates of return, including its commercial leasing business (Corporate segment) and substantial portions of its Canadian operations (International segment) and insurance operations in the United Kingdom (International segment). The Company evaluates the performance of each operating segment based upon income or loss from operations before provision for income taxes and non-recurring items (e.g. items of unusual or infrequent nature). The Company allocates non-recurring items (primarily consisting of sales practices claims and claims for personal injuries caused by exposure to asbestos or asbestos-containing products) and prior to its sale in 1998, the results of MetLife Capital Holdings, Inc. to the Corporate segment.

At or for the year ended December 31, 1999	Individual	Institutional	Auto & Home	International	Asset Management	Corporate	Consolidation/ Elimination	Total
Premiums	$ 4,289	$ 5,525	$ 1,751	$ 523	$ —	$ —	$ —	$ 12,088
Universal life and investment-type product policy fees	888	502	—	48	—	—	—	1,438
Net investment income	5,346	3,755	103	206	80	605	(279)	9,816
Other revenues	558	629	21	12	803	59	72	2,154
Net realized investment gains (losses)	(14)	(31)	1	1	—	(41)	14	(70)
Policyholder benefits and claims	4,625	6,712	1,301	463	—	—	4	13,105
Interest credited to policyholder account balances	1,359	1,030	—	52	—	—	—	2,441
Policyholder dividends	1,509	159	—	22	—	—	—	1,690
Other expenses	2,719	1,589	514	248	795	1,031	(141)	6,755
Income (loss) before provision for income taxes and extraordinary item	855	890	61	5	88	(408)	(56)	1,435
Income (loss) after provision for income taxes before extraordinary item	555	567	56	21	51	(358)	(50)	842
Total assets	109,401	88,127	4,443	4,381	1,036	19,834	(1,990)	225,232
Deferred policy acquisition costs	8,049	106	93	244	—	—	—	8,492
Separate account assets	28,828	35,236	—	877	—	—	—	64,941
Policyholder liabilities	72,956	47,781	2,318	2,187	—	6	(293)	124,955
Separate account liabilities	28,828	35,236	—	877	—	—	—	64,941

At or for the year ended December 31, 1998	Individual	Institutional	Auto & Home	International	Asset Management	Corporate	Consolidation/ Elimination	Total
Premiums	$ 4,323	$ 5,159	$ 1,403	$ 618	$ —	$ —	$ —	$ 11,503
Universal life and investment-type product policy fees	817	475	—	68	—	—	—	1,360
Net investment income	5,480	3,885	81	343	75	682	(318)	10,228
Other revenues	474	575	36	33	817	111	(52)	1,994
Net realized investment gains	659	557	122	117	—	679	(113)	2,021
Policyholder benefits and claims	4,606	6,416	1,029	597	—	(10)	—	12,638
Interest credited to policyholder account balances	1,423	1,199	—	89	—	—	—	2,711
Policyholder dividends	1,445	142	—	64	—	—	—	1,651
Other expenses	2,577	1,613	386	352	799	2,601	(309)	8,019
Income (loss) before provision for income taxes and extraordinary item	1,702	1,281	227	77	93	(1,119)	(174)	2,087
Income (loss) after provision for income taxes before extraordinary item	1,069	846	161	56	49	(691)	(143)	1,347
Total assets	103,614	88,741	2,763	3,432	1,164	20,852	(5,220)	215,346
Deferred policy acquisition costs	6,194	82	57	205	—	—	—	6,538
Separate account assets	23,013	35,029	—	26	—	—	—	58,068
Policyholder liabilities	71,571	49,406	1,477	2,043	—	1	(295)	124,203
Separate account liabilities	23,013	35,029	—	26	—	—	—	58,068

At or for the year ended December 31, 1997	Individual	Institutional	Auto & Home	International	Asset Management	Corporate	Consolidation/ Elimination	Total
Premiums	$ 4,327	$ 4,689	$ 1,354	$ 908	$ —	$ —	$ —	11,278
Universal life and investment-type product policy fees	855	426	—	137	—	—	—	1,418
Net investment income	4,754	3,754	71	504	78	700	(370)	9,491
Other revenues	338	357	25	54	682	19	16	1,491
Net realized investment gains	356	45	9	142	—	326	(91)	787
Policyholder benefits and claims	4,597	5,934	1,003	869	—	—	—	12,403
Interest credited to policyholder account balances	1,422	1,319	—	137	—	—	—	2,878
Policyholder dividends	1,340	305	—	97	—	—	—	1,742
Other expenses	2,394	1,178	351	497	679	966	(294)	5,771
Income before provision for income taxes	877	535	105	145	81	79	(151)	1,671
Income after provision for income taxes	599	339	74	126	45	163	(143)	1,203
Total assets	95,323	83,473	2,542	7,412	1,136	18,641	(5,745)	202,782
Deferred policy acquisition costs	5,912	40	56	428	—	—	—	6,436
Separate account assets	17,345	30,473	—	520	—	—	—	48,338
Policyholder liabilities	70,686	49,547	1,509	5,615	—	1	—	127,358
Separate account liabilities	17,345	30,473	—	520	—	—	—	48,338

The Individual segment includes an equity ownership interest in Nvest Companies, L.P. ("Nvest") under the equity method of accounting. Nvest has been included within the Asset Management segment due to the types of products and strategies employed by the entity. The individual segment's equity in earnings of Nvest, which is included in net investment income, was $48, $49 and $45 for the years ended December 31, 1999, 1998 and 1997, respectively. The investment in Nvest was $196, $252 and $216 at December 31, 1999, 1998 and 1997, respectively.

Net investment income and net realized investment gains are based upon the actual results of each segment's specifically identifiable asset portfolio. Other costs and operating costs were allocated to each of the segments based upon: (1) a review of the nature of such costs, (2) time studies analyzing the amount of employee compensation costs incurred by each segment, and (3) cost estimates included in the Company's product pricing.

The consolidation/elimination column includes the elimination of all intersegment amounts and the Individual segment's ownership interest in Nvest. The principal component of the intersegment amounts related to intersegment loans, which bore interest at rates commensurate with related borrowings.

Revenues derived from any customer did not exceed 10% of consolidated revenues. Revenues from U.S. operations were $24,637, $25,643 and $22,664 for the years ended December 31, 1999, 1998 and 1997, respectively, which represented 97%, 96% and 93%, respectively, of consolidated revenues.

NOTE 16 Subsequent Events

On January 6, 2000, the Company acquired GenAmerica for $1.2 billion. In connection with this acquisition, the Company incurred $900 of short-term debt. GenAmerica is a holding company which includes General American Life Insurance Company, 48.3% of the outstanding shares of Reinsurance Group of America ("RGA") common stock, a provider of reinsurance, and 61.0% of the outstanding shares of Conning Corporation common stock, an asset manager. On January 18, 2000, the Company announced that it had proposed to acquire all of the outstanding shares of Conning common stock not already owned by it for $10.50 per share in cash, or approximately $55. At December 31, 1999, the Company owned 9.6% of the outstanding shares of RGA common stock which were acquired on November 24, 1999 for $125. Subsequent to the GenAmerica acquisition, the Company owned 57.9% of the outstanding shares of RGA common stock. Total assets, revenues and net loss of GenAmerica were $23,594, $3,916 and $(174), respectively, at or for the year ended December 31, 1999.

As part of the acquisition agreement, in September 1999 the Company assumed $5,752 of General American Life funding agreements and received cash of $1,926 and investment assets with a market value of $3,826. In October 1999, as part of the assumption arrangement, the holders of General American Life funding agreements aggregating $5,136 elected to have the Company redeem the funding agreements for cash. General American Life agreed to pay the Company a fee of $120 in connection with the assumption of the funding agreements. The fee will be considered as part of the purchase price to be allocated to the fair value of assets and liabilities acquired. The Company also agreed to make a capital contribution of $120 to General American Life after the completion of the acquisition.

At the date of the acquisition agreement, the Company and GenAmerica were parties to a number of reinsurance agreements. In addition, as part of the acquisition, the Company entered into agreements effective as of July 25, 1999, which coinsured new and certain existing business of General American Life and some of its affiliates. See Note 11.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Policyholders of Metropolitan Life Insurance Company:

We have audited the accompanying consolidated balance sheets of Metropolitan Life Insurance Company and subsidiaries (the "Company") as of December 31, 1999 and 1998, and the related consolidated statements of income, equity and cash flows for each of the three years in the period ended December 31, 1999. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 1999 and 1998, and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

New York, New York
February 7, 2000

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The consolidated financial statements of MetLife included in this Annual Report were prepared by the Company in conformity with generally accepted accounting principles, and management believes they fairly present the financial position and results of operations of the Company in conformity with such principles.

The financial information developed from corporate records is subject to audit by independent accounting firms retained by the Company.

The Company is committed to maintaining strong systems of internal financial control over all Company operations. The operation of the Company for the benefit of its policyholders requires that the highest level of financial integrity be maintained and the Company's commitment to strong internal financial controls is an aspect of this requirement.

Based on the Company's review of operating procedures and audits conducted by the Company's internal auditors and the outside accounting firms retained by the Company, it is management's opinion that its existing internal financial controls are adequate.

The audit committee of the Company's Board of Directors selects the independent accounting firm retained to audit the Company's consolidated financial statements. This committee, which consists solely of outside directors, considers the scope of the examination by the outside accounting firm and discusses any findings it might wish to report.

The audit committee also receives reports that provide the committee with a knowledge of the financial control reviews being performed by the internal accountants and auditors, as well as assurance that our accounting records properly reflect the Company's financial position.

UNITED STATES

ASSET MANAGEMENT

CONNING CORPORATION, St. Louis and Hartford, a subsidiary of GenAmerica Corporation, provides asset management, research and private equity services to the insurance and financial services industries. The company markets to investor organizations, primarily insurance companies.
JAMES L. LIPSCOMB, PRESIDENT AND CEO

INSURANCE

GENERAL AMERICAN LIFE INSURANCE COMPANY, St. Louis, a subsidiary of GenAmerica Corporation, serves individuals with life insurance as well as retirement plans and related financial services. Licensed in 49 states (excluding New York), 10 Canadian provinces, Puerto Rico and the District of Columbia, General American markets a comprehensive portfolio of individual products primarily to serve professionals, business owners-executives, and others who need large amounts of insurance.
RICHARD A. LIDDY, CHAIRMAN AND CEO
KEVIN C. EICHNER, PRESIDENT

METROPOLITAN PROPERTY AND CASUALTY INSURANCE COMPANY, Warwick, R.I., provides automobile and/or homeowner's and other related individual lines of insurance under the brand name MetLife® Auto & Home in all states and the District of Columbia.
STEWART G. NAGLER, CHAIRMAN
CATHERINE A. REIN, PRESIDENT AND CEO

NEW ENGLAND LIFE INSURANCE COMPANY, Boston, sells individual life and disability insurance and annuities, institutional pension products and services, and institutional life and health and retirement savings products, focusing on the upper-income individual markets and estate planning and small-business owner sectors. It operates under the trade name New England Financial.®
JAMES M. BENSON, CHAIRMAN, PRESIDENT AND CEO

SECURITY FIRST LIFE INSURANCE COMPANY, Los Angeles, offers a broad range of annuities to public employees and bank customers and administers state and local 401(k) plans and deferred compensation plans. It is licensed in 49 states (excluding New York) and the District of Columbia.
DAVID A. LEVENE, CHAIRMAN
RICHARD C. PEARSON, PRESIDENT

TEXAS LIFE INSURANCE COMPANY, Waco, sells individual life insurance products through independent agents and other MetLife distribution channels and serves a growing market in voluntary payroll deduction life products. Texas Life is licensed in 43 states and the District of Columbia.
DAVID A. LEVENE, CHAIRMAN
STEVEN T. CATES, PRESIDENT AND CEO

FINANCING AND INVESTING

METLIFE FUNDING, INC., New York, serves as the major conduit to debt capital markets for MetLife and affiliated companies.
WILLIAM J. WHEELER, CHAIRMAN, PRESIDENT AND CEO

METLIFE SECURITIES, INC., New York, acts as an investment adviser for the sale of financial planning services and as a broker-dealer for the sale of mutual funds and other securities through MetLife account representatives and other distribution channels.
RICHARD R. TARTRE, CHAIRMAN
ELAINE S. STEVENSON, PRESIDENT

NVEST, L.P., Boston, is a master limited partnership with $133 billion in assets under management as of December 31, 1999. MetLife owns about 48 percent of the partnership units of Nvest companies, which is comprised of 18 subsidiaries, divisions and affiliates offering a wide array of investment styles and products to institutional and individual clients. Its affiliated partnership, Nvest, L.P., is listed on the New York Stock Exchange and is considered one of the largest publicly traded investment organizations in America.
PETER S. VOSS, CHAIRMAN, PRESIDENT AND CEO

STATE STREET RESEARCH & MANAGEMENT COMPANY, Boston, with a history dating back to 1924, is one of the nation's first investment management organizations. The Boston-based company actively manages stock, bond and balanced portfolios for both institutional and individual investors. As of December 31, 1999, State Street Research managed $56.8 billion in assets, of which $37.6 billion represented institutional clients. The firm manages money for ten of the 12 largest U.S. corporate pension plans, public employee pension plans, mutual funds for over 700,000 shareholder accounts and individually managed accounts for private clients.
RALPH F. VERNI, CHAIRMAN, PRESIDENT AND CEO

LEGAL SERVICES

HYATT LEGAL PLANS, INC., Cleveland, sells prepaid legal plans, which provide access to an array of personal legal plans. Hyatt Legal Plans, Inc. is one of the nation's leading providers of group legal plans, offering plans both on an employer- and employee-funded basis.
WILLIAM H. BROOKS, PRESIDENT AND CEO

REAL ESTATE

FARMERS NATIONAL COMPANY, Omaha, provides management, real estate sales and appraisal services for agricultural properties. It is the largest and among the oldest firms of its kind in the United States.
DARRELL J. SMITH, CHAIRMAN
RICHARD C. HAHN, PRESIDENT AND CEO

SSR REALTY ADVISORS, INC., White Plains, N.Y., and San Francisco, provides real estate investment management, advisory and property management services to pension funds and other institutional investors, including certain MetLife separate accounts.
RALPH F. VERNI, CHAIRMAN
THOMAS P. LYDON, JR., PRESIDENT AND CEO

REINSURANCE

REINSURANCE GROUP OF AMERICA, INCORPORATED (RGA), St. Louis, a publicly-traded subsidiary of GenAmerica Corporation, provides life reinsurance, facultative and automatic, as well as financial reinsurance. The company's markets include major life insurance companies in the United States and Canada as well as international business through interests in Latin America, Europe and Asia Pacific.
A. GREIG WOODRING, PRESIDENT AND CEO

INTERNATIONAL

SPAIN

INSURANCE

SEGUROS GÉNESIS, S. A., Madrid, a corporate joint venture with Banco Santander, sells individual and group life and retirement savings products.
JOSÉ MARÍA DOT, DIRECTOR GENERAL

GÉNESIS SEGUROS GENERALES, S. A., Madrid, a corporate joint venture with Banco Santander, sells non-life insurance products.
JOSÉ MARÍA DOT, DIRECTOR GENERAL

PORTUGAL

INSURANCE

SEGUROS GÉNESIS, S. A., Lisbon, a branch of MetLife's Spanish life affiliate, sells individual life and retirement savings products.
JOSÉ MARÍA DOT, DIRECTOR GENERAL

GÉNESIS SEGUROS GENERALES, S. A., Lisbon, a branch of MetLife's Spanish non-life affiliate, sells non-life insurance products.
JOSÉ MARÍA DOT, DIRECTOR GENERAL

MEXICO

INSURANCE

SEGUROS GÉNESIS, S. A., Mexico City, sells individual life, institutional life, health, retirement and savings products.
LUIS HUERTA, DIRECTOR GENERAL

ARGENTINA

INSURANCE

METROPOLITAN LIFE SEGUROS DE VIDA S. A., Buenos Aires, sells individual life, institutional life and disability products.
OSCAR SCHMIDT, VICE PRESIDENT

METROPOLITAN LIFE SEGUROS DE RETIRO S. A., Buenos Aires, sells retirement savings products.
OSCAR SCHMIDT, VICE PRESIDENT

URUGUAY

INSURANCE

METROPOLITAN LIFE SEGUROS DE VIDA S. A., Montevideo, formed in 1998, sells individual and institutional life insurance products.
OSCAR SCHMIDT, VICE PRESIDENT

BRAZIL

INSURANCE

METROPOLITAN LIFE SEGUROS E PREVIDÊNCIA PRIVADA S. A., São Paulo, sells individual and institutional life insurance and retirement savings products.
THAD BURR, PRESIDENT

TAIWAN

INSURANCE

METROPOLITAN INSURANCE AND ANNUITY COMPANY, Taipei, a branch of Metropolitan Insurance and Annuity Company, Delaware, sells individual life, accident, health and retirement savings products, and institutional life, accident and health products.
RICHARD WANG, GENERAL MANAGER

HONG KONG

INSURANCE

METROPOLITAN LIFE INSURANCE COMPANY OF HONG KONG LIMITED, Hong Kong, sells individual and institutional life insurance products.
RICHARD WANG, CEO

SOUTH KOREA

INSURANCE

METLIFE SAENGMYOUNG INSURANCE COMPANY LTD., Seoul, sells individual life and savings products, individual retirement savings and health products and institutional life and retirement savings products.
KIHONG SUNG, CHAIRMAN
YONG SANG JEON, PRESIDENT

INDONESIA

INSURANCE

P.T. METLIFE SEJAHTERA, Jakarta, sells individual life insurance products.
LEONARD LOGAN, PRESIDENT-DIRECTOR

board of directors

1 **Robert H. Benmosche**
Chairman of the Board and
Chief Executive Officer
Metropolitan Life Insurance Company
Chairman, Executive Committee

2 **Curtis H. Barnette**
Chairman and Chief Executive Officer
Bethlehem Steel Corporation
Chairman, Sales Practices
Compliance Committee

3 **Gerald Clark**
Vice Chairman of the Board and
Chief Investment Officer
Metropolitan Life Insurance Company
Chairman, Investment Committee

4 **Joan Ganz Cooney**
Chairman, Executive Committee of
Children's Television Workshop
Chairman, Corporate Social Responsibility
Committee

5 **Burton A. Dole, Jr.**
Retired Chairman,
President and Chief Executive Officer
Puritan Bennett

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Corning Incorporated
Chairman, Audit Committee

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Retired Chairman of the Board and
Chief Executive Officer
Metropolitan Life Insurance Company

8 **Helene L. Kaplan**
Of Counsel
Skadden, Arps, Slate, Meagher & Flom
Chairman, Nominating and
Corporate Governance

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Retired Chairman
and Chief Executive Officer
CML Group, Inc.

10 **Allen E. Murray**
Retired Chairman of the Board
and Chief Executive Officer
Mobil Corporation
Chairman, Compensation Committee

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Chief Financial Officer
Metropolitan Life Insurance Company

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Retired Chairman
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New York Stock Exchange, Inc.

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President and Chief Executive Officer
National Urban League, Inc.

14 **Robert G. Schwartz**
Retired Chairman, President
and Chief Executive Officer
Metropolitan Life Insurance Company
(Retired from the Board of Directors,
effective March 31, 2000)

15 **Ruth J. Simmons**
President
Smith College

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Chief Executive Officer
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3 **Stewart G. Nagler**
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5 **C. Robert Henrikson**
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14 **Jeffrey J. Hodgman**
Executive Vice President

15 **Daniel Cavanagh**
Executive Vice President

16 **Lisa M. Weber**
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NOT PICTURED:
Kernan F. King
Executive Vice President

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