METLIFE INC
Form 10-Q/A
November 22, 2010

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

Form 10-Q/A
(Amendment No. 1)

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2010

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM TO

Commission file number: 001-15787

MetLife, Inc.
(Exact name of registrant as specified in its charter)

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

(212) 578-2211
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

At April 30, 2010, 820,152,497 shares of the registrant s common stock, $0.01 par value per share, were outstanding.

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Explanatory Note

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act repealed Rule 436(g) promulgated under the Securities Act of 1933, as amended (the Securities Act), thereby eliminating the exemption from the expert consent and liability provisions under the Securities Act for any credit ratings issued by a nationally recognized statistical rating organization. As a result, companies that wish to include certain information relating to their ratings in periodic reports that may be incorporated by reference into future registration statements or prospectuses must obtain the consent of the applicable rating agencies. The rating agencies have indicated that they are not providing any consents at this time. The Staff of the Securities and Exchange Commission issued new Compliance & Disclosure Interpretations on July 22, 2010 stating that information constituting issuer disclosure-related ratings information will be permitted without the need for rating agencies consent.

This Quarterly Report on Form 10-Q/A (the Amendment) solely modifies Part I, Item 2 (Management s Discussion and Analysis of Financial Condition and Results of Operations) in our Form 10-Q for the quarter ended March 31, 2010, originally filed with the U.S. Securities and Exchange Commission on May 5, 2010 (the Original Form 10-Q), to delete disclosures and references to our credit ratings as it may not constitute issuer disclosure-related ratings information. All other Items of the Original Form 10-Q are unaffected by this Amendment and such Items have not been included in this Amendment. Information included in this Amendment is stated as of March 31, 2010, and does not reflect any subsequent events occurring after the filing of the Original Form 10-Q.

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Part I Financial Information

Item 2. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

For purposes of this discussion, MetLife, the Company, we, our and us refers to MetLife, Inc., a Delaware corporation incorporated in 1999 (the Holding Company), and its subsidiaries, including Metropolitan Life Insurance Company (MLIC). Following this summary is a discussion addressing the consolidated results of operations and financial condition of the Company for the periods indicated. This discussion should be read in conjunction with MetLife, Inc. s Annual Report on Form 10-K for the year ended December 31, 2009 (2009 Annual Report) filed with the U.S. Securities and Exchange Commission (SEC), the forward-looking statement information included below, the Risk Factors set forth in Part II, Item 1A, and the additional risk factors referred to therein and the Company s interim condensed consolidated financial statements included elsewhere herein.

This Management s Discussion and Analysis of Financial Condition and Results of Operations may contain or incorporate by reference information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as anticipate, estimate, expect, project, intend, plan, believe and other words and terms meaning in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results. Any or all forward-looking statements may turn out to be wrong. Actual results could differ materially from those expressed or implied in the forward-looking statements. See Note Regarding Forward-Looking Statements.

The following discussion includes references to our performance measures operating earnings and operating earnings available to common shareholders, that are not based on generally accepted accounting principles in the United States of America (GAAP). Operating earnings is the measure of segment profit or loss we use to evaluate segment performance and allocate resources and, consistent with GAAP accounting guidance for segment reporting, is our measure of segment performance. Operating earnings is also a measure by which our senior management s and many other employees performance is evaluated for the purposes of determining their compensation under applicable compensation plans. Operating earnings is defined as operating revenues less operating expenses, net of income tax. Operating earnings available to common shareholders, which is used to evaluate the performance of Banking, Corporate & Other, as well as MetLife, is defined as operating earnings less preferred stock dividends.

Operating revenues is defined as GAAP revenues (i) less net investment gains (losses); (ii) less amortization of unearned revenue related to net investment gains (losses); (iii) plus scheduled periodic settlement payments on derivative instruments that are hedges of investments but do not qualify for hedge accounting treatment; (iv) plus income from discontinued real estate operations; and (v) plus, for operating joint ventures reported under the equity method of accounting, the aforementioned adjustments and those identified in the definition of operating expenses, net of income tax, if applicable to these joint ventures.

Operating expenses is defined as GAAP expenses (i) less changes in policyholder benefits associated with asset value fluctuations related to experience-rated contractholder liabilities and certain inflation-indexed liabilities; (ii) less costs related to business combinations (since January 1, 2009) and noncontrolling interests; (iii) less amortization of deferred policy acquisition costs (DAC) and value of business acquired (VOBA) and changes in the policyholder dividend obligation related to net investment gains (losses); and (iv) plus scheduled periodic settlement payments on derivative instruments that are hedges of policyholder account balances but do not qualify for hedge accounting treatment.

In addition, operating revenues and operating expenses do not reflect the consolidation of certain securitization vehicles that are variable interest entities (VIEs) as required under GAAP.

We believe the presentation of operating earnings and operating earnings available to common shareholders as we measure it for management purposes enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of our businesses. Operating earnings and operating earnings available to common shareholders should not be viewed as substitutes for GAAP income (loss) from continuing

operations, net of income tax. Reconciliations of operating earnings and operating earnings available to common shareholders to GAAP income (loss) from continuing operations, net of income tax, the most directly comparable GAAP measure, are included in Consolidated Results of Operations.

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Executive Summary

MetLife is a leading provider of insurance, employee benefits and financial services with operations throughout the United States and the Latin America, Asia Pacific and Europe, Middle East and India (EMEI) regions. Through its subsidiaries and affiliates, MetLife offers life insurance, annuities, auto and homeowners insurance, retail banking and other financial services to individuals, as well as group insurance and retirement & savings products and services to corporations and other institutions. MetLife is organized into five operating segments: Insurance Products, Retirement Products, Corporate Benefit Funding and Auto & Home (collectively, U.S. Business) and International. In addition, the Company reports certain of its results of operations in Banking, Corporate & Other, which is comprised of MetLife Bank, National Association (MetLife Bank) and other business activities.

On March 7, 2010, the Holding Company entered into a stock purchase agreement (the Stock Purchase Agreement) with ALICO Holdings LLC (the Seller) and American International Group, Inc., pursuant to which the Holding Company agreed to acquire all of the issued and outstanding capital stock of American Life Insurance Company (Alico) and Delaware American Life Insurance Company. The transaction is expected to close by the end of 2010, subject to certain regulatory approvals and determinations, as well as other customary closing conditions. See Liquidity and Capital Resources Overview.

As the U.S. and global financial markets continue to recover, we have experienced a significant improvement in net investment income and a favorable change in net investment gains (losses). We also continue to experience an increase in market share and sales in some of our businesses from a flight to quality in the industry. These positive factors were somewhat dampened by the negative impact of general economic conditions, including high levels of unemployment, on the demand for certain of our products.

	Three Months Ended March 31,	
	2010	2009
	(In millions)	
Income (loss) from continuing operations, net of income tax	$ 833	$ (585)
Less: Net investment gains (losses)	72	(906)
Less: Other adjustments to continuing operations (1)	(121)	(241)
Less: Provision for income tax expense	18	401
Operating earnings	864	161
Less: Preferred stock dividends	30	30
Operating earnings available to common shareholders	$ 834	$ 131

(1) See definitions of operating revenues and operating expenses for the components of such adjustments.

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

During the three months ended March 31, 2010, MetLife s income (loss) from continuing operations, net of income tax increased $1.4 billion to income of $833 million from a loss of $585 million in the comparable 2009 period. The period over period change was largely due to a $756 million favorable change in net investment gains (losses) to gains of $37 million, net of related adjustments, in the first quarter of 2010, from losses of $719 million, net of related adjustments, in the comparable 2009 period. In addition, operating earnings available to common shareholders increased $703 million to $834 million in the current year period from $131 million in the prior year period.

The favorable change in net investment gains (losses) of $756 million, net of related adjustments, was primarily driven by a decrease in impairments and by lower additions to the mortgage loan valuation allowance, partially offset by a decrease in net gains on derivatives.

The improvement in the financial markets, which began in the latter part of 2009 and continued into 2010, was a key driver of the $703 million increase in operating earnings available to common shareholders. Such market improvement was most evident in higher net investment income and policy fees, as well as lower amortization of DAC, VOBA and deferred sales inducements (DSI). These increases were partially offset by a net increase in other expenses. The favorable impact of Operational Excellence, our enterprise-wide cost reduction and revenue enhancement initiative, was more than offset by an increase in other expenses related to our International business, which primarily stemmed from the impact of a benefit recorded in the prior year period related to the pesification in Argentina as well as current period business growth in the segment.

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Consolidated Company Outlook

In 2009, the general economic conditions of the marketplace, particularly in the early part of the year, continued to be volatile and negatively impacted the results of the Company. In 2010, as discussed in our 2009 Annual Report, we continue to expect meaningful earnings recovery for the Company, driven primarily by the following:

Continued growth in premiums, fees & other revenues for the full year of 2010 of approximately 6% over 2009 primarily from the following businesses:

Higher fees earned on separate accounts, as the recovery in the equity market continues, thereby increasing the value of those separate accounts;

Increased sales in the pension closeout business, both in the United States and the United Kingdom, as the demand for these products rebounds from the lower levels seen in 2009;

Increases in our International segment, as a result of ongoing investments and improvements in the various distribution and service operations throughout the regions; and

Modest growth in Insurance Products. Our growth continues to be impacted by the current higher levels of unemployment and it is possible that certain customers may further reduce or eliminate coverages in response to the financial pressures they are experiencing.

Offsetting these growth areas, MetLife Bank s premiums, fees & other revenues are expected to decline from the 2009 level, in line with current market expectations.

Higher returns on the investment portfolio, as we believe returns on alternative investment classes will improve and expect to reinvest cash and U.S. Treasuries into higher yielding asset classes.

Improvement in net investment gains (losses) from the large losses encountered in 2009 on our invested asset portfolio. We continue to expect a significant improvement in net investment gains (losses) on our invested asset portfolio as the financial markets stabilize across asset classes. More difficult to predict is the impact of potential changes in fair value of derivatives instruments as even relatively small movements in market variables, including interest rates, equity levels and volatility, can have a large impact on derivatives fair values. Additionally, changes in MetLife s credit spread, may have a material impact on net investment gains (losses) as it is required to be included in the valuation of certain embedded derivatives.

Reduced volatility in guarantee-related liabilities. Certain annuity and life benefit guarantees are tied to market performance, which when markets are depressed, may require us to establish additional liabilities, even though these guarantees are significantly hedged. In line with the assumptions discussed above, we continue to expect a significant reduction in the volatility of these items in 2010 compared to 2009.

Focus on disciplined underwriting. We continue to expect no significant changes to the underlying trends that drive underwriting results and anticipate solid results in 2010. While we did begin to see the negative impact of the economy on non-medical health experience in 2009, we expect to see improvement in our results in 2010 as the economy continues to improve.

Focus on expense management. We expect that our continued focus on expense control throughout the Company, as well the continuing impact of specific initiatives such as Operational Excellence (our enterprise-wide cost reduction and revenue enhancement initiative), should contribute to increased profitability.

Pending acquisition of Alico. This transaction is expected to close by the end of 2010, subject to certain regulatory approvals and determinations, as well as other customery closing conditions. Given the expected closing time frame, we do not anticipate that the impact on MetLife s 2010 financial results will be material.

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Industry Trends

The Company s segments continue to be influenced by a continuing unstable financial and economic environment that affects the industry.

Financial and Economic Environment. Our results of operations are materially affected by conditions in the global capital markets and the economy, generally, both in the United States and elsewhere around the world. The global economy and markets are now recovering from a period of significant stress that began in the second half of 2007 and substantially increased through the first quarter of 2009. This disruption adversely affected the financial services industry, in particular. The U.S. economy entered a recession in January 2008 and most economists believe this recession ended in the third quarter of 2009 when positive growth returned. Most economists now expect positive growth to continue through 2010. However, the recovery has been slow, and the unemployment rate is expected to remain high for some time.

Although the disruption in the global financial markets has moderated, not all global financial markets are functioning normally, and some remain reliant upon government intervention and liquidity. Throughout 2008 and continuing in 2009, Congress, the Federal Reserve Bank of New York, the U.S. Treasury and other agencies of the Federal government took a number of increasingly aggressive actions (in addition to continuing a series of interest rate reductions that began in the second half of 2007) intended to provide liquidity to financial institutions and markets, to avert a loss of investor confidence in particular troubled institutions, to prevent or contain the spread of the financial crisis and to spur economic growth. How and to whom these governmental institutions distribute amounts available under the governmental programs could have the effect of supporting some aspects of the financial services industry more than others or provide advantages to some of our competitors. Governments in many of the foreign markets in which MetLife operates have also responded to address market imbalances and have taken meaningful steps intended to restore market confidence. As market conditions have returned to more normal levels in 2010, the nature of the original government programs has changed and some of the programs have been terminated or allowed to expire. We cannot predict whether or when the U.S. or foreign governments will establish additional governmental programs or terminate or permit other programs to expire or the impact any additional measures, existing programs or termination or expiration of programs will have on the financial markets, whether on the levels of volatility currently being experienced, the levels of lending by financial institutions, the prices buyers are willing to pay for financial assets or otherwise.

The economic crisis and the resulting recession have had and could continue to have an adverse effect on the financial results of companies in the financial services industry, including MetLife. The declining financial markets and economic conditions have negatively impacted our investment income, our net investment gains (losses), and the demand for and the cost and profitability of certain of our products, including variable annuities and guarantee benefits. See Consolidated Results of Operations and Liquidity and Capital Resources.

Summary of Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the interim condensed consolidated financial statements. The most critical estimates include those used in determining:

(i) the estimated fair value of investments in the absence of quoted market values;

(ii) investment impairments;

(iii) the recognition of income on certain investment entities and the application of the consolidation rules to certain investments;

(iv) the estimated fair value of and accounting for freestanding derivatives and the existence and estimated fair value of embedded derivatives requiring bifurcation;

(v) the capitalization and amortization of DAC and the establishment and amortization of VOBA;

(vi) the measurement of goodwill and related impairment, if any;

(vii) the liability for future policyholder benefits and the accounting for reinsurance contracts;

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(viii) accounting for income taxes and the valuation of deferred tax assets;

(ix) accounting for employee benefit plans; and

(x) the liability for litigation and regulatory matters.

In applying the Company s accounting policies, we make subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company s businesses and operations. Actual results could differ from these estimates.

The above critical accounting estimates are described in Management s Discussion and Analysis of Financial Condition and Results of Operations Summary of Critical Accounting Estimates and Note 1 of the Notes to the Consolidated Financial Statements of our 2009 Annual Report. In addition, effective January 1, 2010 the Company adopted new accounting guidance relating to the consolidation of VIEs. See Note 1 of the Notes to the Interim Condensed Consolidated Financial Statements.

Economic Capital

Economic capital is an internally developed risk capital model, the purpose of which is to measure the risk in the business and to provide a basis upon which capital is deployed. The economic capital model accounts for the unique and specific nature of the risks inherent in MetLife s businesses. As a part of the economic capital process, a portion of net investment income is credited to the segments based on the level of allocated equity. This is in contrast to the standardized regulatory risk-based capital (RBC) formula, which is not as refined in its risk calculations with respect to the nuances of the Company s businesses.

Consolidated Results of Operations

Three Months Ended March 31, 2010 compared with the Three Months Ended March 31, 2009

We have continued to experience growth and an increase in market share in several of our businesses, especially in the structured settlement business, income annuities business, and our pension closeout business in the United Kingdom. Market conditions continued to improve in 2010, positively impacting our results, most significantly through improved yields on our investment portfolio. Sales of our domestic annuity products were down 40% driven by a decline in fixed annuity sales compared with the prior period. The unusually high level of domestic fixed annuity sales experienced in the first quarter of 2009 were in response to the market disruption and dislocation at that time and, as expected, were not sustained in the current period reflecting the stabilization of the financial markets. Higher levels of unemployment continued to impact certain group businesses as a decrease in covered payrolls dampened growth and general economic conditions negatively impacted revenues, particularly in our non-medical health and individual life businesses. An improvement in the global financial markets contributed to a recovery of sales in most of our international regions and resulted in improved investment performance in some regions during the first quarter of 2010. In 2010, mortgage interest rates increased and the mortgage refinancing market began a return to more moderate levels compared to the unusually high level experienced in 2009 in response to the low interest rate environment.

	Three Months Ended March 31,			
	2010	2009	Change	% Change
	(In millions)			
Revenues				
Premiums	$ 6,854	$ 6,122	$ 732	12.0%
Universal life and investment-type product policy fees	1,407	1,183	224	18.9%
Net investment income	4,344	3,261	1,083	33.2%
Other revenues	513	554	(41)	(7.4)%

Net investment gains (losses)	72	(906)	978	107.9%
Total revenues	13,190	10,214	2,976	29.1%
Expenses				
Policyholder benefits and claims and policyholder dividends	7,914	7,006	908	13.0%
Interest credited to policyholder account balances	1,143	1,168	(25)	(2.1)%
Interest credited to bank deposits	39	43	(4)	(9.3)%
Capitalization of DAC	(744)	(786)	42	5.3%
Amortization of DAC and VOBA	602	929	(327)	(35.2)%
Interest expense	370	245	125	51.0%
Other expenses	2,675	2,571	104	4.0%
Total expenses	11,999	11,176	823	7.4%
Income (loss) from continuing operations before provision for income tax	1,191	(962)	2,153	223.8%
Provision for income tax expense (benefit)	358	(377)	735	195.0%
Income (loss) from continuing operations, net of income tax	833	(585)	1,418	242.4%
Income (loss) from discontinued operations, net of income tax	1	37	(36)	(97.3)%
Net Income (loss)	834	(548)	1,382	252.2%
Less: Net income (loss) attributable to noncontrolling interests	(1)	(4)	3	75.0%
Net income (loss) attributable to MetLife, Inc.	835	(544)	1,379	253.5%
Less: Preferred stock dividends	30	30		%
Net income (loss) available to MetLife, Inc. s common shareholders	$ 805	$ (574)	$ 1,379	240.2%

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

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During the three months ended March 31, 2010, MetLife s income (loss) from continuing operations, net of income tax increased $1.4 billion to income of $833 million from a loss of $585 million in the comparable 2009 period. The period over period change was largely due to a $756 million favorable change in net investment gains (losses) to gains of $37 million, net of related adjustments, in the first quarter of 2010, from losses of $719 million, net of related adjustments, in the comparable 2009 period.

We manage our investment portfolio using disciplined Asset/Liability Management (ALM) principles, focusing on cash flow and duration to support our current and future liabilities. Our intent is to match the timing and amount of liability cash outflows with invested assets that have cash inflows of comparable timing and amount, while optimizing risk-adjusted net investment income and risk-adjusted total return. Our investment portfolio is heavily weighted toward fixed income investments, with over 80% of our portfolio invested in fixed maturity securities and mortgage loans. These securities and loans have varying maturities and other characteristics which cause them to be generally well suited for matching the cash flow and duration of insurance liabilities. Other invested asset classes including, but not limited to equity securities, other limited partnership interests and real estate and real estate joint ventures provide additional diversification and opportunity for long term yield enhancement in addition to supporting the cash flow and duration objectives of our investment portfolio. We also use derivatives as an integral part of our management of the investment portfolio to hedge certain risks, including changes in interest rates, foreign currencies, credit spreads and equity market levels. Additional considerations for our investment portfolio include current and expected market conditions and expectations for changes within our unique mix of products and business segments.

The composition of the investment portfolio of each business segment is tailored to the unique characteristics of its insurance liabilities, causing certain portfolios to be shorter in duration and others to be longer in duration. Accordingly, certain portfolios are more heavily weighted in fixed maturity securities, or certain sub-sectors of fixed maturity securities, than other portfolios.

Investments are purchased to support our insurance liabilities and not to generate net investment gains and losses. However, net investment gains and losses are generated and can change significantly from period to period, due to changes in external influences including movements in interest rates, equity markets, foreign currencies and credit spreads, counterparty specific factors such as financial performance, credit rating and collateral valuation, and internal factors such as portfolio rebalancing. As an investor in the fixed income, equity security, mortgage loan and certain other invested asset classes, we are exposed to the above stated risks, which can lead to both impairments and credit-related losses.

The favorable variance in net investment gains (losses) of $756 million, net of related adjustments, was primarily driven by a decrease in impairments and by lower additions to the mortgage loan valuation allowance, partially offset by a decrease in net gains on derivatives. Improving market conditions across several invested asset classes and sectors as compared to the prior year resulted in decreased impairments in fixed maturity securities, equity securities, and other limited partnership interests and a decrease in additions to the mortgage valuation allowance. Period over period, there was a small unfavorable variance in derivatives, as net gains decreased. Underlying this small net variance were large decreases in gross gains on embedded derivatives offsetting large decreases in gross losses on freestanding derivatives. In the prior year period there was significant movement in interest rates, equity markets and credit spreads, driving large gross gains and gross losses on derivatives, while in the current period there was much less movement in these markets resulting in lower levels of both gross gains and gross losses related to our derivatives programs.

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We use freestanding interest rate, currency, credit and equity derivatives to provide economic hedges of certain invested assets and insurance liabilities, as well as to hedge certain of the risks inherent in our embedded derivatives associated with our variable annuity minimum benefit guarantees. Modest decreases in mid- and long-term interest rates in the current period compared to more significant increases in such rates in the prior period drove decreased losses on interest rate derivatives, which we use to hedge interest rate risk. This favorable variance was partially offset by the unfavorable variance, from gains in the prior year period to losses in the current year period, that was driven by the impact of both improving equity market valuations and decreased volatility in the equity markets on our equity derivatives used to hedge variable annuity minimum benefit guarantees. To a much lesser degree there was a favorable variance from the impact of U.S. dollar strengthening on certain of our foreign currency derivatives, which are used to hedge foreign denominated asset and liability exposures.

We issue variable annuity products with minimum benefit guarantees. Certain of these products contain embedded derivatives that are measured at fair value separately from the host variable annuity contract, with changes in estimated fair value reported in net investment gains (losses). The estimated fair value of these embedded derivatives also includes the impact of MetLife s own credit spread. Decreased embedded derivative gains in the current period resulted from a modest change in MetLife s own credit spread as compared with a significant widening of MetLife s own credit spread in the prior year period. This was partially offset by a favorable change from improving equity markets and decreasing equity volatility. Losses on the freestanding derivatives that hedge these embedded derivative risks substantially offset the change in liabilities attributable to market factors, excluding the adjustment for the change in MetLife s own credit spread, which is unhedged.

Income from continuing operations, net of income tax, for the first quarter of 2010 includes $19 million of expenses related to the pending acquisition of Alico. This expense, which primarily consisted of investment banking and legal fees, is recorded in Banking, Corporate & Other. This expense is not included as a component of operating earnings.

As more fully described in the discussion of performance measures above, we use operating earnings, which does not equate to income (loss) from continuing operations as determined in accordance with GAAP, to analyze our performance, evaluate segment performance, and allocate resources. Operating earnings is also a measure by which senior management s and many other employees performance is evaluated for the purposes of determining their compensation under applicable compensation plans. We believe that the presentation of operating earnings, as we measure it for management purposes, enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of the business. Operating earnings should not be viewed as a substitute for GAAP income (loss) from continuing operations, net of income tax. Operating earnings available to common shareholders increased by $703 million to $834 million in the first quarter of 2010 from $131 million in the comparable 2009 period.

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

Three Months Ended March 31, 2010

	Insurance Products	Retirement Products	Corporate Benefit Funding	Auto & Home	International	Banking, Corporate & Other	Total
				(In millions)			
Income (loss) from continuing operations, net of income tax	$ 289	$ 180	$ 256	$ 71	$ 111	$ (74)	$ 833
Less: Net investment gains (losses)	33	101	(5)	(1)	(29)	(27)	72
Less: Other adjustments to	(47)	(69)	50		(35)	(20)	(121)

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Three Months Ended March 31, 2009

	Insurance Products	Retirement Products	Corporate Benefit Funding	Auto & Home	International	Banking, Corporate & Other	Total
				(In millions)			
Income (loss) from continuing operations, net of income tax	$ (573)	$ (142)	$ (439)	$ 96	$ 435	$ 38	$ (585)
Less: Net investment gains (losses)	(1,036)	150	(809)	31	454	304	(906)
Less: Other adjustments to continuing operations (1)	(82)	(185)	37		(1)	(10)	(241)
Less: Provision for income tax expense (benefit)	390	11	268	(11)	(149)	(108)	401
Operating earnings	$ 155	$ (118)	$ 65	$ 76	$ 131	(148)	161
Less: Preferred stock dividends						30	30
Operating earnings available to common shareholders						$ (178)	$ 131

(1) See definitions of operating revenues and operating expenses for the components of such adjustments.

Reconciliation of GAAP revenues to operating revenues and GAAP expenses to operating expenses
Three Months Ended March 31, 2010

	Insurance Products	Retirement Products	Corporate Benefit Funding	Auto & Home	International	Banking Corporate & Other	Total
				(In millions)			
Total revenues	$ 6,562	$ 1,493	$ 2,235	$ 764	$ 1,593	$ 543	$ 13,190
Less: Net investment gains (losses)	33	101	(5)	(1)	(29)	(27)	72
Less: Adjustments related to net investment gains (losses)	(1)						(1)
Less: Other adjustments to revenues (1)	(35)	(65)	50		(13)	114	51

Total operating revenues	$ 6,565	$ 1,457	$ 2,190	$ 765	$ 1,635	$ 456	$ 13,068
Total expenses	$ 6,117	$ 1,217	$ 1,839	$ 676	$ 1,447	$ 703	$ 11,999
Less: Adjustments related to net investment gains (losses)	10	4					14
Less: Other adjustments to expenses (1)	1				22	134	157
Total operating expenses	$ 6,106	$ 1,213	$ 1,839	$ 676	$ 1,425	$ 569	$ 11,828

Three Months Ended March 31, 2009

			Corporate			Banking	
	Insurance Products	Retirement Products	Benefit Funding	Auto & Home	International	Corporate & Other	Total
				(In millions)			
Total revenues	$ 5,176	$ 1,261	$ 772	$ 802	$ 1,580	$ 623	$ 10,214
Less: Net investment gains (losses)	(1,036)	150	(809)	31	454	304	(906)
Less: Adjustments related to net investment gains (losses)	(6)						(6)
Less: Other adjustments to revenues (1)	(24)	(50)	37		25	(1)	(13)
Total operating revenues	$ 6,242	$ 1,161	$ 1,544	$ 771	$ 1,101	$ 320	$ 11,139
Total expenses	$ 6,059	$ 1,478	$ 1,448	$ 672	$ 940	$ 579	$ 11,176
Less: Adjustments related to net investment gains (losses)	59	135					194
Less: Other adjustments to expenses (1)	(7)				26	9	28
Total operating expenses	$ 6,007	$ 1,343	$ 1,448	$ 672	$ 914	$ 570	$ 10,954

(1) See definitions of operating revenues and operating expenses for the components of such adjustments.

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The improvement in the financial markets which began in the latter part of 2009 and continued into 2010, was a key driver of the increase in operating earnings available to common shareholders. Such market improvement was most evident in higher net investment income and policy fees as well as lower amortization of DAC, VOBA and DSI.

A $662 million increase in net investment income was primarily the result of increasing yields. The improvement in yields increased net investment income by $637 million and growth in average invested assets increased net investment income by $25 million. The increase in yields resulted from the effects of improving equity markets, which began in the latter part of 2009, and stabilizing real estate markets, which began in the first quarter of 2010. In light of these improving market conditions, we continued to reposition the accumulated liquidity in our portfolio to longer duration and higher yielding investments. The impact of the improvement in yields was concentrated in other limited partnership interests, real estate joint ventures and fixed maturity securities. Since many of our products are interest spread-based, higher investment income is typically offset by higher interest credited expense. However, since a large portion of our crediting rates can move consistent with the underlying market indices (for example, London Inter-Bank Offer Rate (LIBOR)), interest credited has decreased compared to the first quarter of 2009 despite the increase in net investment income, most notably for our funding agreement products. The increase in interest credited expense attributable to business growth was more than offset by the impact of declining crediting rates.

The financial market improvement was a key factor in the determination of our expected future gross profits, the increase of which triggered a decrease of $114 million in DAC, VOBA and DSI amortization, most significantly in the Retirement Products segment. The prior year period had an unusually high level of such amortization as a result of the economic conditions at that time. The increase in our expected future gross profits stemmed primarily from an increase in the market value of our separate account balances, which is attributable, in part, to the improving financial markets. The increase in separate account balances resulted in higher policy fee income of $114 million. The financial market conditions also resulted in a $46 million increase in net guaranteed annuity benefit costs in our Retirement Products segment, as increased hedging losses were only partially offset by lower guaranteed benefit costs. As mortgage interest rates increased and the level of mortgage refinancing moderated in 2010, a $6.4 billion decline in residential mortgage loan production resulted in a $45 million decrease in operating earnings, $11 million of which is reflected in net investment income. This was partially offset by a $15 million increase in operating earnings from a $22.5 billion increase in the serviced residential mortgage loan portfolio, consistent with the high level of mortgage refinancing experienced in 2009.

A lower effective tax rate provided an increased benefit of $95 million from the first quarter of 2009. This benefit was the result of increased utilization of tax preferenced investments, which provide tax credits and deductions. This benefit was largely offset by a $75 million charge related to the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (together, the Health Care Act). The federal government currently provides a subsidy, on a tax-free basis that provides certain retiree prescription drug benefits (the Medicare Part D subsidy). The Health Care Act reduces the tax deductibility of retiree health care costs to the extent of any Medicare Part D subsidy received beginning in 2013. Because the deductibility of future retiree health care costs is reflected in our financial statements, the entire future impact of this change in law was required to be recorded as a charge in the period in which the legislation was enacted.

The $57 million increase in other expenses was primarily due to our International businesses, which stemmed from the impact of a benefit recorded in the prior year period related to the pesification in Argentina as well as business growth in the segment. The prior period benefit was largely due to a reassessment of our approach in managing existing and potential future claims related to certain social security pension annuity contract holders in Argentina resulting in a liability release. These increases were partially offset by the positive impact of our Operational Excellence initiative, which was reflected in lower information technology, professional services and printing and postage expenses. In addition, lower variable expenses, such as commissions, resulted in a decrease in other expenses. Also partially offsetting the increase in operating earnings available to common shareholders, was a $27 million decrease in DAC capitalization compared to the prior year period.

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Insurance Products

	Three Months Ended March 31,			
	2010	2009	Change	% Change
		(In millions)		
OPERATING REVENUES				
Premiums	$ 4,323	$ 4,201	$ 122	2.9%
Universal life and investment-type product policy fees	549	583	(34)	(5.8)%
Net investment income	1,504	1,281	223	17.4%
Other revenues	189	177	12	6.8%
Total operating revenues	6,565	6,242	323	5.2%
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	4,847	4,748	99	2.1%
Interest credited to policyholder account balances	234	231	3	1.3%
Capitalization of DAC	(206)	(206)		%
Amortization of DAC and VOBA	239	210	29	13.8%
Interest expense		1	(1)	(100.0)%
Other expenses	992	1,023	(31)	(3.0)%
Total operating expenses	6,106	6,007	99	1.6%
Provision for income tax expense (benefit)	161	80	81	101.3%
Operating earnings	$ 298	$ 155	$ 143	92.3%

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

The improvement in the global financial markets, which began in the latter part of 2009 and continued into 2010, positively impacted operating earnings for our Insurance Products segment, as evidenced by a significant increase in net investment income. However, high levels of unemployment continued to impact certain group businesses as a decrease in covered payrolls challenged growth. In addition, general economic conditions negatively impacted revenues, resulting in essentially flat revenues in our non-medical health and individual life businesses.

The significant components of the $143 million increase in operating earnings were the aforementioned improvement in net investment income and the impact of a reduction in dividends to certain policyholders, partially offset by net unfavorable claims experience across several of our businesses. Group life had favorable mortality experience this quarter, which was more than offset by the unfavorable mortality experience in the traditional life business coupled with the impact of a higher benefit ratio in our non-medical health business. This elevated benefit ratio was largely driven by higher, but stabilizing, dental benefit utilization and the combined impact of an increase in incidence and lower recoveries in our disability business.

The increase in net investment income of $145 million was due to a $101 million increase from higher yields and a $44 million increase from growth in average invested assets. Yields were positively impacted by the effects of improving financial markets on several invested asset classes, primarily other limited partnership interests and real estate joint ventures; a slight increase in yields on fixed maturity securities reflected the continued repositioning of the accumulated liquidity and short duration structured securities to longer duration U.S. Treasury, agency and

government guaranteed securities and corporate fixed maturity securities. The equity market recovery, which began in the second half of 2009, and real estate market stabilization, which began in the first quarter of 2010, led to improved yields on other limited partnership interests and real estate joint ventures. The growth in the average invested asset base was from an increase in net flows from our individual life, non-medical health, and group life businesses and was primarily invested in fixed maturity securities. To manage the needs of our intermediate to longer-term liabilities, our portfolio consists primarily of corporate fixed maturity securities, mortgage loans, structured finance securities (comprised of mortgage and asset-backed securities), and U.S. Treasury, agency and government guaranteed fixed maturity securities and, to a lesser extent, certain other invested asset classes including other limited partnership interests, real estate joint ventures and other invested assets to provide additional diversification and opportunity for long-term yield enhancement.

The dividend scale reduction in the fourth quarter of 2009 resulted in a $30 million decrease in policyholder dividends in the traditional life business in the current period. This benefit was offset by net unfavorable claim experience across several of our businesses. This result stemmed primarily from higher incidence and severity of group and individual disability claims and higher benefit utilization in our dental business. We also experienced unfavorable mortality in our individual life business. This unfavorable experience was somewhat offset by favorable mortality results in our group life business and an improvement in morbidity results in our long term care business.

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Other expenses decreased $20 million predominantly from declines in information technology, rent, printing and postage and professional services which includes the positive impact of our Operational Excellence initiative. Partially offsetting this reduction was an increase in variable expenses, such as commissions, a portion of which is offset by DAC capitalization. The decrease in other expenses was almost entirely offset by an increase in DAC amortization. This increase was primarily attributable to the impact of higher current period gross margins in the closed block, partially offset by the favorable impact from the improvement in the global financial markets.

Retirement Products

	Three Months Ended March 31,			
	2010	2009	Change	% Change
	(In millions)			
OPERATING REVENUES				
Premiums	$ 123	$ 152	$ (29)	(19.1)%
Universal life and investment-type product policy fees	513	356	157	44.1%
Net investment income	773	623	150	24.1%
Other revenues	48	30	18	60.0%
Total operating revenues	1,457	1,161	296	25.5%
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	354	325	29	8.9%
Interest credited to policyholder account balances	406	402	4	1.0%
Capitalization of DAC	(234)	(329)	95	28.9%
Amortization of DAC and VOBA	133	326	(193)	(59.2)%
Other expenses	554	619	(65)	(10.5)%
Total operating expenses	1,213	1,343	(130)	(9.7)%
Provision for income tax expense (benefit)	85	(64)	149	232.8%
Operating earnings	$ 159	$ (118)	$ 277	234.7%

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

During the first quarter of 2010, overall annuity sales have decreased 40% when compared to the first quarter of 2009 as the fixed annuity sales decline was partially offset by a slight increase in sales of our variable annuity products. The financial market turmoil in early 2009 resulted in extraordinarily high sales of fixed annuity products in the first quarter of 2009. The high sales level was not expected to continue after the financial markets returned to more stable levels. Surrender rates for both variable and fixed annuities remained low as our customers continue to value our products compared to other alternatives in the marketplace. Separate account balances are $29 billion higher than the previous year, driven by higher variable annuity sales and favorable investment performance resulting from strong market conditions. This resulted in higher policy fees and other revenues which are based on daily asset balances in the policyholder separate accounts.

The improvement in the financial markets was the primary driver of the $277 million increase in operating earnings, with the largest impacts resulting from a decrease in DAC, VOBA and DSI amortization of $138 million and a $114 million increase in policy fees and other revenues. During the first quarter of 2009, results reflected increased,

or accelerated, amortization primarily stemming from a decline in the market value of our separate account balances. A factor that determines the amount of amortization is expected future earnings, which in the annuity business are derived, in part, from fees earned on separate account balances. The market value of our separate account balances declined significantly in the first quarter of 2009, resulting in a decrease in the expected future gross profits, triggering an acceleration of amortization. In 2010, the increase in market value of our separate account balances was due to improved market conditions, resulting in an increase in the expected future gross profits and a corresponding lower level of amortization and higher policy fee and other revenues.

Also contributing to the increase in operating earnings was an increase in net investment income of $98 million, consisting of a $132 million increase from higher yields and a $34 million decrease from a decline in average invested assets. The increase in yields was primarily due to the continued repositioning of the accumulated liquidity in the portfolio to longer duration, higher yielding assets, particularly investment-grade corporate fixed maturity securities. Yields were also positively impacted by the effects of improving economic conditions and the recovering financial markets on several invested asset classes, primarily other limited partnership interests and real estate joint ventures. The decrease in average invested assets was due to negative general account cash

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flows as more customers elected to transfer funds into the separate account over the past nine months as market conditions improved. To manage the needs of our intermediate to longer-term liabilities, our portfolio consists primarily of investment grade corporate fixed maturity securities, structured finance securities, mortgage loans and U.S. Treasury, agency and government guaranteed fixed maturity securities and, to a lesser extent, certain other invested asset classes, including other limited partnership interests and real estate joint ventures, in order to provide additional diversification and opportunity for long-term yield enhancement. Growth in our fixed rate annuity policyholder account balances, mainly due to compounding interest, increased interest credited expense by $14 million in 2010, partially offset by lower average crediting rates which decreased interest credited expense by $9 million.

Operating earnings were negatively impacted by $46 million of losses related to the hedging programs for variable annuity minimum death and income benefit guarantees, which are not embedded derivatives, partially offset by a decrease in the liability established for these variable annuity guarantees. The various hedging strategies in place to offset the risk associated with these variable annuity guarantee benefits were more sensitive to market movements than the liability for the guaranteed benefit. Market volatility, improvements in the equity markets, and higher interest rates produced losses on these hedging strategies in the current period. These hedging strategies, which are a key part of our risk management, performed as anticipated and somewhat offset a decrease in annuity guarantee benefit liabilities, which was primarily due to the improvement in the equity markets.

Other expenses decreased by $42 million primarily due to lower variable expenses, such as commissions, as well as declines in information technology, printing and postage travel, and professional services, all of which were largely due to our Operational Excellence initiative. The favorable impact of the reduction in other expenses was more than offset by a decrease in DAC capitalization.

Corporate Benefit Funding

	Three Months Ended March 31,			
	2010	2009	Change	% Change
		(In millions)		
OPERATING REVENUES				
Premiums	$ 801	$ 324	$ 477	147.2%
Universal life and investment-type product policy fees	55	40	15	37.5%
Net investment income	1,270	1,111	159	14.3%
Other revenues	64	69	(5)	(7.2)%
Total operating revenues	2,190	1,544	646	41.8%
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	1,362	879	483	54.9%
Interest credited to policyholder account balances	355	459	(104)	(22.7)%
Capitalization of DAC	(8)	(2)	(6)	(300.0)%
Amortization of DAC and VOBA	4	5	(1)	(20.0)%
Interest expense	2	2		%
Other expenses	124	105	19	18.1%
Total operating expenses	1,839	1,448	391	27.0%
Provision for income tax expense (benefit)	123	31	92	296.8%

Operating earnings	$ 228	$ 65	$ 163	250.8%

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

Corporate Benefit Funding benefited in the first quarter of 2010 as a flight to quality continued to help increase our market share, especially in the structured settlement business, where we experienced a 60% increase in premiums. In addition, an improvement in the economic environment has led to an increase in annuity purchases, and as a result, premiums in our income annuities business have doubled. Our pension closeout business in the United Kingdom continues to expand and we experienced premium growth in the first quarter of 2010 of $291 million, before income tax. Although improving, a combination of poor equity returns and lower interest rates have contributed to pension plans being under funded, which reduces our customers flexibility to engage in transactions such as pension closeouts. Our customers plans funded status may be affected by a variety of factors, including the ongoing phased implementation of the Pension Protection Act of 2006. For each of these businesses, the movement in premiums is almost entirely offset by the related change in policyholder benefits. The insurance liability that is established at the time we assume the risk under these contracts is typically equivalent to the premium recognized.

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Recent economic conditions contributed to a lower demand for several of our investment-type products. The decrease in sales of these investment-type products is not necessarily evident in our results of operations as the transactions related to these products are recorded through the balance sheet. Our funding agreement products, primarily the LIBOR-based contracts, experienced the most significant impact from the volatile financial market conditions, as evidenced by a $3.3 billion decrease in policyholder account balances due to scheduled maturities and a lack of new issuances. As companies seek greater liquidity, investment managers are refraining from purchasing new contracts with us when they mature and are opting for more liquid investments. The improvement in the financial markets positively impacted the demand for global guaranteed interest contracts, a type of funding agreement, as issuances in the first quarter of 2010 were more than half of all 2009 issuances.

The primary driver of the $163 million increase in operating earnings was higher net investment income of $103 million reflecting a $144 million increase from higher yields and a $41 million decrease from a reduction in average invested assets. Yields were positively impacted by the effects of improving economic conditions and the recovering financial markets on several invested asset classes, primarily other limited partnership interests, fixed maturity securities and real estate joint ventures. The increased yields were partially offset by decreased yields on fixed maturity securities due to the reinvestment of accumulated liquidity in 2009 when market yields were lower. The decrease in average invested assets was driven by the maturing of certain funding agreements which were not replaced by new issuances. To manage the needs of our longer-term liabilities, our portfolio consists primarily of investment grade corporate fixed maturity securities, mortgage loans, U.S. Treasury, agency and government guaranteed securities and, to a lesser extent, certain other invested asset classes including other limited partnership interests and real estate joint ventures in order to provide additional diversification and opportunity for long-term yield enhancement. For our shorter-term obligations, we invest primarily in structured finance securities, mortgage loans and investment grade corporate fixed maturity securities. The yields on these investments have moved consistent with the underlying market indices, primarily LIBOR and U.S. Treasury, on which they are based.

As many of our products are interest spread-based, changes in net investment income are typically offset by a corresponding change in interest credited expense. However, interest credited expense decreased $68 million, primarily related to the funding agreement business as a result of lower crediting rates combined with lower average account balances. Certain crediting rates can move consistent with the underlying market indices, primarily LIBOR rates, which have decreased significantly since the first quarter of 2009. Interest credited related to the structured settlement and closeouts businesses increased $9 million as a result of the increase in the average policyholder liabilities.

Other expenses increased $12 million primarily due to higher variable expenses, such as commissions, a portion of which was offset by DAC capitalization. This increase was partially offset by a decrease in information technology and professional services expenses, both of which were largely due to our Operational Excellence initiative.

Auto & Home

	Three Months Ended March 31,			
	2010	2009	Change	% Change
	(In millions)			
OPERATING REVENUES				
Premiums	$ 714	$ 722	$ (8)	(1.1)%
Net investment income	53	40	13	32.5%
Other revenues	(2)	9	(11)	(122.2)%
Total operating revenues	765	771	(6)	(0.8)%
OPERATING EXPENSES				

Policyholder benefits and claims and policyholder dividends	494	479	15	3.1%
Capitalization of DAC	(104)	(104)		%
Amortization of DAC and VOBA	107	110	(3)	(2.7)%
Other expenses	179	187	(8)	(4.3)%
Total operating expenses	676	672	4	0.6%
Provision for income tax expense (benefit)	17	23	(6)	(26.1)%
Operating earnings	$ 72	$ 76	$ (4)	(5.3)%

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

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The declining housing market, the deterioration of the new auto sales market and the lack of consumer credit availability, all of which negatively impacted Auto & Home in 2009, began to moderate in the first quarter of 2010. Sales of new policies increased in the first quarter of 2010 compared to the same period in 2009 for both the auto and homeowners lines of business. However, new sales were not sufficient to offset the impact of policies that were not renewed resulting in a slight decrease in earned exposures which caused a decline in premiums for auto, slightly offset by an increase in premiums for the homeowners line of business. Average premiums per policy for the first quarter of 2010 were essentially unchanged when compared to 2009.

Unfavorable claim experience was the primary driver of the $4 million decrease in operating earnings. We recorded $12 million less of a benefit in the first quarter of 2010 from favorable development of prior year non-catastrophe losses; catastrophe-related losses increased by $5 million compared to the first quarter of 2009. The negative impact of these items was partially offset by a $7 million decrease in current period claim costs driven primarily by lower claim frequency in both our auto and homeowners lines of business, somewhat offset by higher severities in our auto line. In the first quarter of 2010, we experienced a slight decline in insured exposures, which contributed $2 million to the decrease in operating earnings. While this decrease in exposures had a positive impact on the amount of claims, it was more than offset by the negative impact on premiums.

The impact of the items discussed above can be seen in the unfavorable change in the combined ratio, excluding catastrophes, to 88.8% in 2010 from 88.1% in 2009 and the unfavorable change in the combined ratio, including catastrophes, to 94.1% in 2010 from 92.4% in 2009.

A $7 million decrease in other expenses, including the net change in DAC, partially offset the declines in operating earnings discussed above. The decrease in expenses resulted from lower compensation-related expenses, a decrease in sales-related expenses and from minor fluctuations in a number of expense categories.

An $8 million increase in net investment income also partially offset the declines in operating earnings discussed above. Net investment income was higher primarily as a result of an increase of $5 million due to improved yields and a $3 million increase from an increase in average invested assets.

In addition, the write-off of an equity interest in a mandatory state underwriting pool required by a change in legislation drove a $7 million decrease in other revenues.

International

	Three Months Ended March 31,			
	2010	2009	Change	% Change
	(In millions)			
OPERATING REVENUES				
Premiums	$ 893	$ 721	$ 172	23.9%
Universal life and investment-type product policy fees	291	210	81	38.6%
Net investment income	450	168	282	167.9%
Other revenues	1	2	(1)	(50.0)%
Total operating revenues	1,635	1,101	534	48.5%
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	838	548	290	52.9%
Interest credited to policyholder account balances	151	78	73	93.6%
Capitalization of DAC	(192)	(145)	(47)	(32.4)%
Amortization of DAC and VOBA	105	95	10	10.5%
Interest expense	1	2	(1)	(50.0)%

Other expenses	522	336	186	55.4%
Total operating expenses	1,425	914	511	55.9%
Provision for income tax expense (benefit)	59	56	3	5.4%
Operating earnings	$ 151	$ 131	$ 20	15.3%

Unless otherwise stated, all amounts are net of income tax and at constant foreign currency exchange rates.

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An improvement in the global financial markets has contributed to a recovery of sales in most of our International regions and has resulted in improved investment performance in some regions during the first quarter of 2010. Excluding Japan, sales in our Asia Pacific region are up 42% primarily due to higher fixed annuity and variable universal life sales. In Japan, sales are down 51%, primarily due to lower annuity sales reflecting current market trends. Our Latin America region experienced notable growth in Chile and Mexico. Higher fixed annuity sales in Chile improved premiums, fees and other revenues by $40 million, or 40%, before income tax. Growth in the pension and universal life businesses in Mexico increased premiums, fees and other revenues by $19 million, or 6%, before income tax. Our EMEI region benefited from increased sales of traditional life products in India which resulted in a $22 million, or 77%, increase in premiums, fees and other revenues, before income tax.

The increase in operating earnings includes the positive impact of changes in foreign currency exchange rates in the first quarter of 2010. This improved operating earnings by $12 million for the first quarter of 2010 relative to the first quarter of 2009. Excluding the impact of changes in foreign currency exchange rates, operating earnings increased $8 million, or 6%, from the prior period. This increase was primarily driven by higher core operating earnings in the Latin America and Asia Pacific regions, partially offset by the impact of pesification in Argentina and a change in the foreign controlled tax provision.

Asia Pacific Region. Improving financial market conditions was the primary driver of the $45 million increase in operating earnings. Net investment income in the region increased by $52 million primarily due to an increase of $38 million from the change in results of operating joint ventures, $9 million from asset growth in our investment portfolio and an increase of $3 million as a result of higher yields. The increase in net investment income due to a higher asset base was primarily due to business growth. The Asia Pacific region was also negatively impacted by $5 million from the non-renewal of a foreign-controlled corporate tax provision.

In Japan, operating earnings improved by $49 million ($33 million of which is attributable to an operating joint venture which was included in the discussion above) due to favorable investment results, lower amortization of DAC and VOBA, and growth in the reinsurance business. Favorable investment results were due to higher income of $32 million on the trading securities portfolio, stemming from equity markets experiencing some recovery in the first quarter of 2010. The decrease in DAC and VOBA amortization was primarily due to an increase in the market value of the joint venture s separate account balances, which is directly tied to the improving financial markets. A factor that determines the amount of DAC and VOBA amortization is expected future fees earned on separate account balances. Since the market value of separate account balances have increased, it is expected that future earnings on this block of business will be higher than previously anticipated. As a result, the amortization of DAC and VOBA was less in the current period. Japan also benefited from the impact of a smaller increase in the liability for our variable annuity guarantees in the first quarter of 2010. The prior year period change in the liability was primarily due to a decrease in separate account balances. These liabilities are accrued over the life of the contract in proportion to actual and future expected policy assessments based on the level of guaranteed minimum benefits generated using multiple scenarios of separate account returns. The scenarios use best estimate assumptions consistent with those used to amortize DAC. Because separate account balances had positive returns relative to the prior year period, 2010 estimates of future benefits increased by a smaller amount than in the prior year period.

Latin America Region. The $40 million decrease in operating earnings was primarily driven by pesification in Argentina which favorably impacted reported earnings by $95 million in the first quarter of 2009. This prior year period benefit was largely due to a liability release resulting from a reassessment of our approach in managing existing and potential future claims related to certain social security pension annuity contract holders in Argentina. The Latin America region was also negatively impacted by $8 million in the current quarter by non-renewal of a foreign-controlled corporate tax provision. These items more than offset the positive impact from business growth in Mexico and Chile which increased operating earnings by $19 million. In addition, Mexico s operating earnings benefited from a $34 million decrease in net income tax due to the unfavorable impact in the first quarter of 2009 of a change in assumption regarding the repatriation of earnings.

Net investment income in the region increased by $96 million primarily due to increases of $84 million from inflation, $8 million due to an increase in average invested assets and $6 million due to gains in the trading securities portfolio, partially offset by a decline of $1 million due to lower yields. The increase in inflation, primarily in Chile

and Argentina, is largely offset by an increase of $77 million in the related insurance liabilities due to higher inflation.

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Banking, Corporate & Other

	Three Months Ended March 31,			
	2010	2009	Change	% Change
		(In millions)		
OPERATING REVENUES				
Premiums	$	$ 2	$ (2)	(100.0)%
Net investment income	243	51	192	376.5%
Other revenues	213	267	(54)	(20.2)%
Total operating revenues	456	320	136	42.5%
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	(5)		(5)	%
Interest credited to bank deposits	39	43	(4)	(9.3)%
Interest expense	261	240	21	8.8%
Other expenses	274	287	(13)	(4.5)%
Total operating expenses	569	570	(1)	(0.2)%
Provision for income tax expense (benefit)	(69)	(102)	33	32.4%
Operating earnings	(44)	(148)	104	70.3%
Preferred stock dividends	30	30		%
Operating earnings available to common shareholders	$ (74)	$ (178)	$ 104	58.4%

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

In 2010, mortgage interest rates increased and the mortgage refinancing market began a return to more moderate levels compared to the unusually high level experienced in 2009 due to the low interest rate environment. Consistent with these market conditions, we experienced a $6.4 billion decline in residential mortgage production during the first quarter of 2010, while our serviced residential mortgage loans increased $22.5 billion. The increase in serviced loans is due to the high production levels in 2009, as well as lower run-off of existing business which was 10.4% in the first quarter of 2010 compared to 25.7% in the first quarter of 2009. The Holding Company completed three debt issuances in 2009 in response to the economic crisis. The Holding Company issued $397 million of floating rate senior notes in March 2009, $1.3 billion of senior notes in May 2009, and $500 million of junior subordinated debt securities in July 2009. In February 2009, in connection with the initial settlement of the stock purchase contracts issued as part of the common equity units sold in June 2005, the Holding Company issued common stock for $1.0 billion. The proceeds from these equity and debt issuances were used for general corporate purposes and have resulted in increased investments and cash and cash equivalents held within Banking, Corporate & Other.

Operating earnings available to common shareholders improved by $104 million, primarily due to an increase in net investment income.

Net investment income increased $125 million, which was due to increases of $99 million from higher yields and $26 million from an increase in average invested assets. Consistent with the consolidated results of operations net investment income discussion above, yields were positively impacted by improving equity markets and stabilizing real

estate markets, primarily within other limited partnership interests and real estate joint ventures. The increased average invested asset base was due to cash flows from debt issuances during 2009 and an increase in excess capital from the segments. Our investments primarily include structured finance securities, investment grade corporate fixed maturity securities, U.S. Treasury, agency and government guaranteed fixed maturity securities and mortgage loans. In addition, our investment portfolio includes the excess capital not allocated to the segments. Accordingly, it includes a higher allocation to certain other invested asset classes to provide additional diversification and opportunity for long-term yield enhancement including leveraged leases, other limited partnership interests, real estate, real estate joint ventures and equity securities.

Banking, Corporate & Other also benefited from a lower effective tax rate. The lower effective tax rate provided an increased benefit of $95 million from the first quarter of 2009. This benefit was the result of increased utilization of tax preferenced investments, which provide tax credits and deductions. This benefit was largely offset by a $75 million charge related to the Health Care Act. The federal government currently provides a Medicare Part D subsidy. The Health Care Act reduces the tax deductibility of retiree health care costs to the extent of any Medicare Part D subsidy received beginning in 2013. Because the deductibility of future retiree health care costs is reflected in our financial statements, the entire future impact of this change in law was required to be recorded as a charge in the period in which the legislation was enacted.

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The $6.4 billion decline in residential mortgage loan production resulted in a $45 million decrease in operating earnings, $11 million of which is reflected in net investment income. This was partially offset by a $15 million increase in operating earnings from the $22.5 billion increase in the serviced residential mortgage loan portfolio.

Interest expense increased $14 million as a result of the debt issuances in 2009, partially offset by rate reductions on variable rate collateral financing arrangements. During the first quarter of 2010, the Holding Company made a $26 million contribution to MetLife Foundation, while no contribution was made in the first quarter of 2009. These higher expenses were partially offset by a $14 million reduction in costs associated with our Operational Excellence initiative.

Investments

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

- credit risk, relating to the uncertainty associated with the continued ability of a given obligor to make timely payments of principal and interest;
- interest rate risk, relating to the market price and cash flow variability associated with changes in market interest rates;
- liquidity risk, relating to the diminished ability to sell certain investments in times of strained market conditions; and
- market valuation risk, relating to the variability in the estimated fair value of investments associated with changes in market factors such as credit spreads.

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

Current Environment. Precipitated by housing sector weakness and severe market dislocations, the U.S. economy entered its worst post-war recession in January 2008. Most economists believe this recession ended in the third of quarter 2009 when positive growth returned. Most economists now expect positive growth to continue through 2010. However, the recovery has been slow, and the unemployment rate is expected to remain high for some time. Although the disruption in the global financial markets has moderated, not all global financial markets are functioning normally, and some remain reliant upon government intervention and liquidity. The Company s sovereign debt exposure to Portugal, Ireland, Italy, Greece and Spain, commonly referred to as Europe s perimeter region , was approximately $38 million with no sovereign debt exposure to Portugal as of March 31, 2010.

In the first quarter of 2010, the net unrealized loss position on fixed maturity and equity securities improved from a net unrealized loss of $2.2 billion at December 31, 2009 to a net unrealized gain of $1.5 billion at March 31, 2010 from continued improvement in market conditions, including narrowing of credit spreads reflecting an improvement in liquidity.

Investment Outlook

Although we anticipate that the volatility in the equity, credit and real estate markets will moderate in 2010, it could continue to impact net investment income and the related yields on private equity funds, hedge funds and real estate joint ventures, included within our other limited partnership interests and real estate and real estate joint venture portfolios. Further, in light of the slow economic recovery, liquidity will be reinvested in a prudent manner and invested according to our ALM discipline in appropriate assets over time. We will maintain a sufficient level of liquidity to meet business needs. Net investment income may be adversely affected if excess liquidity is required over an extended period of time to meet changing business needs.

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Composition of Investment Portfolio and Investment Portfolio Results

The following table illustrates the investment income, investment gains (losses), annualized yields on average ending assets and ending carrying value for each of the asset classes within the Company s investment portfolio, as well as investment income for the portfolio as a whole:

	At and for the Three Months Ended March 31,	
	2010	2009
	(In millions)	
Fixed Maturity Securities		
Yield (1)	5.73%	5.70%
Investment income (2), (3)	$ 3,134	$ 2,800
Investment (losses) (3)	$ (67)	$ (609)
Ending carrying value (2), (3)	$ 242,331	$ 192,337
Mortgage Loans		
Yield (1)	5.40%	5.32%
Investment income (3), (4)	$ 672	$ 680
Investment gains (losses) (3)	$ (28)	$ (146)
Ending carrying value (3)	$ 50,371	$ 53,044
Real Estate and Real Estate Joint Ventures		
Yield (1)	(2.11)%	(9.19)%
Investment income (losses)	$ (36)	$ (172)
Investment gains (losses)	$ (22)	$ (25)
Ending carrying value	$ 6,866	$ 7,381
Policy Loans		
Yield (1)	7.04%	6.40%
Investment income	$ 178	$ 157
Ending carrying value	$ 10,146	$ 9,851
Equity Securities		
Yield (1)	3.39%	3.92%
Investment income	$ 25	$ 37
Investment gains (losses)	$ 27	$ (269)
Ending carrying value	$ 3,066	$ 2,817
Other Limited Partnership Interests		
Yield (1)	18.85%	(19.79)%
Investment income (losses)	$ 265	$ (253)
Investment gains (losses)	$ (1)	$ (97)
Ending carrying value	$ 5,753	$ 5,365
Cash and Short-Term Investments		
Yield (1)	0.36%	0.48%
Investment income	$ 13	$ 36
Investment gains (losses)	$ 1	$ (2)
Ending carrying value (3)	$ 17,183	$ 30,320
Other Invested Assets (5)		
Investment income	$ 154	$ 92
Investment gains (losses)	$ 101	$ 233
Ending carrying value	$ 12,327	$ 15,130

Total Investments:		
Gross investment income yield (1)	5.53%	4.24%
Investment fees and expenses yield	(0.14)%	(0.13)%
Investment Income Yield (3)	5.39%	4.11%
Gross investment income	$ 4,405	$ 3,377
Investment fees and expenses	(112)	(103)
Investment Income (3), (6)	$ 4,293	$ 3,274
Ending Carrying Value (3)	$ 348,043	$ 316,245
Gross investment gains (3)	$ 400	$ 571
Gross investment losses (3)	(211)	(535)
Writedowns	(149)	(1,041)
Subtotal	$ 40	$ (1,005)
Derivatives gains (losses)	(29)	90
Investment Gains (Losses) (3), (6)	$ 11	$ (915)
Investment gains (losses) income tax benefit (provision)	(9)	325
Investment Gains (Losses), Net of Income Tax	$ 2	$ (590)

(1) Yields are based on average of quarterly average asset carrying values, excluding recognized and unrealized investment gains (losses), and for yield calculation purposes, average of quarterly ending assets exclude collateral received from counterparties associated with the Company s securities lending program and exclude the effects of consolidating under GAAP certain VIEs that are treated as consolidated securitization entities.

(2) Fixed maturity securities include $2,765 million and $922 million at estimated fair value of trading securities at March 31, 2010 and 2009, respectively. Fixed maturity securities include $79 million and $17 million of investment income related to trading securities for the three months ended March 31, 2010 and 2009, respectively.

(3) Ending carrying values, investment income (loss), and investment gains (losses) as presented herein, exclude the effects of consolidating under GAAP certain VIEs that are treated as consolidated securitization entities. The adjustment to investment income and investment gains (losses) in the aggregate are as shown in Note 6 to this yield table. The adjustments to ending carrying value, investment income and investment gains (losses) by asset class are presented below. Both the invested assets and long-term debt of the consolidated securitization entities are accounted for under the fair value option. The adjustment to investment gains (losses) presented below and in footnote (6) includes the effects of remeasuring both the invested assets and long-term debt.

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	At and For the Three Months Ended March 31, 2010		
	As Reported in the Yield Table	Impact of Consolidated Securitization Entities	Total GAAP basis
		(In millions)	
Trading Securities:			
Ending carrying value	$ 2,765	$ 274	$ 3,039
Investment income	$ 79	$ 4	$ 83
Investment gains (losses)	$	$ 8	$ 8
Mortgage Loans:			
Ending carrying value	$ 50,371	$ 7,065	$ 57,436
Investment income	$ 672	$ 105	$ 777
Investment gains (losses)	$ (28)	$ 2	$ (26)
Cash and short-term investments:			
Ending carrying value	$ 17,183	$ 38	$ 17,221
Total cash and invested assets:			
Ending carrying value	$ 348,043	$ 7,377	$ 355,420

(4) Investment income from mortgage loans includes prepayment fees.

(5) Other invested assets are principally comprised of freestanding derivatives with positive estimated fair values and leveraged leases. Freestanding derivatives with negative estimated fair values are included within other liabilities. However, the accruals of settlement payments in other liabilities are included in net investment income as shown in Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements.

(6) Investment income (loss) and investment gains (losses) presented in this yield table vary from the most directly comparable measures presented in the GAAP interim condensed consolidated statements of operations due to certain reclassifications affecting net investment income (NII), net investment gains (losses) (NIGL), and policyholder account balances (PABs) to exclude the effects of consolidating under GAAP certain VIEs that are treated as consolidated securitization entities. Such reclassifications are presented in the tables below.

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	Three Months Ended March 31,	
	2010	2009
	(In millions)	
Investment income in the above yield table	$ 4,293	$ 3,274
Real estate discontinued operations deduct from NII	(1)	(2)
Scheduled periodic settlement payments on derivatives not qualifying for hedge accounting deduct from NII, add to NIGL	(49)	(31)
Joint venture earnings related to change in fair value of certain liabilities, including effects of own credit, associated hedges of these liabilities, and gains (losses) from sales of investments add to NII, deduct from NIGL	(5)	20
Incremental net investment income from consolidated securitization entities add to NII	106	
Net investment income GAAP consolidated statements of operations	$ 4,344	$ 3,261
Investment gains (losses) in the above yield table	$ 11	$ (915)
Scheduled periodic settlement payments on derivatives not qualifying for hedge accounting add to NIGL, deduct from NII	49	31
Scheduled periodic settlement payments on derivatives not qualifying for hedge accounting add to NIGL, deduct from interest credited to PABs	(3)	(2)
Joint venture earnings related to change in fair value of certain liabilities, including effects of own credit, associated hedges of these liabilities, and gains (losses) from sales of investments add to NII, deduct from NIGL	5	(20)
Investment gains (losses) related to consolidated securitization entities add to NIGL	10	
Net investment gains (losses) GAAP consolidated statements of operations	$ 72	$ (906)

See Consolidated Results of Operations Three Months Ended March 31, 2010 compared with the Three Months Ended March 31, 2009 Revenues and Expenses Net Investment Income and Net Investment Gains (Losses) for an analysis of the period over period changes in net investment income and net investment gains (losses).

Fixed Maturity and Equity Securities Available-for-Sale

Fixed maturity securities, which consisted principally of publicly-traded and privately placed fixed maturity securities, were $239.6 billion and $227.6 billion, or 67% of total cash and invested assets at estimated fair value, at both March 31, 2010 and December 31, 2009. Publicly-traded fixed maturity securities represented $203.7 billion and $191.4 billion, or 85% and 84% of total fixed maturity securities at estimated fair value, at March 31, 2010 and December 31, 2009, respectively. Privately placed fixed maturity securities represented $35.9 billion and $36.2 billion, or 15% and 16% of total fixed maturity securities at estimated fair value, at March 31, 2010 and December 31, 2009, respectively.

Equity securities, which consisted principally of publicly-traded and privately-held common and preferred stocks, including certain perpetual hybrid securities and mutual fund interests, were $3.1 billion, or 0.9% of total cash and invested assets at estimated fair value, at both March 31, 2010 and December 31, 2009. Publicly-traded equity securities represented $2.1 billion and $2.1 billion, or 67% and 68% of total equity securities at estimated fair value, at March 31, 2010 and December 31, 2009, respectively. Privately-held equity securities represented $1.0 billion and $1.0 billion, or 33% and 32% of total equity securities at estimated fair value, at March 31, 2010 and December 31, 2009, respectively.

See Management s Discussion and Analysis of Financial Condition and Results of Operations Investments Fixed Maturity and Equity Securities Available-for-Sale Valuation of Securities in the 2009 Annual Report for a general

discussion of the process we use to value securities; a general discussion of the process we use to determine the placement of securities in the fair value hierarchy; a general discussion of valuation techniques and inputs used; and a general discussion of the controls systems for ensuring that observable market prices and market-based parameters are used for valuation, wherever possible; including our review of liquidity, the volume and level of trading activity, and identifying transactions that are not orderly.

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Fair Value Hierarchy. Fixed maturity securities and equity securities measured at estimated fair value on a recurring basis and their corresponding fair value pricing sources and fair value hierarchy are as follows:

	March 31, 2010			
	Fixed Maturity Securities		Equity Securities	
	(In millions)			
Quoted prices in active markets for identical assets (Level 1)	$ 14,550	6.1%	$ 496	16.2%
Independent pricing source	179,811	75.1	460	15.0
Internal matrix pricing or discounted cash flow techniques	28,148	11.7	943	30.7
Significant other observable inputs (Level 2)	207,959	86.8	1,403	45.7
Independent pricing source	7,677	3.2	989	32.3
Internal matrix pricing or discounted cash flow techniques	6,512	2.7	122	4.0
Independent broker quotations	2,868	1.2	56	1.8
Significant unobservable inputs (Level 3)	17,057	7.1	1,167	38.1
Total estimated fair value	$ 239,566	100.0%	$ 3,066	100.0%

	March 31, 2010 Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
	(In millions)			
Fixed Maturity Securities:				
U.S. corporate securities	$	$ 67,794	$ 6,339	$ 74,133
Residential mortgage-backed securities (RMBS)		41,053	1,927	42,980
Foreign corporate securities		34,727	5,378	40,105
U.S. Treasury, agency and government guaranteed securities	14,278	16,427	36	30,741
Commercial mortgage-backed securities (CMBS)		16,270	225	16,495
Asset-backed securities (ABS)		11,069	2,823	13,892
Foreign government securities	272	12,670	222	13,164
State and political subdivision securities		7,938	101	8,039

Other fixed maturity securities		11	6	17
Total fixed maturity securities	$ 14,550	$ 207,959	$ 17,057	$ 239,566
Equity Securities:				
Common stock	$ 496	$ 961	$ 159	$ 1,616
Non-redeemable preferred stock		442	1,008	1,450
Total equity securities	$ 496	$ 1,403	$ 1,167	$ 3,066

The composition of fair value pricing sources for and significant changes in Level 3 securities at March 31, 2010 are as follows:

The majority of the Level 3 fixed maturity and equity securities (90.4%, as presented above) were concentrated in four sectors: U.S. and foreign corporate securities, ABS and RMBS.

Level 3 fixed maturity securities are priced principally through independent broker quotations or market standard valuation methodologies using inputs that are not market observable or cannot be derived principally from or corroborated by observable market data. Level 3 fixed maturity securities consists of less liquid fixed maturity securities with very limited trading activity or where less price transparency exists around the inputs to the valuation methodologies including alternative residential mortgage loan RMBS and less liquid prime RMBS, below investment grade private placements and less liquid investment grade corporate securities (included in U.S. and foreign corporate securities) and less liquid ABS including securities supported by sub-prime mortgage loans (included in ABS).

During the three months ended March 31, 2010, Level 3 fixed maturity securities decreased by $133 million, or 0.8%. Decreases from transfers out and net sales in excess of purchases were partially offset by the increase in estimated fair value recognized in other comprehensive income (loss). The transfers out of Level 3 are described in the discussion following the rollforward table below. Net sales in excess of purchases of fixed maturity securities were concentrated in U.S. corporate securities. The increase in estimated fair value in fixed maturity securities was concentrated in U.S. and foreign corporate securities and ABS (including RMBS backed by sub-prime mortgage loans) due to improving market conditions including the narrowing of credit spreads reflecting an improvement in liquidity coupled with the effect of slight decrease in interest rates on such securities.

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A rollforward of the fair value measurements for fixed maturity securities and equity securities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs for the three months ended March 31, 2010 is as follows:

	Three Months Ended March 31, 2010	
	Fixed Maturity Securities	Equity Securities
	(In millions)	
Balance, beginning of period	$ 17,190	$ 1,240
Total realized/unrealized gains (losses) included in:		
Earnings	12	1
Other comprehensive income (loss)	619	23
Purchases, sales, issuances and settlements	(157)	(92)
Transfers in and/or out of Level 3	(607)	(5)
Balance, end of period	$ 17,057	$ 1,167

An analysis of transfers in and/or out of Level 3 for the three months ended March 31, 2010 is as follows:

Total gains and losses in earnings and other comprehensive income (loss) are calculated assuming transfers in or out of Level 3 occurred at the beginning of the period. Items transferred in and out for the same period are excluded from the rollforward.

Total gains and losses for fixed maturity securities included in earnings of ($3) million and other comprehensive income (loss) of $13 million respectively, were incurred for transfers subsequent to their transfer to Level 3, for the three months ended March 31, 2010.

Net transfers in and/or out of Level 3 for fixed maturity securities were ($607) million for the three months ended March 31, 2010, and was comprised of transfers in of $276 million and transfers out of ($883) million, respectively.

Overall, transfers in and/or out of Level 3 are attributable to a change in the observability of inputs. Assets and liabilities are transferred into Level 3 when a significant input cannot be corroborated with market observable data. This occurs when market activity decreases significantly and transparency to underlying inputs cannot be observed, current prices are not available, and when there are significant variances in quoted prices. Assets and liabilities are transferred out of Level 3 when circumstances change such that significant inputs can be corroborated with market observable data. This may be due to a significant increase in market activity, a specific event, or one or more significant input(s) becoming observable. Transfers in and/or out of any level are assumed to occur at the beginning of the period. Significant transfers in and/or out of Level 3 fixed maturity and equity securities for the three months ended March 31, 2010 are summarized as follows:

During the three months ended March 31, 2010, fixed maturity securities transfers into Level 3 of $276 million resulted primarily from current market conditions characterized by a lack of trading activity, decreased liquidity and credit ratings downgrades (e.g., from investment grade to below investment grade). These current market conditions have resulted in decreased transparency of valuations and an increased use of broker quotations and unobservable inputs to determine estimated fair value principally for certain CMBS and U.S. and foreign corporate securities.

During the three months ended March 31, 2010, fixed maturity securities transfers out of Level 3 of $883 million resulted primarily from increased transparency of both new issuances that subsequent to issuance and establishment of trading activity, became priced by pricing services and existing issuances that, over time, the Company was able to corroborate pricing received from independent pricing services with observable inputs, or there were increases in market activity and upgraded credit ratings primarily for certain U.S. and foreign corporate securities, ABS and RMBS.

See Management s Discussion and Analysis of Financial Condition and Results of Operations Summary of Critical Accounting Estimates Estimated Fair Value of Investments included in the 2009 Annual Report for further information on the estimates and assumptions that affect the amounts reported above.

See Fair Value Assets and Liabilities Measured at Fair Value Recurring Fair Value Measurements Valuation Techniques and Inputs by Level Within the Three-Level Fair Value Hierarchy by Major Classes of Assets and Liabilities in Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements for further information about the valuation techniques and inputs by level by major classes of invested assets that affect the amounts reported above.

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Fixed Maturity Securities Credit Quality Ratings. The Securities Valuation Office of the National Association of Insurance Commissioners (NAIC) evaluates the fixed maturity security investments of insurers for regulatory reporting and capital assessment purposes and assigns securities to one of six credit quality categories called NAIC designations. The NAIC ratings are generally similar to the rating agency designations of the Nationally Recognized Statistical Ratings Organizations (NRSROs) for marketable fixed maturity securities. NAIC ratings 1 and 2 include fixed maturity securities generally considered investment grade (i.e., rated Baa3 or better by Moody s Investors Service (Moody s) or rated BBB or better by Standard & Poor s Ratings Services (S&P) and Fitch Ratings (Fitch) such rating organizations. NAIC ratings 3 through 6 include fixed maturity securities generally considered below investment grade (i.e., rated Ba1 or lower by Moody s or rated BB+ or lower by S&P and Fitch) by such rating organizations.

The NAIC adopted a revised rating methodology for non-agency RMBS that became effective December 31, 2009. The NAIC s objective with the revised rating methodology for non-agency RMBS was to increase the accuracy in assessing expected losses, and to use the improved assessment to determine a more appropriate capital requirement for non-agency RMBS. The revised methodology reduces regulatory reliance on rating agencies and allows for greater regulatory input into the assumptions used to estimate expected losses from non-agency RMBS.

All below investment grade, non-income producing and NAIC (i.e., NAIC 1) amounts and percentages presented herein, are based on rating agency designations and equivalent ratings of the NAIC, with the exception of non-agency RMBS held by the Company s domestic insurance subsidiaries. Non-agency RMBS, including RMBS backed by sub-prime mortgage loans reported within ABS, held by the Company s domestic insurance subsidiaries are presented based on final ratings from the revised NAIC rating methodology which became effective December 31, 2009 (which may not correspond to rating agency designations). Whereas, all rating agency (i.e., Aaa/AAA) amounts or percentages presented herein are without adjustment for the revised NAIC methodology which became effective December 31, 2009.

The following three tables present information about the Company s fixed maturity securities holdings by credit quality ratings. Comparisons between NAIC ratings and rating agency designations are published by the NAIC. The rating agency designations were based on availability of applicable ratings from those rating agencies on the NAIC acceptable rating organizations list. If no rating is available from a rating agency, then an internally developed rating is used.

The following table presents the Company s total fixed maturity securities by NRSRO designation and the equivalent ratings of the NAIC, as well as the percentage, based on estimated fair value, that each designation is comprised of at:

		March 31, 2010			December 31, 2009		
NAIC Rating	Rating Agency Designation	Amortized Cost	Estimated Fair Value	% of Total	Amortized Cost	Estimated Fair Value	% of Total
				(In millions)			
1	Aaa/Aa/A	$ 158,448	$ 160,030	66.8%	$ 151,391	$ 151,136	66.4%
2	Baa	57,317	59,061	24.6	55,508	56,305	24.7
3	Ba	12,794	12,105	5.1	13,184	12,003	5.3
4	B	7,787	6,937	2.9	7,474	6,461	2.9
5	Caa and lower	1,534	1,282	0.5	1,809	1,425	0.6
6	In or near default	181	151	0.1	343	312	0.1

Total fixed maturity securities	$ 238,061	$ 239,566	100.0%	$ 229,709	$ 227,642	100.0%

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The following tables present the Company s total fixed maturity securities, based on estimated fair value, by sector classification and by NRSRO designation and the equivalent ratings of the NAIC, that each designation is comprised of at March 31, 2010 and December 31, 2009:

Fixed Maturity Securities by Sector & Credit Quality Rating at March 31, 2010							
NAIC Rating:	**1**	**2**	**3**	**4**	**5**	**6**	**Total**
Rating Agency Designation:	**Aaa/Aa/A**	**Baa**	**Ba**	**B**	**Caa and Lower**	**In or Near Default**	**Estimated Fair Value**
				(In millions)			
U.S. corporate securities	$ 32,315	$ 31,089	$ 6,623	$ 3,481	$ 543	$ 82	$ 74,133
RMBS	37,534	1,746	1,997	1,358	336	9	42,980
Foreign corporate securities	17,649	18,627	2,070	1,478	263	18	40,105
U.S. Treasury, agency and government guaranteed securities	30,741						30,741
CMBS	16,205	177	77	22	14		16,495
ABS	12,340	1,017	266	155	72	42	13,892
Foreign government securities	6,145	5,560	1,031	428			13,164
State and political subdivision securities	7,101	834	41	9	54		8,039
Other fixed maturity securities		11		6			17
Total fixed maturity securities	$ 160,030	$ 59,061	$ 12,105	$ 6,937	$ 1,282	$ 151	$ 239,566
Percentage of total	66.8%	24.6%	5.1%	2.9%	0.5%	0.1%	100.0%

Fixed Maturity Securities by Sector & Credit Quality Rating at December 31, 2009							
NAIC Rating:	**1**	**2**	**3**	**4**	**5**	**6**	**Total**
Rating Agency Designation:	**Aaa/Aa/A**	**Baa**	**Ba**	**B**	**Caa and Lower**	**In or Near Default**	**Estimated Fair Value**
				(In millions)			
U.S. corporate securities	$ 31,848	$ 30,266	$ 6,319	$ 2,965	$ 616	$ 173	$ 72,187
RMBS	38,464	1,563	2,260	1,391	339	3	44,020
Foreign corporate securities	16,678	17,393	2,067	1,530	281	81	38,030
U.S. Treasury, agency and government guaranteed securities	25,447						25,447
CMBS	15,000	434	152	22	14		15,622
ABS	11,573	1,033	275	124	117	40	13,162
Foreign government securities	5,786	4,841	890	415		15	11,947

State and political subdivision securities	6,337	765	40	8	58		7,208
Other fixed maturity securities	3	10		6			19
Total fixed maturity securities	$ 151,136	$ 56,305	$ 12,003	$ 6,461	$ 1,425	$ 312	$ 227,642
Percentage of total	66.4%	24.7%	5.3%	2.9%	0.6%	0.1%	100.0%

Fixed Maturity and Equity Securities Available-for-Sale. See Investments Fixed Maturity and Equity Securities Available-for-Sale in Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for tables summarizing the cost or amortized cost, gross unrealized gains and losses, including noncredit loss component of OTTI loss, and estimated fair value of fixed maturity and equity securities on a sector basis, and selected information about certain fixed maturity securities held by the Company that were below investment grade or non-rated, non-income producing, credit enhanced by financial guarantor insurers by sector, and the ratings of the financial guarantor insurers providing the credit enhancement at March 31, 2010 and December 31, 2009.

Concentrations of Credit Risk (Equity Securities). The Company was not exposed to any significant concentrations of credit risk in its equity securities portfolio of any single issuer greater than 10% of the Company s stockholders equity at March 31, 2010 and December 31, 2009.

Concentrations of Credit Risk (Fixed Maturity Securities) Summary. See Investments Fixed Maturity Securities Available-for-Sale Concentrations of Credit Risk (Fixed Maturity Securities) Summary in Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for a summary of the concentrations of credit risk related to fixed maturity securities holdings.

Corporate Fixed Maturity Securities. The Company maintains a diversified portfolio of corporate fixed maturity securities across industries and issuers. This portfolio does not have exposure to any single issuer in excess of 1% of the total investments. See Investments Fixed Maturity and Equity Securities Available-for-Sale Concentrations of Credit Risk (Fixed Maturity Securities) U.S. and Foreign Corporate Securities in Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for the tables that present the major industry types that comprise the corporate fixed maturity securities holdings, the largest exposure to a single issuer and the combined holdings in the ten issuers to which it had the largest exposure at March 31, 2010 and December 31, 2009.

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Structured Securities. The following table presents the types and portion rated Aaa/AAA, and portion rated NAIC 1 for RMBS and ABS backed by sub-prime mortgage loans, of structured securities the Company held at:

	March 31, 2010		December 31, 2009	
	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	(In millions)			
RMBS	$ 42,980	58.6%	$ 44,020	60.5%
CMBS	16,495	22.5	15,622	21.4
ABS	13,892	18.9	13,162	18.1
Total structured securities	$ 73,367	100.0%	$ 72,804	100.0%
Ratings profile:				
RMBS rated Aaa/AAA	$ 37,308	86.8%	$ 35,626	80.9%
RMBS rated NAIC 1	$ 37,534	87.3%	$ 38,464	87.4%
CMBS rated Aaa/AAA	$ 15,364	93.1%	$ 13,355	85.5%
ABS rated Aaa/AAA	$ 10,526	75.8%	$ 9,354	71.1%
ABS rated NAIC 1	$ 12,340	88.8%	$ 11,573	87.9%

RMBS. See Investments Fixed Maturity and Equity Securities Available-for-Sale Concentrations of Credit Risk (Fixed Maturity Securities) RMBS in Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for the tables that present the Company s RMBS holdings by security type and risk profile at March 31, 2010 and December 31, 2009.

The majority of the Company s RMBS were rated Aaa/AAA by Moody s, S&P or Fitch; and the majority were rated NAIC 1 by the NAIC at March 31, 2010 and December 31, 2009, as presented above. Effective December 31, 2009, the NAIC adopted a revised rating methodology for non-agency RMBS based on the NAIC s estimate of expected losses from non-agency RMBS. The majority of the Company s agency RMBS were guaranteed or otherwise supported by the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC) or the Government National Mortgage Association (GNMA). Non-agency RMBS includes prime and alternative residential mortgage loans (Alt-A) RMBS. Prime residential mortgage lending includes the origination of residential mortgage loans to the most creditworthy borrowers with high quality credit profiles. Alt-A is a classification of mortgage loans where the risk profile of the borrower falls between prime and sub-prime. Sub-prime mortgage lending is the origination of residential mortgage loans to borrowers with weak credit profiles.

The Company s Alt-A securities portfolio has superior structure to the overall Alt-A market. At March 31, 2010 and December 31, 2009, the Company s Alt-A securities portfolio has no exposure to option adjustable rate mortgages (ARMs) and a minimal exposure to hybrid ARMs. The Company s Alt-A securities portfolio is comprised primarily of fixed rate mortgages which have performed better than both option ARMs and hybrid ARMs in the overall Alt-A market. Additionally, 89% and 90% at March 31, 2010 and December 31, 2009, respectively, of the Company s Alt-A securities portfolio has super senior credit enhancement, which typically provides double the credit enhancement of a standard Aaa/AAA rated fixed maturity security. Based upon the analysis of the Company s exposure to Alt-A mortgage loans through its exposure to RMBS that are considered temporarily impaired, the Company continues to expect to receive payments in accordance with the contractual terms of the securities. Any securities where the present value of projected future cash flows expected to be collected is less than amortized cost are impaired in accordance with our impairment policy. See Investments Fixed Maturity Securities Available-for-Sale RMBS in Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for a table that presents the estimated fair value of Alt-A securities held by the Company by vintage year, net unrealized loss, portion of holdings rated Aa/AA or better by Moody s, S&P or Fitch, portion rated NAIC 1 by the NAIC, and portion of holdings that are backed by fixed rate collateral or hybrid ARMs at March 31, 2010 and December 31, 2009. Vintage year refers to the year of origination

and not to the year of purchase. Based upon the analysis of the Company s exposure to RMBS, including Alt-A RMBS, that are considered temporarily impaired, the Company expects to receive payments in accordance with the contractual terms of the securities. Any securities where the present value of projected future cash flows expected to be collected is less than amortized cost are impaired in accordance with our impairment policy.

CMBS. There have been disruptions in the CMBS market due to market perceptions that default rates will increase in part as result of weakness in commercial real estate market fundamentals and in part to relaxed underwriting standards by some originators of commercial mortgage loans within the more recent vintage years (i.e., 2006 and later). These factors have caused a pull-back in market liquidity, increased credit spreads and repricing of risk, which has led to higher levels of unrealized losses as compared to historical levels. However, in the three months ended March 31, 2010, market conditions improved, credit spreads narrowed and unrealized losses decreased from 6% to 1% of cost or amortized cost from December 31, 2009 to March 31, 2010. Based upon the

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analysis of the Company s exposure to CMBS that are considered temporarily impaired the Company expects to receive payments in accordance with the contractual terms of the securities. Any securities where the present value of projected future cash flows expected to be collected is less than amortized cost are impaired in accordance with our impairment policy.

The Company s holdings in CMBS were $16.5 billion and $15.6 billion, at estimated fair value at March 31, 2010 and December 31, 2009, respectively. See Investments Fixed Maturity and Equity Securities Available-for-Sale Concentrations of Credit Risk (Fixed Maturity Securities) CMBS in Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for tables that present the cost or amortized cost and estimated fair value, rating distribution by Moody s, S&P or Fitch, and holdings by vintage year of such securities held by the Company at March 31, 2010 and December 31, 2009. The Company had no exposure to CMBS index securities at March 31, 2010 or December 31, 2009. The Company s holdings of commercial real estate collateralized debt obligations securities were $116 million and $111 million at estimated fair value at March 31, 2010 and December 31, 2009, respectively. The weighted average credit enhancement of the Company s CMBS holdings was 28% at both March 31, 2010 and December 31, 2009. This credit enhancement percentage represents the current weighted average estimated percentage of outstanding capital structure subordinated to the Company s investment holding that is available to absorb losses before the security incurs the first dollar of loss of principal. The credit protection does not include any equity interest or property value in excess of outstanding debt.

See Investments Fixed Maturity and Equity Securities Available-for-Sale Concentrations of Credit Risk (Fixed Maturity Securities) CMBS in Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for tables that present the Company s holdings of CMBS by rating agency designation and by vintage year at March 31, 2010 and December 31, 2009.

ABS. The Company s ABS are diversified both by collateral type and by issuer. See Investments Fixed Maturity and Equity Securities Available-for-Sale Concentrations of Credit Risk (Fixed Maturity Securities) ABS in Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for a table that presents the Company s ABS by collateral type, portion rated Aaa/AAA and portion credit enhanced held by the Company at March 31, 2010 and December 31, 2009.

The slowing U.S. housing market, greater use of affordable mortgage products and relaxed underwriting standards for some originators of sub-prime loans have recently led to higher delinquency and loss rates, especially within the 2006 and 2007 vintage years. Vintage year refers to the year of origination and not to the year of purchase. These factors have caused a pull-back in market liquidity and repricing of risk, which has led to higher levels of unrealized losses on securities backed by sub-prime mortgage loans as compared to historical levels. However, in 2009, market conditions improved, credit spreads narrowed and unrealized losses decreased from 36% to 32% of cost or amortized cost from December 31, 2009 and March 31, 2010. Based upon the analysis of the Company s sub-prime mortgage loans through its exposure to ABS, the Company expects to receive payments in accordance with the contractual terms of the securities that are considered temporarily impaired. Any securities where the present value of projected future cash flows expected to be collected is less than amortized cost are impaired in accordance with our impairment policy.

See Investments Fixed Maturity and Equity Securities Available-for-Sale Concentrations of Credit Risk (Fixed Maturity Securities) ABS in Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for tables that present the Company s holdings of ABS supported by sub-prime mortgage loans by rating agency designation and by vintage year at March 31, 2010 and December 31, 2009.

The Company had ABS supported by sub-prime mortgage loans with estimated fair values of $1,071 million and $1,044 million, respectively, and unrealized losses of $507 million and $593 million, respectively, at March 31, 2010 and December 31, 2009, respectively. Approximately 68% of this portfolio was rated Aa or better, of which 96% was in vintage year 2005 and prior at March 31, 2010. Approximately 61% of this portfolio was rated Aa or better, of which 91% was in vintage year 2005 and prior at December 31, 2009. These older vintages benefit from better underwriting, improved enhancement levels and higher residential property price appreciation. All of the $1,071 million and $1,044 million of ABS supported by sub-prime mortgage loans were classified as Level 3 fixed maturity securities at March 31, 2010 and December 31, 2009, respectively. The NAIC rating distribution of the Company s

ABS supported by sub-prime mortgage loans at March 31, 2010 was as follows: 69% NAIC 1, 5% NAIC 2 and 26% NAIC 3 through 6. The NAIC rating distribution of the Company s ABS supported by sub-prime mortgage loans at December 31, 2009 was as follows: 69% NAIC 1, 4% NAIC 2 and 27% NAIC 3 through 6.

ABS also include collateralized debt obligations backed by sub-prime mortgage loans at an aggregate cost of $22 million with an estimated fair value of $9 million at March 31, 2010 and an aggregate cost of $22 million with an estimated fair value of $8 million at December 31, 2009.

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Evaluating Available-for-Sale Securities for Other-Than-Temporary Impairment

See Investments Evaluating Available-for-Sale Securities for Other-Than-Temporary Impairment in Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for a discussion of the regular evaluation of available-for-sale securities holdings in accordance with our impairment policy, whereby we evaluate whether such investments are other-than-temporarily impaired, new OTTI guidance adopted in 2009 and factors considered by security classification in the regular OTTI evaluation.

See Management s Discussion and Analysis of Financial Condition and Results of Operations Summary of Critical Accounting Estimates included the 2009 Annual Report.

Net Unrealized Investment Gains (Losses)

See Investments Net Unrealized Investment Gains (Losses) in Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for the components of net unrealized investment gains (losses), included in accumulated other comprehensive loss and the changes in net unrealized investment gains (losses) at March 31, 2010 and December 31, 2009 and for the three months ended March 31, 2010.

Fixed maturity securities with noncredit OTTI losses in accumulated other comprehensive loss of $791 million at March 31, 2010, includes $859 million recognized prior to January 1, 2010, $59 million ($17 million, net of DAC) of noncredit losses recognized in the three months ended March 31, 2010, $16 million transferred to retained earnings in connection with the adoption of new guidance related to consolidation of VIEs (see Note 1 of the Notes to the Interim Condensed Consolidated Financial Statements), and $111 million of subsequent increases in estimated fair value during the three months ended March 31, 2010 on such securities for which a noncredit loss was previously recognized in accumulated other comprehensive loss.

Fixed maturity securities with noncredit OTTI losses in accumulated other comprehensive loss of $859 million at December 31, 2009, includes $126 million related to the transition adjustment, $939 million ($857 million, net of DAC) of noncredit losses recognized in the year ended December 31, 2009 (as more fully described in Note 1 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report) and $206 million of subsequent increases in estimated fair value during the year ended December 31, 2009 on such securities for which a noncredit loss was previously recognized in accumulated other comprehensive loss.

Aging of Gross Unrealized Loss and OTTI Loss for Fixed Maturity and Equity Securities Available-for-Sale

See Investments Aging of Gross Unrealized Loss and OTTI Loss for Fixed Maturity and Equity Securities Available-for-Sale in Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for the tables that present the cost or amortized cost, gross unrealized loss, including the portion of OTTI loss on fixed maturity securities recognized in accumulated other comprehensive loss at March 31, 2010, gross unrealized loss as a percentage of cost or amortized cost and number of securities for fixed maturity and equity securities where the estimated fair value had declined and remained below cost or amortized cost by less than 20%, or 20% or more at March 31, 2010 and December 31, 2009.

Concentration of Gross Unrealized Loss and OTTI Loss for Fixed Maturity and Equity Securities Available-for-Sale

See Investments Concentration of Gross Unrealized Loss and OTTI Loss for Fixed Maturity and Equity Securities Available-for-Sale in Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for the tables that present the concentration by sector and industry of the Company s gross unrealized losses related to its fixed maturity and equity securities, including the portion of OTTI loss on fixed maturity securities recognized in accumulated other comprehensive loss of $8.5 billion and $10.8 billion at March 31, 2010 and December 31, 2009, respectively.

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Evaluating Temporarily Impaired Available-for-Sale Securities

The following table presents the Company s fixed maturity and equity securities each with a gross unrealized loss of greater than $10 million, the number of securities, total gross unrealized loss and percentage of total gross unrealized loss at:

	March 31, 2010		December 31, 2009	
	Fixed Maturity Securities	Equity Securities	Fixed Maturity Securities	Equity Securities
	(In millions, except number of securities)			
Number of securities	165	7	223	9
Total gross unrealized loss	$ 3,310	$ 101	$ 4,465	$ 132
Percentage of total gross unrealized loss	40%	41%	43%	48%

The fixed maturity and equity securities, each with a gross unrealized loss greater than $10 million, decreased $1.2 billion during the three months ended March 31, 2010. The cause of the decline in, or improvement in, gross unrealized losses for the three months ended March 31, 2010 was primarily attributable to improving market conditions, including narrowing of credit spreads reflecting an improvement in liquidity. These securities were included in the Company s OTTI review process. Based upon the Company s current evaluation of these securities in accordance with its impairment policy and the Company s current intentions and assessments (as applicable to the type of security) about holding, selling, and any requirements to sell these securities, the Company has concluded that these securities are not other-than-temporarily impaired.

In the Company s impairment review process, the duration and severity of an unrealized loss position for equity securities is given greater weight and consideration than for fixed maturity securities. An extended and severe unrealized loss position on a fixed maturity security may not have any impact on the ability of the issuer to service all scheduled interest and principal payments and the Company s evaluation of recoverability of all contractual cash flows or the ability to recover an amount at least equal to its amortized cost based on the present value of the expected future cash flows to be collected. In contrast, for an equity security, greater weight and consideration is given by the Company to a decline in market value and the likelihood such market value decline will recover.

The following table presents certain information about the Company s equity securities available-for-sale with a gross unrealized loss of 20% or more at March 31, 2010:

	All Types of			Non-Redeemable Preferred Stock Investment Grade				
	All Equity Securities	Non-Redeemable Preferred Stock		All Industries		Financial Services Industry		
	Gross Unrealized Loss	Gross Unrealized Loss	% of All Equity Securities	Gross Unrealized Loss	% of All Non-Redeemable Preferred Stock	Gross Unrealized Loss	% of All Industries	% A Rated or Better
	(In millions)							
Less than six months	$ 35	$ 33	94%	$ 16	48%	$ 16	100%	100%
Six months or greater but less than twelve months			%		%		%	%

Twelve months or greater	128	128	100%	128	100%	124	97%	90%
All equity securities with a gross unrealized loss of 20% or more	$ 163	$ 161	99%	$ 144	89%	$ 140	97%	91%

In connection with the equity securities impairment review process at March 31, 2010, the Company evaluated its holdings in non-redeemable preferred stock, particularly those of financial services companies. The Company considered several factors including whether there has been any deterioration in credit of the issuer and the likelihood of recovery in value of non-redeemable preferred stock with a severe or an extended unrealized loss. The Company also considered whether any non-redeemable preferred stock with an unrealized loss held by the Company, regardless of credit rating, have deferred any dividend payments. No such dividend payments were deferred.

With respect to common stock holdings, the Company considered the duration and severity of the unrealized losses for securities in an unrealized loss position of 20% or more and the duration of unrealized losses for securities in an unrealized loss position of less than 20% in an extended unrealized loss position (i.e., for 12 months or greater).

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Future other-than-temporary impairments will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), changes in credit rating, changes in collateral valuation, changes in interest rates and changes in credit spreads. If economic fundamentals and any of the above factors deteriorate, additional other-than-temporary impairments may be incurred in upcoming quarters.

Net Investment Gains (Losses) Including OTTI Losses Recognized in Earnings

Effective April 1, 2009, the Company adopted new guidance on the recognition and presentation of OTTI that amends the methodology to determine for fixed maturity securities whether an OTTI exists, and for certain fixed maturity securities, changes how OTTI losses that are charged to earnings are measured. There was no change in the methodology for identification and measurement of OTTI losses charged to earnings for impaired equity securities.

Proceeds from sales or disposals of fixed maturity and equity securities and the components of fixed maturity and equity securities net investment gains (losses) are as follows:

	Fixed Maturity Securities		Equity Securities		Total	
	Three Months Ended March 31,					
	2010	2009	2010	2009	2010	2009
			(In millions)			
Proceeds	$ 8,378	$ 11,778	$ 145	$ 58	$ 8,523	$ 11,836
Gross investment gains	$ 164	$ 356	$ 31	$ 7	$ 195	$ 363
Gross investment losses	(139)	(412)	(3)	(18)	(142)	(430)
Total OTTI losses recognized in earnings:						
Credit-related	(86)	(483)			(86)	(483)
Other (1)	(6)	(70)	(1)	(258)	(7)	(328)
Total OTTI losses recognized in earnings	(92)	(553)	(1)	(258)	(93)	(811)
Net investment gains (losses)	$ (67)	$ (609)	$ 27	$ (269)	$ (40)	$ (878)

(1) Other OTTI losses recognized in earnings include impairments on equity securities, impairments on perpetual hybrid securities classified within fixed maturity securities where the primary reason for the impairment was the severity and/or the duration of an unrealized loss position and fixed maturity securities where there is an intent to sell or it is more likely than not that the Company will be required to sell the security before recovery of the decline in estimated fair value.

Overview of Fixed Maturity and Equity Security OTTI Losses Recognized in Earnings. Impairments of fixed maturity and equity securities were $93 million and $811 million for the three months ended March 31, 2010 and 2009, respectively. Impairments of fixed maturity securities were $92 million and $553 million for the three months ended March 31, 2010 and 2009, respectively. Impairments of equity securities were $1 million and $258 million for the three months ended March 31, 2010 and 2009, respectively.

The Company s credit-related impairments of fixed maturity securities were $86 million and $483 million for the three months ended March 31, 2010 and March 31, 2009, respectively.

The Company s three largest impairments totaled $26 million and $274 million for the three months ended March 31, 2010 and March 31, 2009, respectively.

The Company records OTTI losses charged to earnings as investment losses and adjusts the cost basis of the fixed maturity and equity securities accordingly. The Company does not change the revised cost basis for subsequent recoveries in value.

The Company sold or disposed of fixed maturity and equity securities at a loss that had an estimated fair value of $3,212 million and $3,429 million during the three months ended March 31, 2010 and March 31, 2009, respectively. Gross losses excluding impairments for fixed maturity and equity securities were $142 million and $430 million for the three months ended March 31, 2010 and March 2009, respectively.

Explanations of changes in fixed maturity and equity securities impairments are as follows:

Three months ended March 31, 2010 compared to the three months Ended March 31, 2009 Overall OTTI losses recognized in earnings on fixed maturity and equity securities were $93 million for the three months ended March 31, 2010 as compared to $811 million in the comparable prior year period. Improving market conditions across all sectors and industries, particularly the

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financial services industry, as compared to the prior year period when there was significant stress in the global financial markets resulted in decreased impairments in fixed maturity and equity securities in the current year period. Impairments in the three months ended March 31, 2010 were concentrated in the RMBS, ABS and CMBS sectors and consumer industry reflecting current economic conditions including higher unemployment levels and continued weakness within the real estate markets. Of the fixed maturity and equity securities impairments of $93 million and $811 million in three months ended March 31, 2010 and 2009, respectively, $59 million and $126 million, respectively, were in the Company s RMBS, ABS and CMBS holdings; and $22 million and $90 million, respectively, were in the Company s consumer industry holdings. The most significant decrease in the current year period, as compared to the prior year period, was in the Company s financial services industry holdings which comprised $351 million in fixed maturity and equity impairments in three months ended March 31, 2009, as compared to $8 million in impairments for the three months ended March 31, 2010. Of the $351 million in financial services industry impairments for the three months ended March 31, 2009, $230 million were in equity securities, of which $200 million were in financial services industry perpetual hybrid securities which were impaired as a result of deterioration in the credit rating of the issuer to below investment grade and due to a severe and extended unrealized loss position on these securities.

Fixed maturity security OTTI losses recognized in earnings relate to the following sectors and industries:

	Three Months Ended March 31,	
	2010	2009
	(In millions)	
U.S. and foreign corporate securities by industry:		
Consumer	$ 22	$ 90
Finance	8	121
Communications	3	142
Industrial		17
Utility		33
Other		24
Total U.S. and foreign corporate securities	33	427
RMBS	30	58
ABS	19	66
CMBS	10	2
Total	$ 92	$ 553

Equity security OTTI losses recognized in earnings relate to the following sectors and industries:

	Three Months Ended March 31,	
	2010	2009
	(In millions)	
Sector:		
Common stock	$ 1	$ 39
Non-redeemable preferred stock		219
Total	$ 1	$ 258

Industry:		
Financial services industry:		
Perpetual hybrid securities	$	$ 200
Common and remaining non-redeemable preferred stock		30
Total financial services industry		230
Other	1	28
Total	$ 1	$ 258

Future Impairments. Future other-than-temporary impairments will depend primarily on economic fundamentals, issuer performance, changes in credit ratings, changes in collateral valuation, changes in interest rates and changes in credit spreads. If economic fundamentals and other of the above factors deteriorate, additional other-than-temporary impairments may be incurred in upcoming periods. See also Investments Fixed Maturity and Equity Securities Available-for-Sale Net Unrealized Investment Gains (Losses).

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Credit Loss Rollforward Rollforward of the Cumulative Credit Loss Component of OTTI Loss Recognized in Earnings on Fixed Maturity Securities Still Held for Which a Portion of the OTTI Loss was Recognized in Other Comprehensive Loss

See Investments Credit Loss Rollforward Rollforward of the Cumulative Credit Loss Component of OTTI Loss Recognized in Earnings on Fixed Maturity Securities Still Held for Which a Portion of the OTTI Loss was Recognized in Other Comprehensive Loss in Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for the table that presents a rollforward of the cumulative credit loss component of OTTI loss recognized in earnings on fixed maturity securities still held by the Company at March 31, 2010 for which a portion of the OTTI loss was recognized in other comprehensive loss for the three months ended March 31, 2010.

Securities Lending

The Company participates in securities lending programs whereby blocks of securities, which are included in fixed maturity securities and short-term investments, are loaned to third parties, primarily brokerage firms and commercial banks. These transactions are treated as financing arrangements and the associated liability recorded at the amount of the cash received. The Company generally obtains collateral in an amount equal to 102% of the estimated fair value of the loaned securities, which is obtained at the inception of a loan and maintained at a level greater than or equal to 100% for the duration of the loan. In limited instances, during the extraordinary market events beginning in the fourth quarter of 2008 and through part of 2009, we accepted collateral less than 102% at the inception of certain loans, but never less than 100%, of the estimated fair value of such loaned securities. At December 31, 2009, we had no loans outstanding where we had accepted at the inception of the loan collateral less than 102%, of the estimated fair value of such loaned securities. These loans involved U.S. Government Treasury Bills which are considered to have limited variation in their estimated fair value during the term of the loan. Securities loaned under such transactions may be sold or repledged by the transferee. The Company is liable to return to its counterparties the cash collateral under its control.

Elements of the securities lending program are presented in Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements under Investments Securities Lending.

The estimated fair value of the securities on loan related to the cash collateral on open at March 31, 2010 was $3,816 million of which $3,612 million were U.S. Treasury, agency and government guaranteed securities which, if put to the Company, can be immediately sold to satisfy the cash requirements. The remainder of the securities on loan were primarily U.S. Treasury, agency, and government guaranteed securities, and very liquid RMBS. The U.S. Treasury securities on loan are primarily holdings of on-the-run U.S. Treasury securities, the most liquid U.S. Treasury securities available. If these high quality securities that are on loan are put back to the Company, the proceeds from immediately selling these securities can be used to satisfy the related cash requirements. The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities (including U.S. corporate, U.S. Treasury, agency and government guaranteed, RMBS, ABS and CMBS securities). If the on loan securities or the reinvestment portfolio become less liquid, the Company has the liquidity resources of most of its general account available to meet any potential cash demands when securities are put back to the Company.

Security collateral on deposit from counterparties in connection with the securities lending transactions may not be sold or repledged, unless the counterparty is in default, and is not reflected in the interim condensed consolidated financial statements. Separately, the Company has $47 million and $46 million, at estimated fair value, of cash and security collateral on deposit from a counterparty to secure its interest in a pooled investment that is held by a third party trustee, as custodian, at March 31, 2010 and December 31, 2009, respectively. This pooled investment is included within fixed maturity securities and had an estimated fair value of $53 million and $51 million at March 31, 2010 and December 31, 2009, respectively.

Invested Assets on Deposit, Held in Trust and Pledged as Collateral

See Investments Invested Assets on Deposit, Held in Trust and Pledged as Collateral in Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for a table of the invested assets on deposit, invested assets held in trust and invested assets pledged as collateral at March 31, 2010 and December 31, 2009.

See also Investments Securities Lending for the amount of the Company s cash and invested assets received from and due back to counterparties pursuant to the securities lending program.

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Trading Securities

The Company has trading securities to support investment strategies that involve the active and frequent purchase and sale of securities, the execution of short sale agreements and asset and liability matching strategies for certain insurance products. In addition, the Company classifies securities held by consolidated securitization entities as trading securities, with changes in estimated fair value recorded as net investment gains (losses). Trading securities which consisted principally of publicly-traded fixed maturity and equity securities, were $3.0 billion and $2.4 billion, or 0.9% and 0.7% of total cash and invested assets at estimated fair value, at March 31, 2010 and December 31, 2009, respectively. See Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements Investments Trading Securities for tables which present information about the trading securities, related short sale agreement liabilities, investments pledged to secure short sale agreement liabilities, net investment income, changes in estimated fair value included in net investment income for trading securities and changes in estimated fair value included in net investment gains (losses) for securities held by consolidated securitization entities at March 31, 2010 and December 31, 2009 and for the three months ended March 31, 2010 and 2009.

The trading securities, securities held by consolidated securitization entities and trading (short sale agreement) liabilities, measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy, are presented as follows:

	March 31, 2010			
	Trading Securities		Trading Liabilities	
	(In millions)			
Quoted prices in active markets for identical assets and liabilities (Level 1)	$ 2,132	70%	$ 87	90%
Significant other observable inputs (Level 2) (1)	867	29	10	10
Significant unobservable inputs (Level 3)	40	1		
Total estimated fair value	$ 3,039	100%	$ 97	100%

(1) All trading securities held by consolidated securitization entities are classified as Level 2.

A rollforward of the fair value measurements for trading securities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs for the three months ended March 31, 2010, is as follows:

	Three Months Ended March 31, 2010 (In millions)
Balance, beginning of period	$ 83
Total realized/unrealized gains (losses) included in:	
Earnings	(1)
Purchases, sales, issuances and settlements	(24)
Transfer in and/or out of Level 3	(18)
Balance, end of period	$ 40

See Management s Discussion and Analysis of Financial Condition and Results of Operations Summary of Critical Accounting Estimates included in the 2009 Annual Report for further information on the estimates and assumptions that affect the amounts reported above.

Mortgage Loans

The Company s mortgage loans are principally collateralized by commercial, agricultural and residential properties, as well as automobiles. The carrying value of mortgage loans was $57.4 billion and $50.9 billion, or 16.2% and 15.1% of total cash and invested assets at March 31, 2010 and December 31, 2009, respectively. See Investments Mortgage Loans in Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for a table that presents the Company s mortgage loans held-for-investment of $55.4 billion and $48.2 billion by type at March 31, 2010 and December 31, 2009, respectively, as well as the components of the mortgage loans held-for-sale of $2.0 billion and $2.7 billion at March 31, 2010 and December 31, 2009, respectively. The information presented on Mortgage Loans herein excludes the effects of consolidating under GAAP certain VIEs that are treated as consolidated securitization entities. Such amounts are presented in the aforementioned table that presents the mortgage loans held-for-investment.

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Mortgage Loans by Geographic Region and Property Type. The Company diversifies its commercial mortgage loans by both geographic region and property type to reduce the risk of concentration. See Investments Mortgage Loans Mortgage Loans by Geographic Region and Property Type in Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for tables that present the distribution across geographic regions and property types for commercial mortgage loans held-for-investment at March 31, 2010 and December 31, 2009.

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

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

The following table presents the amortized cost and valuation allowance (amortized cost is carrying value before valuation allowances) for commercial mortgage loans, agricultural mortgage loans, and residential and consumer loans held-for-investment distributed by loan classification at:

	March 31, 2010				December 31, 2009			
	Amortized Cost	% of Total	Valuation Allowance	% of Amortized Cost	Amortized Cost	% of Total	Valuation Allowance	% of Amortized Cost
	(In millions)							
Commercial:								
Performing	$ 35,103	99.3%	$ 562	1.6%	$ 35,066	99.7%	$ 548	1.6%
Restructured	54	0.2	1	1.9%				%
Potentially delinquent	32	0.1	28	87.5%	102	0.3	41	40.2%
Delinquent or under foreclosure	162	0.4	33	20.4%	8			%
Total	$ 35,351	100.0%	$ 624	1.8%	$ 35,176	100.0%	$ 589	1.7%
Agricultural (1):								
Performing	$ 11,941	97.8%	$ 33	0.3%	$ 11,950	97.5%	$ 33	0.3%
Restructured	46	0.4	14	30.4%	36	0.3	10	27.8%
Potentially delinquent	91	0.8	28	30.8%	128	1.0	34	26.6%
Delinquent or under foreclosure	125	1.0	35	28.0%	141	1.2	38	27.0%
Total	$ 12,203	100.0%	$ 110	0.9%	$ 12,255	100.0%	$ 115	0.9%
Residential and Consumer (2):								
Performing	$ 1,491	95.3%	$ 16	1.1%	$ 1,389	94.4%	$ 16	1.2%
Restructured	2	0.1		%	1	0.1		%
	8	0.5		%	10	0.7		%

Potentially delinquent	64	4.1		1	1.6%	71	4.8		1	1.4%
Delinquent or under foreclosure										
Total	$ 1,565	100.0%	$	17	%	$ 1,471	100.0%	$	17	1.2%

(1) The Company diversifies its agricultural mortgage loans held-for-investment by both geographic region and product type. Of the $12,203 million of agricultural mortgage loans outstanding at March 31, 2010, 54% were subject to rate resets prior to maturity. A substantial portion of these loans has been successfully renegotiated and remain outstanding to maturity.

(2) Residential and consumer loans consist of primarily residential mortgage loans, home equity lines of credit, and automobile loans held-for-investment.

Mortgage Loan Credit Quality Monitoring Process Commercial and Agricultural Loans. The Company reviews all commercial mortgage loans on an ongoing basis. These reviews may include an analysis of the property financial statements and rent roll, lease rollover analysis, property inspections, market analysis, estimated valuations of the underlying collateral, loan-to-value ratios, debt service coverage ratios, and tenant creditworthiness. The monitoring process focuses on higher risk loans, which include those that are classified as restructured, potentially delinquent, delinquent or in foreclosure, as well as loans with higher loan-to-value ratios and lower debt service coverage ratios. The monitoring process for agricultural loans is generally similar, with a focus on higher risk loans, including reviews of the portfolio on a geographic and sector basis.

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Loan-to-value ratios and debt service coverage ratios are common measures in the assessment of the quality of commercial mortgage loans. Loan-to-value ratios compare the amount of the loan to the estimated fair value of the underlying collateral. A loan-to-value ratio greater than 100% indicates that the loan amount is greater than the collateral value. A loan-to-value ratio of less than 100% indicates an excess of collateral value over the loan amount. The debt service coverage ratio compares a property s net operating income to amounts needed to service the principal and interest due under the loan. For commercial loans, at March 31, 2010, the average loan-to-value ratio was 69%, as compared to 68% at December 31, 2009, and the average debt service coverage ratio was 2.4x, as compared to 2.2x at December 31, 2009. The values utilized in calculating these ratios are developed in connection with our review of the commercial loan portfolio, and are updated routinely, including a periodic quality rating process and an evaluation of the estimated fair value of the underlying collateral.

Mortgage Loan Credit Quality Monitoring Process Residential and Consumer Loans. The Company has a conservative residential and consumer loan portfolio and does not hold any option ARMs, sub-prime, low teaser rate, or loans with a loan-to-value ratio of 100% or more. Higher risk loans include those that are classified as restructured, potentially delinquent, delinquent or in foreclosure, as well as loans with higher loan-to-value ratios and interest-only loans. The Company s investment in residential junior lien loans and residential loans with a loan-to-value ratio of 80% or more was $67 million at March 31, 2010, and the majority of the higher loan-to-value loans have mortgage insurance coverage which reduces the loan-to-value ratio to less than 80%. Additionally, the Company s investment in traditional residential interest-only loans was $361 million at March 31, 2010.

Mortgage Loans Valuation Allowances. Recent economic events causing deteriorating market conditions, low levels of liquidity and credit spread widening have all adversely impacted the mortgage loan markets. As a result, commercial real estate and residential and consumer loan market fundamentals, and fundamentals in certain sectors of the agricultural loan market, have weakened. The Company expects continued pressure on these fundamentals, including but not limited to declining rent growth, increased vacancies, rising delinquencies and declining property values. These deteriorating factors have been considered in the Company s ongoing, systematic and comprehensive review of the commercial, agricultural and residential and consumer mortgage loan portfolios, resulting in higher impairments and valuation allowances for the three months ended March 31, 2010 as compared to the prior periods.

The Company s valuation allowances are established both on a loan specific basis for those loans considered impaired where a property specific or market specific risk has been identified that could likely result in a future loss, as well as for pools of loans with similar risk characteristics where a property specific or market specific risk has not been identified, but for which the Company expects to incur a loss. Accordingly, a valuation allowance is provided to absorb these estimated probable credit losses. The Company records valuation allowances and gains and losses from the sale of loans in net investment gains (losses).

The Company records valuation allowances for loans considered to be impaired when it is probable that, based upon current information and events, the Company will be unable to collect all amounts due under the contractual terms of the loan agreement. Based on the facts and circumstances of the individual loans being impaired, loan specific valuation allowances are established for the excess carrying value of the loan over either: (i) the present value of expected future cash flows discounted at the loan s original effective interest rate; (ii) the estimated fair value of the loan s underlying collateral if the loan is in the process of foreclosure or otherwise collateral dependent; or (iii) the loan s observable market price.

The Company also establishes valuation allowances for loan losses for pools of loans with similar characteristics, such as loans based on similar property types or loans with similar loan-to-value or similar debt service coverage ratio factors when, based on past experience, it is probable that a credit event has occurred and the amount of loss can be reasonably estimated.

The determination of the amount of, and additions to, valuation allowances is based upon the Company s periodic evaluation and assessment of known and inherent risks associated with its loan portfolios. Such evaluations and assessments are based upon several factors, including the Company s experience for loan losses, defaults and loss severity, and loss expectations for loans with similar risk characteristics. These evaluations and assessments are revised as conditions change and new information becomes available. We update our evaluations regularly, which can cause the valuation allowances to increase or decrease over time as such evaluations are revised, and such changes in

the valuation allowance are also recorded in net investment gains (losses).

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The following tables present the changes in valuation allowances for commercial, agricultural and residential and consumer loans held-for-investment:

	Commercial	Agricultural	Residential and Consumer	Total
		(In millions)		
For the Three Months Ended March 31, 2010:				
Balance, beginning of period	$ 589	$ 115	$ 17	$ 721
Additions	37	6		43
Deductions	(2)	(11)		(13)
Balance, at end of period	$ 624	$ 110	$ 17	$ 751
For the Three Months Ended March 31, 2009:				
Balance, beginning of period	$ 232	$ 61	$ 11	$ 304
Additions	99	28	4	131
Deductions	(3)	(4)		(7)
Balance, at end of period	$ 328	$ 85	$ 15	$ 428

The following table presents the Company s valuation allowances for loans by type of credit loss at:

	March 31, 2010	December 31, 2009
	(In millions)	
Specific credit losses	$ 139	$ 123
Non-specifically identified credit losses	612	598
Total valuation allowances	$ 751	$ 721

The Company held $154 million and $210 million in mortgage loans which are carried at estimated fair value based on the value of the underlying collateral or independent broker quotations, if lower, of which $141 million and $202 million relate to impaired mortgage loans held-for-investment and $13 million and $8 million to certain mortgage loans held-for-sale, at March 31, 2010 and December 31, 2009, respectively. These impaired mortgage loans were recorded at estimated fair value and represent a nonrecurring fair value measurement. The estimated fair value is categorized as Level 3. Included within net investment gains (losses) for such impaired mortgage loans were net impairments of $24 million and $93 million for the three months ended March 31, 2010 and 2009, respectively.

Real Estate Holdings

The Company s real estate holdings consist of commercial properties located primarily in the United States. The Company diversifies its real estate holdings by both geographic region and property type to reduce risk of concentration. The carrying value of the Company s real estate, real estate joint ventures and real estate held-for-sale was $6.9 billion, or 1.9%, of total cash and invested assets at both March 31, 2010 and December 31, 2009.

Real estate holdings by type consisted of the following:

	March 31, 2010		December 31, 2009	
	Carrying Value	% of Total	Carrying Value	% of Total

	(In millions)			
Real estate	$ 5,478	79.8%	$ 5,435	78.8%
Accumulated depreciation	(1,439)	(20.9)	(1,408)	(20.4)
Net real estate	4,039	58.9	4,027	58.4
Real estate joint ventures and funds	2,651	38.6	2,698	39.1
Foreclosed real estate	136	1.9	127	1.9
Real estate held-for-investment	6,826	99.4%	6,852	99.4%
Real estate held-for-sale	40	0.6	44	0.6
Total real estate holdings	$ 6,866	100.0%	$ 6,896	100.0%

There were no impairments recognized on real estate held-for-sale for the three months ended March 31, 2010 and 2009. Impairments of real estate and real estate joint ventures held-for-investment were $21 million and $24 million for the three months ended March 31, 2010 and 2009, respectively. The Company s carrying value of real estate held-for-sale as presented above has been reduced by impairments of $1 million at both March 2010 and December 2009.

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These real estate joint ventures were recorded at estimated fair value and represent a non-recurring fair value measurement. The estimated fair value was categorized as Level 3. Impairments to estimated fair value for such cost basis real estate joint ventures of $21 million for the three months ended March 31, 2010 were recognized within net investment gains (losses) and are included in the $21 million of impairments on real estate and real estate joint ventures for the three months ended March 31, 2010. There were no cost basis real estate joint ventures impairments to estimated fair value included in the $24 million of impairments on real estate and real estate joint ventures for the three months ended March 31, 2009. The estimated fair value of the impaired real estate joint ventures after these impairments was $5 million at March 31, 2010.

Other Limited Partnership Interests

The carrying value of other limited partnership interests (which primarily represent ownership interests in pooled investment funds that principally make private equity investments in companies in the United States and overseas) was $5.8 billion and $5.5 billion, or 1.7% and 1.6% of total cash and invested assets at March 31, 2010 and December 31, 2009, respectively. Included within other limited partnership interests were $1.0 billion, at both March 31, 2010 and December 31, 2009, of investments in hedge funds.

Impairments on cost basis limited partnership interests are recognized at estimated fair value determined from information provided in the financial statements of the underlying other limited partnership interests in the period in which the impairment is recognized. Consistent with equity securities, greater weight and consideration is given in the other limited partnership interests impairment review process, to the severity and duration of unrealized losses on such other limited partnership interests holdings. Impairments to estimated fair value for such other limited partnership interests of less than $1 million and $96 million for the three months ended March 31, 2010 and 2009, respectively, were recognized within net investment gains (losses). The estimated fair value of the impaired other limited partnership interests after these impairments was less than $1 million and $74 million at March 31, 2010 and 2009, respectively. These impairments to estimated fair value represent non-recurring fair value measurements that have been classified as Level 3 due to the limited activity and price transparency inherent in the market for such investments.

Other Invested Assets

The following table presents the carrying value of the Company s other invested assets by type at:

	March 31, 2010		December 31, 2009	
	Carrying Value	% of Total	Carrying Value	% of Total
	(In millions)			
Freestanding derivatives with positive fair values	$ 5,672	46.0%	$ 6,133	48.2%
Leveraged leases, net of non-recourse debt	2,222	18.0	2,227	17.5
Joint venture investments	1,061	8.6	977	7.7
MSRs	859	7.0	878	6.9
Tax credit partnerships	732	5.9	719	5.7
Funds withheld at interest	504	4.1	505	4.0
Funding agreements	419	3.4	409	3.2
Other	858	7.0	861	6.8
Total	$ 12,327	100.0%	$ 12,709	100.0%

See Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding the freestanding derivatives with positive estimated fair values. See Investments Mortgage Servicing Rights in Note 3 to the Notes to the Interim Condensed Consolidated Financial Statements for information on mortgage servicing rights. Joint venture investments are accounted for on the equity method and represent the Company s investment in insurance underwriting joint ventures in Japan, Chile and China. Tax credit partnerships are established for the purpose of investing in low-income housing and other social causes, where the primary return on investment is in the form of tax

credits, and are accounted for under the equity method or under the effective yield method. Funds withheld at interest represent amounts contractually withheld by ceding companies in accordance with reinsurance agreements. Funding agreements represent arrangements where the Company has long-term interest bearing amounts on deposit with third parties and are generally stated at amortized cost.

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Short-term Investments

The carrying value of short-term investments, which include investments with remaining maturities of one year or less, but greater than three months, at the time of acquisition was $8.0 billion and $8.4 billion, or 2.3% and 2.5% of total cash and invested assets at March 31, 2010 and December 31, 2009, respectively. The Company is exposed to concentrations of credit risk related to securities of the U.S. government and certain U.S. government agencies included within short-term investments, which were $7.2 billion and $7.5 billion at March 31, 2010 and December 31, 2009, respectively.

Cash Equivalents

The carrying value of cash equivalents, which include investments with an original or remaining maturity of three months or less, at the time of acquisition was $7.3 billion and $8.4 billion at March 31, 2010 and December 31, 2009, respectively. The Company is exposed to concentrations of credit risk related to securities of the U.S. government and certain U.S. government agencies included within cash equivalents, which were $5.2 billion and $6.0 billion at March 31, 2010 and December 31, 2009, respectively.

Derivative Financial Instruments

Derivatives. The Company is exposed to various risks relating to its ongoing business operations, including interest rate risk, foreign currency risk, credit risk, and equity market risk. The Company uses a variety of strategies to manage these risks, including the use of derivative instruments. See Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements for a comprehensive description of the nature of the Company s derivative instruments, including the strategies for which derivatives are used in managing various risks.

See Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements for information about the notional amount, estimated fair value, and primary underlying risk exposure of Company s derivative financial instruments, excluding embedded derivatives held at March 31, 2010 and December 31, 2009.

Hedging. See Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements for information about:

- The notional amount and estimated fair value of derivatives and non-derivative instruments designated as hedging instruments by type of hedge designation at March 31, 2010 and December 31, 2009.
- The notional amount and estimated fair value of derivatives that are not designated or do not qualify as hedging instruments by derivative type at March 31, 2010 and December 31, 2009.
- The statement of operations effects of derivatives in cash flow, fair value, or non-qualifying hedge relationships for the three months ended March 31, 2010 and comparable 2009 period.

See Quantitative and Qualitative Disclosures About Market Risk Management of Market Risk Exposures Hedging Activities for more information about the Company s use of derivatives by major hedge program.

Fair Value Hierarchy. Derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy, are presented as follows:

	March 31, 2010			
	Derivative Assets		Derivative Liabilities	
	(In millions)			
Quoted prices in active markets for identical assets and liabilities (Level 1)	$ 30	1%	$ 48	1%
Significant other observable inputs (Level 2)	5,293	93	3,891	96
Significant unobservable inputs (Level 3)	349	6	114	3
Total estimated fair value	$ 5,672	100%	$ 4,053	100%

The valuation of Level 3 derivatives involves the use of significant unobservable inputs and generally requires a higher degree of management judgment or estimation than the valuations of Level 1 and Level 2 derivatives. Although Level 3 inputs are based on assumptions deemed appropriate given the circumstances and are assumed to be consistent

with what other market participants would use when pricing such instruments, the use of different inputs or methodologies could have a material effect on the estimated fair value of Level 3 derivatives and could materially affect net income.

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Derivatives categorized as Level 3 at March 31, 2010 include: interest rate forwards including interest rate lock commitments with certain unobservable inputs, including pull-through rates; equity variance swaps with unobservable volatility inputs or that are priced via independent broker quotations; foreign currency swaps which are cancelable and priced through independent broker quotations; interest rate swaps with maturities which extend beyond the observable portion of the yield curve; credit default swaps based upon baskets of credits having unobservable credit correlations, as well as credit default swaps with maturities which extend beyond the observable portion of the credit curves and credit default swaps priced through independent broker quotes; foreign currency forwards priced via independent broker quotations or with liquidity adjustments; implied volatility swaps with unobservable volatility inputs; equity options with unobservable volatility inputs; currency options based upon baskets of currencies having unobservable currency correlations; and credit forwards having unobservable repurchase rates.

At March 31, 2010 and December 31, 2009, 4.8% and 5.5%, respectively, of the net derivative estimated fair value was priced via independent broker quotations.

A rollforward of the fair value measurements for derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs for the three months ended March 31, 2010 is as follows:

	Three Months Ended March 31, 2010 (In millions)
Balance, beginning of period	$ 356
Total realized/unrealized gains (losses) included in:	
Earnings	(119)
Other comprehensive income (loss)	3
Purchases, sales, issuances and settlements	(5)
Transfer in and/or out of Level 3	
Balance, end of period	$ 235

See Management s Discussion and Analysis of Financial Condition and Results of Operations Summary of Critical Accounting Estimates Derivative Financial Instruments in the 2009 Annual Report for further information on the estimates and assumptions that affect the amounts reported above.

Credit Risk. See Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements for information about how the Company manages credit risk related to its freestanding derivatives, including the use of master netting agreements and collateral arrangements.

Credit Derivatives. See Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements for information about the estimated fair value and maximum amount at risk related to the Company s written credit default swaps.

Embedded Derivatives. The embedded derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy, are presented as follows:

	March 31, 2010 Net Embedded Derivatives Within			
	Asset Host Contracts		Liability Host Contracts	
	(In millions)			
Quoted prices in active markets for identical assets and liabilities (Level 1)	$	%	$	%
Significant other observable inputs (Level 2)			(9)	(1)

Significant unobservable inputs (Level 3)	56	100	1,050	101
Total estimated fair value	$ 56	100%	$ 1,041	100%

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A rollforward of the fair value measurements for net embedded derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs is as follows:

	Three Months Ended March 31, 2010 (In millions)
Balance, beginning of period	$ (1,455)
Total realized/unrealized gains (losses) included in:	
Earnings	519
Other comprehensive income (loss)	10
Purchases, sales, issuances and settlements	(68)
Transfer in and/or out of Level 3	
Balance, end of period	$ (994)

The valuation of the Company s guaranteed minimum benefits includes an adjustment for the Company s own credit. For the three months ended March 31, 2010 and 2009, the Company recognized net investment gains (losses) of ($86) million and 828 million, respectively, in connection with this adjustment.

See Management s Discussion and Analysis of Financial Condition and Results of Operations Summary of Critical Accounting Estimates Embedded Derivatives included in the 2009 Annual Report for further information on the estimates and assumptions that affect the amounts reported above.

Off-Balance Sheet Arrangements

Commitments to Fund Partnership Investments

The Company makes commitments to fund partnership investments in the normal course of business for the purpose of enhancing the Company s total return on its investment portfolio. The amounts of these unfunded commitments were $3.9 billion and $4.1 billion at March 31, 2010 and December 31, 2009, respectively. The Company anticipates that these amounts will be invested in partnerships over the next five years. There are no other obligations or liabilities arising from such arrangements that are reasonably likely to become material.

Mortgage Loan Commitments

The Company has issued interest rate lock commitments on certain residential mortgage loan applications totaling $2.8 billion and $2.7 billion at March 31, 2010 and December 31, 2009, respectively. The Company intends to sell the majority of these originated residential mortgage loans. Interest rate lock commitments to fund mortgage loans that will be held-for-sale are considered derivatives pursuant to the guidance on derivatives and hedging, and their estimated fair value and notional amounts are included within interest rate forwards.

The Company also commits to lend funds under certain other mortgage loan commitments that will be held-for-investment. The amounts of these mortgage loan commitments were $2.6 billion and $2.2 billion at March 31, 2010 and December 31, 2009, respectively.

The purpose of the Company s loan program is to enhance the Company s total return on its investment portfolio. There are no other obligations or liabilities arising from such arrangements that are reasonably likely to become material.

Commitments to Fund Bank Credit Facilities, Bridge Loans and Private Corporate Bond Investments

The Company commits to lend funds under bank credit facilities, bridge loans and private corporate bond investments. The amounts of these unfunded commitments were $1.3 billion at both March 31, 2010 and December 31, 2009. There are no other obligations or liabilities arising from such arrangements that are reasonably likely to become material.

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Lease Commitments

The Company, as lessee, has entered into various lease and sublease agreements for office space, data processing and other equipment. The Company s commitments under such lease agreements are included within the contractual obligations table. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources The Company Liquidity and Capital Uses Contractual Obligations in the 2009 Annual Report.

Credit Facilities, Committed Facilities and Letters of Credit

The Company maintains committed and unsecured credit facilities and letters of credit with various financial institutions. See Liquidity and Capital Resources The Company Liquidity and Capital Sources Credit and Committed Facilities, for further descriptions of such arrangements.

Guarantees

During the three months ended March 31, 2010, the Company did not record any additional liabilities for indemnities, guarantees and commitments. The Company s recorded liabilities were $5 million at both March 31, 2010 and December 31, 2009, for indemnities, guarantees and commitments.

Collateral for Securities Lending

The Company has non-cash collateral for securities lending on deposit from customers, which cannot be sold or repledged, and which has not been recorded on its consolidated balance sheets. The amount of this collateral was $5 million and $6 million at March 31, 2010 and December 31, 2009, respectively.

Liquidity and Capital Resources

Overview

Beginning in September 2008, the global financial markets experienced unprecedented disruption, adversely affecting the business environment in general, as well as financial services companies in particular. Conditions in the financial markets have materially improved, but financial institutions may have to pay higher spreads over benchmark U.S. Treasury securities than before the market disruption began. There is still some uncertainty as to whether the stressed conditions that prevailed during the market disruption could recur, which could affect the Company s ability to meet liquidity needs and obtain capital. The following discussion supplements the discussion in the 2009 Annual Report under the caption Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

Liquidity Management. Based upon the strength of its franchise, diversification of its businesses and strong financial fundamentals, we continue to believe that the Company has ample liquidity to meet business requirements under current market conditions and unlikely but reasonably possible stress scenarios. The Company s short-term liquidity position (cash, and cash equivalents and short-term investments, excluding cash collateral received under the Company s securities lending program that has been reinvested in cash, cash equivalents, short-term investments and publicly-traded securities and cash collateral received from counterparties in connection with derivative instruments) was $11.3 billion and $11.7 billion at March 31, 2010 and December 31, 2009, respectively. We continuously monitor and adjust our liquidity and capital plans for the Holding Company and its subsidiaries in light of changing needs and opportunities.

Pending Acquisition. On March 7, 2010, the Holding Company entered into a stock purchase agreement (the Stock Purchase Agreement) with ALICO Holdings LLC (the Seller) and American International Group, Inc., pursuant to which the Holding Company agreed to acquire all of the issued and outstanding capital stock of American Life Insurance Company (Alico) and Delaware American Life Insurance Company. The transaction is expected to close by the end of 2010, subject to certain regulatory approvals and determinations, as well as other customary closing conditions.

Pursuant to the Stock Purchase Agreement, the Holding Company will (i) pay $6.8 billion to the Seller in cash, and (ii) issue to the Seller (a) 78,239,712 shares of its common stock, (b) 6,857,000 shares of Series B Contingent Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock of the Holding Company, which will be convertible into approximately 68,570,000 shares of the Holding Company s common stock upon a favorable vote of the Holding Company s stockholders and (c) $3.0 billion aggregate

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stated amount of equity units of the Holding Company (together, the Securities), consisting of (x) forward purchase contracts obligating the holder to purchase a variable number of shares of the Holding Company s common stock on three specified future dates (to be determined at closing, approximately two, three and four years after closing, with an aggregate purchase price of $1 billion payable on each of those dates) for a fixed amount per purchase contract, and (y) an interest in shares of the Holding Company s preferred stock. At a future date, the interest in the preferred stock forming part of the equity units will be mandatorily exchanged for an interest in debt securities of the Company, which will be subject to remarketing and sold to investors. Holders of the equity units who elect to include their debt securities in a remarketing can use the proceeds thereof to meet their obligations under the forward purchase contracts. The aggregate amount of the Holding Company s common stock to be issued to the Seller in connection with the transaction is expected to be 214.6 million to 231.5 million shares, consisting of 78.2 million shares to be issued at closing, 68.6 million shares to be issued upon conversion of the Series B Contingent Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock (with the stockholder vote on such conversion to be held within one year after the closing) and between 67.8 million and 84.7 million shares of common stock, in total, issuable upon settlement of the purchase contracts forming part of the equity units (in three tranches approximately two, three and four years after the closing). The ownership of the Securities is subject to an investor rights agreement, which grants to the Seller certain rights and sets forth certain agreements with respect to the Seller s ownership, voting and transfer of the Securities. The Seller has indicated that it intends to monetize the Securities over time, subject to market conditions, following the lapse of agreed-upon minimum holding periods.

Concurrently with the entry into the Stock Purchase Agreement, the Holding Company signed a commitment letter (amended and restated on March 16, 2010) with various financial institutions for a senior credit facility in an aggregate principal amount of up to $5.0 billion. At the Holding Company s option, any loan under the senior credit facility will bear interest at a rate equal to (i) LIBOR plus the Applicable Margin (the Applicable Margin is 2.00% for the first 89 days after the closing date and, beginning on the 90th day after the closing date, is calculated using credit default swap rates on the Company s senior unsecured obligations plus a margin that increases with the amount of time that has passed since the closing), or (ii) the Base Rate (to be defined as the highest of (a) the Bank of America prime rate, (b) the Federal Funds rate plus 0.50% and (c) one month LIBOR plus 1.00%) plus the Applicable Margin. In addition, on the 90th, 180th and 270th day after the closing, the Company must pay a fee (increasing over time) equal to a percentage of the amounts outstanding under the credit facility on those dates. During the continuance of any default under the senior credit facility, the Applicable Margin on obligations owing thereunder shall increase by 2% per annum (subject, in all cases other than an insolvency default or default in the payment of principal when due, to the request of the Required Lenders (as defined therein). The senior credit facility will be used to finance any portion of the cash component of the purchase price of the Alico transaction that is not financed with sales of the Company s securities. Any borrowings under the senior credit facility must be repaid by the 364th day following the closing of the Alico transaction. Conditions precedent to closing of the senior credit facility are typical for transactions of this type, including (in addition to certain conditions precedent contained in the Stock Purchase Agreement): (i) no Material Adverse Effect (as defined in the commitment letter) since December 31, 2009 relating to the Holding Company and its subsidiaries, or November 30, 2009 relating to the Transferred Businesses (as defined in the commitment letter); (ii) long-term indebtedness of the Holding Company must be at or above a specified level as of closing; (iii) without consent of the lead arrangers, no change materially adverse to the lenders may be made in terms of the sources of funding for the transaction; and (iv) no term in the Stock Purchase Agreement may be waived adversely to the lenders without the consent of the lead arrangers.

The Company

Capital

The Company s capital position is managed to maintain its financial strength and credit ratings and is supported by its ability to generate strong cash flows at the operating companies, borrow funds at competitive rates and raise additional capital to meet its operating and growth needs.

While the Company raised new capital from its debt issuances during the difficult market conditions prevailing since the second half of 2008, the increase in credit spreads experienced since then has resulted in an increase in the cost of such new capital. As a result of reductions in interest rates, the Company s interest expense and dividends on

floating rate securities have been lower; however, the increase in the Company s credit spreads since the second half of 2008 has caused the Company s credit facility fees to increase.

Rating Agencies. Rating agencies assign insurer financial strength ratings to the Company s domestic life insurance subsidiaries and credit ratings to the Holding Company and certain of its subsidiaries. The level and composition of regulatory capital at the subsidiary level and equity capital of the Company are among the many factors considered in determining the Company s insurer financial strength and credit ratings. Each agency has its own capital adequacy evaluation methodology, and assessments are generally

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based on a combination of factors. In addition to heightening the level of scrutiny that they apply to insurance companies, rating agencies have increased and may continue to increase the frequency and scope of their credit reviews, may request additional information from the companies that they rate and may adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels.

A downgrade in the credit or insurer financial strength ratings of the Company or its subsidiaries would likely impact the cost and availability of financing for the Company and its subsidiaries and result in additional collateral requirements or other required payments under certain agreements, which are eligible to be satisfied in cash or by posting securities held by the subsidiaries subject to the agreements.

Statutory Capital and Dividends. Our insurance subsidiaries have statutory surplus well above levels to meet current regulatory requirements.

The amount of dividends that our insurance subsidiaries can pay to the Holding Company or other parent entities is constrained by the amount of surplus we hold to maintain our ratings and provides an additional margin for risk protection and investment in our businesses. We proactively take actions to maintain capital consistent with these ratings objectives, which may include adjusting dividend amounts and deploying financial resources from internal or external sources of capital. Certain of these activities may require regulatory approval.

Summary of Primary Sources and Uses of Liquidity and Capital. The Company s primary sources and uses of liquidity and capital are described below, and summarized as follows:

	Three Months Ended March 31,	
	2010	2009
	(In millions)	
Sources:		
Net cash provided by operating activities	$ 2,871	$
Net cash provided by changes in policyholder account balances	3,127	
Net cash provided by changes in bank deposits		604
Net cash provided by changes in payables for collateral under securities loaned and other transactions	1,786	
Net cash provided by short-term debt issuances		3,219
Long-term debt issued	163	469
Collateral financing arrangements issued		50
Common stock issued to settle stock forward contracts		1,035
Total sources	7,947	5,377
Uses:		
Net cash used in operating activities		985
Net cash used in investing activities	7,598	1,618
Net cash used for changes in policyholder account balances		673
Net cash used for changes in bank deposits	218	
Net cash used for changes in payables for collateral under securities loaned and other transactions		6,718
Net cash used for short-term debt repayments	594	
Long-term debt repaid	322	112
Dividends on preferred stock	30	30
Net cash used in other, net	67	12
Cash used in the effect of change in foreign currency exchange rates	28	44

Total uses	8,857	10,192
Net decrease in cash and cash equivalents	$ 910	$ 4,815

Liquidity and Capital Sources

Cash Flows from Operations. The Company s principal cash inflows from its insurance activities come from insurance premiums, annuity considerations and deposit funds. A primary liquidity concern with respect to these cash inflows is the risk of early contractholder and policyholder withdrawal.

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

Liquid Assets. An integral part of the Company s liquidity management is the amount of liquid assets it holds. Liquid assets include cash, cash equivalents, short-term investments and publicly-traded securities, excluding: (i) cash collateral received under the Company s securities lending program that has been reinvested in cash, cash equivalents, short-term investments and publicly-traded securities; (ii) cash collateral received from counterparties in connection with derivative instruments; (iii) cash, cash equivalents, short-term investments and securities on deposit with regulatory agencies; and (iv) securities held in trust in support of collateral financing arrangements and pledged in support of debt and funding agreements. At March 31, 2010 and December 31, 2009, the Company had $166.8 billion and $158.4 billion in liquid assets, respectively. For further discussion of invested assets on deposit with regulatory agencies, held in trust in support of collateral financing arrangements and pledged in support of debt and funding agreements, see Investments Invested Assets on Deposit, Held in Trust and Pledged as Collateral.

Global Funding Sources. Liquidity is also provided by a variety of short-term instruments, including repurchase agreements and commercial paper. Capital is provided by a variety of instruments, including medium- and long-term debt, junior subordinated debt securities, capital securities and equity securities. The diversity of the Company s funding sources, including funding that may be available through certain economic stabilization programs established by various government institutions, enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Company s global funding sources are set forth below:

The Holding Company and MetLife Funding, Inc. (MetLife Funding) each have commercial paper programs supported by our $2.85 billion general corporate credit facility. MetLife Funding, a subsidiary of MLIC, serves as a centralized finance unit for the Company. Pursuant to a support agreement, MLIC has agreed to cause MetLife Funding to have a tangible net worth of at least one dollar. At both March 31, 2010 and December 31, 2009, MetLife Funding had a tangible net worth of $12 million. MetLife Funding raises cash from various funding sources and uses the proceeds to extend loans, through MetLife Credit Corp., another subsidiary of MLIC, to the Holding Company, MLIC and other affiliates in order to enhance the financial flexibility and liquidity of these companies. At March 31, 2010 and December 31, 2009, MetLife Funding had total outstanding liabilities for its commercial paper program, including accrued interest payable, of $317 million and $319 million, respectively.

The Federal Reserve Bank of New York s Commercial Paper Funding Facility (CPFF) was initiated in 2008 to improve liquidity in short-term funding markets by increasing the availability of term commercial paper funding to issuers and by providing greater assurance to both issuers and investors that firms will be able to rollover their maturing commercial paper. MetLife Short Term Funding LLC, the issuer of commercial paper under a program supported by funding agreements issued by MLIC and MetLife Insurance Company of Connecticut (MICC), and MetLife Funding were both accepted for the CPFF in 2008. Neither MetLife Short Term Funding nor MetLife Funding had drawn funds under this program in 2009 or 2010. The CPFF expired on February 1, 2010.

MetLife Bank is a depository institution that is approved to use the Federal Reserve Bank of New York Discount Window borrowing privileges and participate in the Federal Reserve Bank of New York Term Auction Facility. To utilize these facilities, MetLife Bank has pledged qualifying loans and investment securities to the Federal Reserve Bank of New York as collateral. At both March 31, 2010 and December 31, 2009, MetLife Bank had no liability for advances from the Federal Reserve Bank of New York under these facilities.

As a member of the FHLB of NY, MetLife Bank has entered into repurchase agreements with the FHLB of NY on both short- and long-term bases, with a total liability for repurchase agreements with the FHLB of NY of $1.9 billion and $2.4 billion at March 31, 2010 and December 31, 2009, respectively.

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The Holding Company and MetLife Bank elected to participate in the debt guarantee component of the FDIC s Temporary Liquidity Guarantee Program (the FDIC Program). On March 26, 2009, the Holding Company issued $397 million of floating-rate senior notes due June 2012 under the FDIC Program, representing all of the Holding Company s capacity under the FDIC Program. MetLife Bank let its capacity to issue up to $178 million of guaranteed debt under the FDIC Program expire unused when the program ended on October 31, 2009.

In addition, the Company had obligations under funding agreements with the FHLB of NY of $13.6 billion and $13.7 billion at March 31, 2010 and December 31, 2009, respectively, for MLIC and with the FHLB of Boston of $125 million and $326 million at March 31, 2010 and December 31, 2009, respectively, for MICC. See Note 8 of the Notes to the Consolidated Financial Statements included in the 2009 Annual Report.

Outstanding Debt. The following table summarizes the outstanding debt of the Company at:

	March 31, 2010	December 31, 2009
	(In millions)	
Short-term debt	$ 318	$ 912
Long-term debt (1)	$ 13,071	$ 13,220
Collateral financing arrangements	$ 5,297	$ 5,297
Junior subordinated debt securities	$ 3,191	$ 3,191

(1) Excludes $7,106 million and $0 at March 31, 2010 and December 31, 2009, respectively, of long-term debt relating to consolidated securitization entities. See Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements.

Credit and Committed Facilities. The Company maintains unsecured credit facilities and committed facilities, which aggregated $3.2 billion and $12.8 billion, respectively, at March 31, 2010. When drawn upon, these facilities bear interest at varying rates in accordance with the respective agreements.

Information on the unsecured credit facilities used for general corporate purposes is as follows at March 31, 2010:

Borrower(s)	Expiration	Capacity	Letter of Credit Issuances	Drawdowns	Unused Commitments
			(In millions)		
MetLife, Inc. and MetLife Funding, Inc.	June 2012 (1)	$ 2,850	$ 132	$	$ 2,718
MetLife Bank, N.A	August 2010	300			300
Total		$ 3,150	$ 132	$	$ 3,018

(1) Proceeds are available to be used for general corporate purposes, to support the borrowers commercial paper programs and for the issuance of letters of credit. All borrowings under the credit agreement must be repaid by June 2012, except that letters of credit outstanding upon termination may remain outstanding until June 2013.

Information on the committed facilities used for collateral for certain of the Company s affiliated reinsurance liabilities is as follows at March 31, 2010:

Account Party/Borrower(s)	Expiration	Capacity	Letter of Credit Issuances	Drawdowns	Unused Commitments	Maturity (Years)
			(In millions)			
MetLife, Inc.	August 2010	$ 300	$ 300	$	$	
MetLife, Inc.	December 2010	1,500	494		1,006	
Exeter Reassurance Company Ltd., MetLife, Inc., & Missouri Reinsurance (Barbados), Inc.	June 2016 (1)	500	490		10	6
Exeter Reassurance Company Ltd.	December 2027 (2)	650	490		160	17
MetLife Reinsurance Company of South Carolina & MetLife, Inc.	June 2037	3,500		2,797	703	27
MetLife Reinsurance Company of Vermont & MetLife, Inc.	December 2037 (2)	2,896	1,513		1,383	27
MetLife Reinsurance Company of Vermont & MetLife, Inc.	September 2038 (2)	3,500	1,773		1,727	28
Total		$ 12,846	$ 5,060	$ 2,797	$ 4,989	

(1) Letters of credit and replacements or renewals thereof issued under this facility of $280 million, $10 million and $200 million are set to expire no later than December 2015, March 2016 and June 2016, respectively.

(2) The Holding Company is a guarantor under this agreement.

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Concurrently with the entry into the Stock Purchase Agreement, the Holding Company signed a commitment letter (amended and restated on March 16, 2010) with various financial institutions for a senior credit facility in an aggregate principal amount of up to $5.0 billion. The senior credit facility will be used to finance any portion of the cash component of the purchase price of the Alico transaction that is not financed with sales of the Company s securities. See Liquidity and Capital Resources Overview.

We have no reason to believe that our lending counterparties will be unable to fulfill their respective contractual obligations under these facilities. As commitments associated with letters of credit and financing arrangements may expire unused, these amounts do not necessarily reflect the Company s actual future cash funding requirements.

Covenants. Certain of the Company s debt instruments, credit facilities and committed facilities contain various administrative, reporting, legal and financial covenants. The Company believes it was in compliance with all covenants at March 31, 2010 and December 31, 2009.

Common Stock. During the three months ended March 31, 2010, 332,121 shares of common stock were issued from treasury stock for $18 million. During the three months ended March 31, 2010, 227,078 shares were newly issued for proceeds of $7 million.

Liquidity and Capital Uses

Debt Repayments. During the three months ended March 31, 2010 and 2009, MetLife Bank made repayments of $114 million and $100 million, respectively, to the FHLB of NY related to long-term borrowings. During the three months ended March 31, 2010 and 2009, MetLife Bank made repayments to the FHLB of NY related to short-term borrowings of $1.0 billion and $6.1 billion, respectively. During the three months ended March 31, 2009, MetLife Bank made repayments related to short-term borrowings to the Federal Reserve Bank of New York of $2.6 billion. No repayments were made to the Federal Reserve Bank of New York for the three months ended March 31, 2010.

Insurance Liabilities. The Company s principal cash outflows primarily relate to the liabilities associated with its various life insurance, property and casualty, annuity and group pension products, operating expenses and income tax, as well as principal and interest on its outstanding debt obligations. Liabilities arising from its insurance activities primarily relate to benefit payments under the aforementioned products, as well as payments for policy surrenders, withdrawals and loans. For annuity or deposit type products, surrender or lapse product behavior differs somewhat by segment. In the Retirement Products segment, which includes individual annuities, lapses and surrenders tend to occur in the normal course of business. During the three months ended March 31, 2010 and 2009, general account surrenders and withdrawals from annuity products were $847 million and $1,413 million, respectively. In the Corporate Benefit Funding segment, which includes pension closeouts, bank owned life insurance, other fixed annuity contracts, as well as funding agreements and other capital market products (including funding agreements with the FHLB of NY and the FHLB of Boston), most of the products offered have fixed maturities or fairly predictable surrenders or withdrawals. With regard to Corporate Benefit Funding liabilities that provide customers with limited liquidity rights, at March 31, 2010 there were $1,606 million of funding agreements and other capital market products that could be put back to the Company after a period of notice. Of these liabilities, $1,565 million were subject to notice periods between 15 and 90 days. The remainder of the balance was subject to a notice period of 6 months. An additional $460 million of Corporate Benefit Funding liabilities were subject to credit ratings downgrade triggers that permit early termination subject to a notice period of 90 days.

Dividends. Common stock dividend decisions are determined by the Holding Company s Board of Directors after taking into consideration factors such as the Company s current earnings, expected medium- and long-term earnings, financial condition, regulatory capital position, and applicable governmental regulations and policies. The payment of dividends and other distributions to the Holding Company by its insurance subsidiaries is regulated by insurance laws and regulations.

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Information on the declaration, record and payment dates, as well as per share and aggregate dividend amounts, for the Holding Company s Floating Rate Non-Cumulative Preferred Stock, Series A and 6.500% Non-Cumulative Preferred Stock, Series B is as follows for the three months ended March 31, 2010:

Declaration Date	Record Date	Payment Date	Series A Per Share	Dividend Series A Aggregate	Series B Per Share	Series B Aggregate
			(In millions, except per share data)			
March 5, 2010	February 28, 2010	March 15, 2010	$0.2500000	$ 6	$0.4062500	$ 24

Residential Mortgage Loans Held-for-Sale. At March 31, 2010, the Company held $2,003 million in residential mortgage loans held-for-sale, compared with $2,728 million at December 31, 2009, a decrease of $725 million. From time to time, MetLife Bank has an increased cash need to fund mortgage loans that it generally holds for a relatively short period before selling them to one of the government-sponsored enterprises such as FNMA or FHLMC. To meet these increased funding requirements, as well as to increase overall liquidity, MetLife Bank takes advantage of collateralized borrowing opportunities with the Federal Reserve Bank of New York and the FHLB of NY. For further detail on MetLife Bank s use of these funding sources, see The Company Liquidity and Capital Sources Global Funding Sources.

Investment and Other. Additional cash outflows include those related to obligations of securities lending activities, investments in real estate, limited partnerships and joint ventures, as well as litigation-related liabilities. Also, the Company pledges collateral to, and has collateral pledged to it by, counterparties under the Company s current derivative transactions. With respect to derivative transactions with credit ratings downgrade triggers, a two-notch downgrade would have increased the Company s derivative collateral requirements by $157 million at March 31, 2010. In addition, the Company has pledged collateral and has had collateral pledged to it, and may be required from time to time to pledge additional collateral or be entitled to have additional collateral pledged to it, in connection with collateral financing arrangements related to the reinsurance of closed block liabilities and universal life secondary guarantee liabilities.

Securities Lending. The Company participates in a securities lending program whereby blocks of securities, which are included in fixed maturity securities and short-term investments, are loaned to third parties, primarily brokerage firms and commercial banks, and the Company receives cash collateral from the borrower, which must be returned to the borrower when the loaned securities are returned to the Company. Under the Company s securities lending program, the Company was liable for cash collateral under its control of $23.3 billion and $21.5 billion at March 31, 2010 and December 31, 2009, respectively. Of these amounts, $3.9 billion and $3.3 billion at March 31, 2010 and December 31, 2009, respectively, were on open terms, meaning that the related loaned security could be returned to the Company on the next business day upon return of cash collateral. Of the $3.8 billion of estimated fair value of the securities related to the cash collateral on open terms at March 31, 2010, $3.6 billion were U.S. Treasury, agency and government guaranteed securities which, if put to the Company, can be immediately sold to satisfy the cash requirements. See Investments Securities Lending for further information.

Contractual Obligations. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources The Company Liquidity and Capital Uses Contractual Obligations in the 2009 Annual Report for additional information on the Company s contractual obligations.

On March 7, 2010, the Holding Company entered into the Stock Purchase Agreement, pursuant to which the Holding Company agreed to acquire all of the issued and outstanding capital stock of Alico and Delaware American Life Insurance Company. See Liquidity and Capital Resources Overview.

Support Agreements. The Holding Company and several of its subsidiaries (each, an Obligor) are parties to various capital support commitments, guarantees and contingent reinsurance agreements with certain subsidiaries of the Holding Company and a corporation in which the Holding Company owns 50% of the equity. Under these arrangements, each Obligor, with respect to the applicable entity, has agreed to cause such entity to meet specified capital and surplus levels, has guaranteed certain contractual obligations or has agreed to provide, upon the occurrence

of certain contingencies, reinsurance for such entity s insurance liabilities. We anticipate that in the event that these arrangements place demands upon the Company, there will be sufficient liquidity and capital to enable the Company to meet anticipated demands. See Liquidity and Capital Resources The Holding Company Liquidity and Capital Uses Support Agreements .

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

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

The Holding Company

Capital

Restrictions and Limitations on Bank Holding Companies and Financial Holding Companies. The Holding Company and its insured depository institution subsidiary, MetLife Bank, are subject to risk-based and leverage capital guidelines issued by the federal banking regulatory agencies for banks and financial holding companies. The federal banking regulatory agencies are required by law to take specific prompt corrective actions with respect to institutions that do not meet minimum capital standards. At their most recently filed reports with the federal banking regulatory agencies, the Holding Company and MetLife Bank met the minimum capital standards as per federal banking regulatory agencies with all of MetLife Bank s risk-based and leverage capital ratios meeting the federal banking regulatory agencies well capitalized standards and all of the Holding Company s risk-based and leverage capital ratios meeting the adequately capitalized standards.

Liquidity and Capital Sources

Dividends from Subsidiaries. The Holding Company relies in part on dividends from its subsidiaries to meet its cash requirements. The Holding Company s insurance subsidiaries are subject to regulatory restrictions on the payment of dividends imposed by the regulators of their respective domiciles. The dividend limitation for U.S. insurance subsidiaries is generally based on the surplus to policyholders at the end of the immediately preceding calendar year and statutory net gain from operations for the immediately preceding calendar year. Statutory accounting practices, as prescribed by insurance regulators of various states in which the Company conducts business, differ in certain respects from accounting principles used in financial statements prepared in conformity with GAAP. The significant differences relate to the treatment of DAC, certain deferred income tax, required investment liabilities, statutory reserve calculation assumptions, goodwill and surplus notes. Management of the Holding Company cannot provide assurances that the Holding Company s insurance subsidiaries will have statutory earnings to support payment of dividends to the Holding Company in an amount sufficient to fund its cash requirements and pay cash dividends and that the applicable insurance departments will not disapprove any dividends that such insurance subsidiaries must submit for approval.

The table below sets forth the dividends permitted to be paid by the respective insurance subsidiary without insurance regulatory approval:

Company	2010 Permitted w/o Approval (1) (In millions)
Metropolitan Life Insurance Company	$ 1,262
MetLife Insurance Company of Connecticut	$ 659
Metropolitan Tower Life Insurance Company	$ 93
Metropolitan Property and Casualty Insurance Company	$

(1)

Reflects dividend amounts that may be paid during 2010 without prior regulatory approval. However, because dividend tests may be based on dividends previously paid over rolling 12-month periods, if paid before a specified date during 2010, some or all of such dividends may require regulatory approval. None of these available amounts have been paid as of March 31, 2010.

Liquid Assets. An integral part of the Holding Company s liquidity management is the amount of liquid assets it holds. Liquid assets include cash, cash equivalents, short-term investments and publicly-traded securities. Liquid assets exclude cash collateral received under the Company s securities lending program that has been reinvested in cash, cash equivalents, short-term investments

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and publicly-traded securities. At March 31, 2010 and December 31, 2009, the Holding Company had $3.9 billion and $3.8 billion in liquid assets, respectively. In addition, the Holding Company has pledged collateral and has had collateral pledged to it, and may be required from time to time to pledge additional collateral or be entitled to have additional collateral pledged to it. At March 31, 2010 and December 31, 2009, the Holding Company had pledged $357 million and $289 million, respectively, of liquid assets under collateral support agreements.

Global Funding Sources. Liquidity is also provided by a variety of short-term instruments, including commercial paper. Capital is provided by a variety of instruments, including medium- and long-term debt, junior subordinated debt securities, collateral financing arrangements, capital securities and stockholders equity. The diversity of the Holding Company s funding sources enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. Other sources of the Holding Company s liquidity include programs for short-and long-term borrowing, as needed.

The Holding Company has an effective shelf registration statement. Subject to applicable regulatory restrictions or approvals, the Holding Company may issue an unlimited amount of debt and equity securities pursuant to this registration statement. The terms of any offering will be established at the time of the offering.

We continuously monitor and adjust our liquidity and capital plans for the Holding Company and its subsidiaries in light of changing requirements and market conditions.

Outstanding Debt. The following table summarizes the outstanding debt of the Holding Company at:

	March 31, 2010	December 31, 2009
	(In millions)	
Long-term debt unaffiliated	$ 10,386	$ 10,458
Long-term debt affiliated	$ 500	$ 500
Collateral financing arrangements	$ 2,797	$ 2,797
Junior subordinated debt securities	$ 1,748	$ 1,748

Credit and Committed Facilities. The Holding Company, along with MetLife Funding, maintains a $2.85 billion unsecured credit facility, as amended in 2008, the proceeds of which are available to be used for general corporate purposes. At March 31, 2010, the Holding Company had outstanding $132 million in letters of credit and no drawdowns against this facility. Remaining unused commitments were $2.7 billion at March 31, 2010.

The Holding Company maintains committed facilities with a capacity of $1.8 billion. At March 31, 2010, the Holding Company had outstanding $794 million in letters of credit and no drawdowns against these facilities. Remaining unused commitments were $1.0 billion at March 31, 2010. In addition, the Holding Company is a party to committed facilities of certain of its subsidiaries, which aggregated $11.0 billion at March 31, 2010. The committed facilities are used as collateral for certain of the Company s affiliated reinsurance liabilities.

See The Company Liquidity and Capital Sources Credit and Committed Facilities for further detail on these facilities.

Concurrently with the entry into the Stock Purchase Agreement, the Holding Company signed a commitment letter (amended and restated on March 16, 2010) with various financial institutions for a senior credit facility in an aggregate principal amount of up to $5.0 billion. The senior credit facility will be used to finance any portion of the cash component of the purchase price of the Alico transaction that is not financed with sales of the Company s securities. See Liquidity and Capital Resources Overview.

Covenants. Certain of the Holding Company s debt instruments, credit facilities and committed facilities contain various administrative, reporting, legal and financial covenants. The Holding Company believes it was in compliance with all covenants at March 31, 2010 and December 31, 2009.

Liquidity and Capital Uses

The primary uses of liquidity of the Holding Company include debt service, cash dividends on common and preferred stock, capital contributions to subsidiaries, payment of general operating expenses and acquisitions. Based on our analysis and comparison of our current and future cash inflows from the dividends we receive from

subsidiaries that are permitted to be paid without prior insurance regulatory approval, our asset portfolio and other cash flows and anticipated access to the capital markets, we believe there will be sufficient liquidity and capital to enable the Holding Company to make payments on debt, make cash dividend payments on its common and preferred stock, contribute capital to its subsidiaries, pay all operating expenses and meet its cash needs.

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Affiliated Capital Transactions. During the three months ended March 31, 2010 and 2009, the Holding Company invested an aggregate of $20 million and $585 million, respectively, in various subsidiaries.

The Holding Company lends funds, as necessary, to its subsidiaries, some of which are regulated, to meet their capital requirements. Such loans are included in loans to subsidiaries and consisted of the following at:

Subsidiaries	Interest Rate	Maturity Date	March 31, 2010	December 31, 2009
			(In millions)	
Metropolitan Life Insurance Company	6-month LIBOR + 1.80%	December 31, 2011	$ 775	$ 775
Metropolitan Life Insurance Company	6-month LIBOR + 1.80%	December 31, 2011	300	300
Metropolitan Life Insurance Company	7.13%	December 15, 2032	400	400
Metropolitan Life Insurance Company	7.13%	January 15, 2033	100	100
Total			$ 1,575	$ 1,575

Debt Repayments. None of the Holding Company s debt is due before December 2011, so there is no near-term debt refinancing risk.

Support Agreements. The Holding Company has guaranteed the obligations of its subsidiary, Missouri Reinsurance (Barbados) Inc. (MoRe), under a retrocession agreement with RGA Reinsurance (Barbados) Inc., pursuant to which MoRe retrocedes certain group term life insurance issued by MLIC. For further information on support agreements entered into by the Holding Company, see The Company Liquidity and Capital Uses Support Agreements and Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources The Holding Company Liquidity and Capital Uses Support Agreements in the 2009 Annual Report.

Adoption of New Accounting Pronouncements

See Adoption of New Accounting Pronouncements in Note 1 of the Notes to the Interim Condensed Consolidated Financial Statements.

Future Adoption of New Accounting Pronouncements

See Future Adoption of New Accounting Pronouncements in Note 1 of the Notes to the Interim Condensed Consolidated Financial Statements.

Subsequent Events

On April 19, 2010, the Company entered into a definitive agreement with a third party to sell MetLife Taiwan Insurance Company Limited (MetLife Taiwan) for approximately $113 million in cash consideration. The total equity of MetLife Taiwan was $218 million, including accumulated other comprehensive income of $54 million, at March 31, 2010. The transaction is expected to close in the second half of 2010, subject to certain regulatory approvals and other customary closing conditions.

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Part II Other Information

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

METLIFE, INC.

By /s/ Peter M. Carlson
Name: Peter M. Carlson
Title: Executive Vice President, Finance Operations and Chief Accounting Officer
(Authorized Signatory and Principal Accounting Officer)

Date: November 22, 2010

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Exhibit Index

Exhibit No.	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.